ADVERTISING AS A BUSINESS FORCE

By

PAUL TERRY CHERINGTON

Of the Graduate School of Business Administration,
Harvard University

ADVERTISING AS A BUSINESS FORCE

ADVERTISING AS A BUSINESS FORCE

A COMPILATION OF EXPERIENCE RECORDS

BY

PAUL TERRY CHERINGTON

INSTRUCTOR IN COMMERCIAL ORGANIZATION IN THE GRADUATE SCHOOL OF BUSINESS ADMINISTRATION, HARVARD UNIVERSITY

FRUCTUS QUAM FOLIA

PUBLISHED BY

DOUBLEDAY, PAGE & COMPANY

FOR

THE ASSOCIATED ADVERTISING CLUBS OF AMERICA

1913

To

HERBERT S. HOUSTON

CHAIRMAN OF THE EDUCATIONAL COMMITTEE
OF THE
ASSOCIATED ADVERTISING CLUBS OF AMERICA

THIS BOOK IS DEDICATED

"*Such earnest natures are the fiery pith,*
The compact nucleus, 'round which systems grow!
Mass after mass becomes inspired therewith,
And whirls impregnate with the central glow."

PREFACE

THE purpose of this book is to provide a text for the individual instruction work for the Educational Committee of the Associated Advertising Clubs of America. Throughout the work of compilation we shall endeavor to keep strictly to this purpose. In the selection of experience records it will be our aim to make our choices primarily with this object in mind. In a choice between two articles of equal value, the availability of one or the other for individual instruction purposes will lead to its selection.

If the book, in addition to being useful for this individual instruction work, serves to put before advertisers, in a somewhat new light, material with which they are already familiar, we shall be glad that its usefulness may be thus extended.

Again, if the compilation of these experience records serves to preserve from disappearance, in the files of the publications in which they appeared, some extremely valuable material covering the development of advertising during the last few years, we shall be glad that its usefulness has been enhanced by that service also.

The plan of the book embraces the selection of records of experience showing how advertising activities have been related to the selling results they were designed to produce. These experience records will be compiled under a few general headings corresponding with chapter divisions, and these general headings will be arranged in two main groups. The first of these groups will discuss the organization of the distribution system for handling goods sold ultimately at retail, and will discuss the advertising aspects of the successive steps in this system. Some attention also will be given to the changes in the distribution system and the advertising aspects of the new conditions resulting from these changes. The second group of chapters will be devoted to a discussion of present-day advertising problems and methods.

The plan for the compilation provides for comparatively little constructive interpretation on the part of the compiler of the quotations selected. We shall aim to make the quotations tell their own story as far as possible. We believe that what we sacrifice in this way, in the matter of unity, we shall gain in preservation of freshness and variety of viewpoint — to say nothing of the preservation of the air of authority which can only come from a much wider range of knowledge than any one person can possess.

We wish to express our thanks to those who have so liberally assisted us in making this compilation. John Irving Romer, editor of *Printers' Ink*, Le Roy Fairman, editor of *Advertising and Selling*, and D. V. Casey, managing editor of *System*, we wish to especially thank for their cordial co-operation in giving us access to their files, and we wish to thank the proprietors of each of these magazines for permission to use the material which they have published.

We wish, also, to acknowledge our appreciation of the extremely cordial co-operation which we have received in all matters from Chairman Herbert S. Houston of the Educational Committee, and from the members of the committee, who have from time to time examined the work while it was in progress and have been of great assistance with their frank criticisms and valuable suggestions.

CONTENTS

PART I

ADVERTISING AND DISTRIBUTION

CHAPTER III

CHAPTER IV

CHAPTER V

ADVERTISING AS A BUSINESS FORCE

CHAPTER I

SELLING PROBLEMS AND THE ADVERTISER

A CANNER of baked beans had been advertising for years that his beans were the best canned beans that could be produced. In spite of careful devising and skilful execution of his advertising plans his sales increased only moderately.

What an Analysis of the Market Showed

One day he — or his advertising agent for him — made an analysis of his market. His methods of analysis and his figures are his own secret, but he found something like this: About 60 per cent. of the families in "his market" did not use baked beans at all, as a regular part of their diet. About 20 per cent. preferred to bake their own beans, and about 10 per cent. were using his beans, leaving 10 per cent. of the possible trade in the hands of his competitors. Then he saw a great light. He had been advertising merely to keep the 10 per cent. of the possible bean trade of his region which he already had, and to win from his competitors a share of another 10 per cent., but he was making no effective appeal to 80 per cent. of the possible trade. He had analyzed his product, but he had not made a study of his possible market.

Another Analysis Was Needed

The advertising plan was rearranged to appeal to the two great unreached classes — those who did not use baked beans and those who baked their own — and before long the results were surprisingly good. And then the growth slackened. A leak had developed somewhere and only a small part of the expected effects of the advertising came back in the shape of business. Another investigation showed that the advertising appeal was not adequately co-ordinated with the distribution system. These beans were not always "present" when consumer-interest became consumer-demand — when Mrs. Consumer asked her grocer for a can of Mr. Advertiser's beans.

This was a more difficult problem to solve than the other, and the manufacturer is not at all sure that he has it solved even yet. At least he is skeptical about the permanence of his solution. But he is sure that his advertising is giving him results far better than those he secured when he based his plans on one or two instead of all three of the elements of the situation — the goods, the market, and the system of distribution. He now sees advertising in its various aspects as a business force.*

Advertising as a business force is the theme of this study. It is our plan to investigate this side of the subject by examining concrete cases chosen from such records as are available. Advertising technique we shall study only incidentally, leaving a detailed discussion to others.

The Plan of This Book

Furthermore, we shall seek to simplify our study by confining our attention to the advertising problems connected with the sale of those articles which find their final outlet into consumption in small units — goods finally sold at retail.

We shall try to find what is true in this field first, rather than to generalize over all the possible fields of advertising activity. If we can find how advertising is tied up with the various steps in distributing hardware, groceries, drygoods, drugs, and the like, we may establish principles which can be traced as working in community publicity, railway advertising, and the other fields where the desired ends are attained by more indirect methods.

A good chess player never forgets that he is in the game for one thing. He wants to checkmate his opponent's

* This case has been based in part on actual facts. It should not, however, be taken as more than a hypothetical case to emphasize the two points made.

king. He may be able to do it in two moves, or he may take a hundred moves to do it. But that one thing is what he is after. And so the good advertiser never loses sight of the fact that he is aiming finally at sales. He may be moving the pawn of general publicity, he may be protecting a castle of fixed price, he may be making any one of a thousand advertising moves, but ultimately he expects his advertising by its effects on sales to make his business bigger, or steadier, or more permanent, or more profitable, or all of these together.

In the field to which we are confining our attention — merchandise for individual consumption — this ultimate purpose takes the form of a large number of small sales to individual consumers. And the number must not only be large but it must have all the possible elements of permanence and stability.

The channels through which these sales are to be executed become an element in every advertising plan in this field. The advertiser, whether he be a producer, a wholesaler or a retailer, is obliged to lay out his attack on the consumer's buying desires with an eye to the means by which those desires are to be converted into sales.

The Article, the Consumer, and the Selling System

The *article* to be sold, the possible *consumer*, and the *means* by which the article is brought to the consumer are the three great factors in distribution of goods for retail consumption which bear on advertising. An analysis of these factors by some clear, logical method thus becomes not merely a valuable adjunct of the advertising plan, but a necessary part of it. We have seen how it changed the advertising methods of the bean-canner. The question is: How is such an analysis to be made?

No plan ever has been devised, and it is a safe prediction that none ever will be, which can be used as a foot rule for measuring all the elements of an advertising campaign. But a number of methods have been worked out which contain valuable suggestions for analytical studies of this kind.

A METHOD OF COMMERCIAL ANALYSIS

One Method of Procedure

For instance, R. E. Fowler, advertising manager of the Printz-Biederman Co., of Cleveland, Ohio, is sponsor for an ingenious and suggestive series of charts showing how an analysis might be undertaken of goods (*Printers' Ink*, February 18, 1912, p. 53), of the possible market (*Printers' Ink*, February 22, 1912, p. 20) and of the means of distribution (*Printers' Ink*, March 14, 1912, p. 28). These charts, while they cannot of course be taken as a final and accurate working plan for every, or any, advertising campaign, do suggest the kind of points every advertiser needs to have in mind. And they are valuable as a suggestion of the point of view an advertiser should cultivate whether he be interested in national, sectional, or local advertising effort.

Mr. Fowler's chart is prepared from the standpoint of a manufacturer's advertising manager. And this viewpoint becomes apparent in many features of the schedule as he has laid it out. This point should be kept in mind when studying the outline.

Furthermore, it should be remembered that this is merely a suggestion of analytical method. It is doubtful whether Mr. Fowler even designed it to be used as a scale, or yardstick, by which every advertising plan could be judged, or tested. If it will help students of advertising to approach their problems with a clearer idea of the complexity of the problems they must solve it will have served its purpose well.

This chart and those which follow should not be merely read over or glanced through. If they are to be of real service they must be studied. And the study must be critical, and it must be careful and painstaking.

Mr. Fowler's chart for analysis of the commodity for sale is as follows:

TABULAR ANALYSIS of PRODUCT*

- Product
  - Demand
    - Developed / Undeveloped
      - By education
      - By necessity
    - Forced or
    - Natural
    - Permanent or
    - Seasonable
  - Serviceability
    - Is it a necessity?
    - Is it a luxury?
    - Is it a convenience?
    - Is it durable?
    - Is it economical in use?
  - Quality
    - of raw materials
    - of design / of workmanship / of appearance
      - How does it compare with competing articles on these items?
    - of finish
  - Price to
    - Jobber
    - Broker
    - Retailer
    - Consumer
      - High
      - Medium
        - How does it compare with competing articles?
      - Low
  - Profit to
    - Manufacturer
    - Jobber
    - Broker
    - Retailer
      - Larger than on competing lines
      - Same as on competing lines
      - Smaller than on competing lines
  - Competition
    - Officered by old men
    - Officered by young men
    - Aggressive
    - Lax
    - Long established
    - Newly established
    - Wealthy
    - Limited means
    - Their sales plans
    - Their adv. campaign
    - Their policy toward customers
    - Their sales manager
    - Their sales force
    - Their credit department's attitude toward customers

An examination of these items will show that each one has some bearing on the selection of the form and method of appeal to the consumer.

*Printers' Ink, February 8, 1912, p. 54.

Mr. Fowler's tabular plan of analyzing the possible market for the commodity suggests a second set of factors bearing on the advertising:

TABULAR ANALYSIS OF THE POSSIBLE FIELD OF DEMAND*

- Field
  - Location
    - City
    - Town
    - Country
    - Local
    - Territorial
    - National
  - Consumers
    - Male ......
      - Wealthy
      - Well-to-do
      - Poor
      - Married
      - Single
      - Young
      - Middle-aged
      - Old
      - Laborers...
        - Skilled
        - Unskilled
      - Farmers
      - Mechanics
      - Clerks
      - Professions ....
        - Doctors
        - Lawyers
        - Ministers
        - Dentists
        - Mech. Engr.
        - Elec. Engr.
        - Civil Engr.
        - Etc.
      - Business Men
    - Female....
      - Rich
      - Medium
      - Poor
      - Married
      - Single
      - Young
      - Old
      - Middle-aged
      - Servants
      - Factory Workers
      - Office Workers
      - Trade Workers
      - Prof. Workers
      - Mothers
      - Society or Club Women
  - Climate
    - Frigid
    - Temperate
    - Tropic
    - Length of Seasons.
    - Temperat're
    - Rainfall
    - Vegetation
  - Financial condition depends on
    - Crops
    - Mining
    - Manufacturing
    - Transportation Lines
    - Speculation
    - Prof. Services Rendered
  - Transpor'tion
    - Railroads
    - Water Routes
    - Trolley
    - Wagons
    - Pack Trains

Printers' Ink, February 22, 1912, p. 22.

TABULAR ANALYSIS OF THE POSSIBLE FIELD OF DEMAND—*Cont.**

- Field
  - Transpor'tion
    - Length of Haul
    - Rates
    - Method of Packing
  - Competition
    - Officered by Old Men
    - Officered by Young Men
    - Aggressive
    - Lax
    - Long Established.
    - Newly Established
    - Wealthy
    - Limited Means
    - Their Sales Plans
    - Their Sales Mgr.
    - Their Sales Force
    - Their Policy Toward Customers
    - Their Credit Department's Attitude Toward Customers
    - Their Adv. Campaign

The various factors in the distribution system and the available advertising mediums for reaching them are covered by Mr. Fowler in a third chart, and this, like the others, is full of suggestions:

ANALYSIS SHOWING SCHEME OF DISTRIBUTION†

- Distribution
  - Direct to Consumer by Mail Order
    - National
      - National Publication on Adv.
      - Catalogues
      - Mailing Lists
      - Follow-up Letters
      - Local Solicitors
      - Mail-order Clubs
      - Special Offers
    - Local
      - Newspaper Adv.
      - Bill Boards
      - Street Cars
      - Catalogues
      - Mailing Lists
      - Follow-up Letters
      - Special Offers
      - Local Solicitors
      - Mail-order Clubs

**Printers' Ink*, February 22, 1912, p. 22.

†*Printers' Ink* March 14, 1912,pp. 30 and 32.

ANALYSIS SHOWING SCHEME OF DISTRIBUTION—*Continued**

- Distribution
  - Direct to Consumer by Mail Order
    - Ter'torial
      - Sectional Magazine Adv.
      - Newspaper Adv.
      - Bill Boards
      - Street Cars
      - Catalogues
      - Follow-up Letters
      - Mailing Lists
      - Special Offers
      - Local Solicitors
      - Mail-order Clubs
  - From Factory to Retailer to Consumer
    - National
      - Branch Offices
      - National Adv.
      - Auxiliary Adv.
      - Salesmen
        - Education of
      - To Dealer
        - Trade Papers
        - Catalogues
        - Follow-up Letters
        - Mailing Lists
        - Posters
        - Street Car Cards
        - Window Cards
        - Win'w Suggest'ns
        - Cuts
        - Copy
        - Pers'l Assistance
        - Education of Sales Force
        - Inquiries Referred
      - To Consu'er
        - Catalogues
        - Follow-up Letters
        - Personal Letters
        - Samples
        - Canvassers
    - Local
      - Dealer
        - Salesmen
          - Education of
        - Orders from Canvassers
        - Newspaper Adv.
        - Publishing List of Dealers
        - Bill Board Campaign
        - Street Car Adv.
        - Window Displays
        - Education of Sales Force
        - Demonstration if possible
        - Adv. sent Consumers on Dealers' Mailing List
          - Catalog's
          - Foll'w-ups
          - Samples if possible
      - Consumer
        - Newspaper Adv.
        - Bill Board Campaign
        - Street Car Adv.
        - Window Displays
        - Demonstrations if possible
        - Canvassers
        - Catalogues
        - Follow-ups
        - Samples if possible

Printers' Ink, March 14, 1912, pp. 30 and 32.

ANALYSIS SHOWING SCHEME OF DISTRIBUTION—*Continued**

- Distribution
  - From Factory to Retailer to Consumer
    - Terri-torial
      - Dealer
        - Sectional Magazines
        - Balance same as dealer classification above
      - Cons'm'r
        - Sectional Magazines
        - Balance same as consumer classification above
  - Through Regular Channels Jobber to Retailer to Consumer
    - Na-tional
      - Jobber
        - National Jobbers Magazines
        - Trade Papers
        - National Magazine Adv.
        - Manufacturers' Salesmen
        - Personal Letters
        - Follow-up Propositions
        - Edu. of Jobbers' Salesmen
        - Orders taken by Mfrs.
        - Salesmen given to Jobbers
      - Dealer
        - National Mag. Adv.
        - Trade Papers
        - Salesmen
        - Catalogues
        - Follow-up Letters and Folders
        - Bill Board Campaign
        - Street Car Adv.
        - Window Displays
        - Cuts
        - Education of Salespeople
        - Referring of Inquirers
        - Personal Assistance
      - Cons'm'r
        - National Mag. Adv.
        - Bill Board Campaign
        - Street Car Adv.
        - Dealers' Window Displays
        - Dealers' Newspaper Adv.
        - Catalogues
        - Follow-up Letters
        - Demonstrations if possible
        - Canvassers
        - Samples if possible
    - Local
      - Jobber
        - Newspaper Adv.
        - Salesmen
        - Personal Calls
        - Personal Letters
        - Orders taken by Mfrs. Sales-men given to Jobbers
        - Follow-up Propositions
        - Edu. of Jobbers' Salesmen

**Printers' Ink*, March 14, 1912, pp. 30 and 32.

ANALYSIS SHOWING SCHEME OF DISTRIBUTION—*Cont.**

- Distribution
  - Through Regular Channels Jobber to Retailer to Consumer
    - Local
      - Dealer
        - Newspaper Adv.
        - Local Bill Board Campaign
        - Local Street Car Campaign
        - Window Displays
        - Canvasser's Orders from Consumers
        - Catalogues
        - Follow-up Letters
        - Publishing List of Dealers
        - Education of Sales Force
        - Adv. sent to Consumers on Dealers Mailing List
        - Demonstrations if possible
      - Cons m'r
        - Newspaper Adv.
        - Bill Board Campaign
        - Street Car Campaign
        - Dealer's Window Displays
        - Demonstrations
        - Canvassers
        - Catalogues
        - Follow-ups
        - Samples if possible
    - Ter't'al
      - Jobber, Dealer, Consumer
        - Same as local above

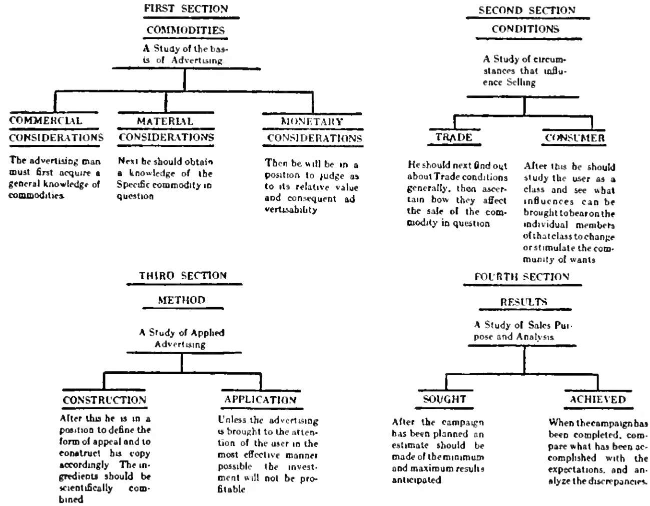
ANOTHER ANALYTICAL PLAN

Another method of approach to the subject is that worked out by Gerald B. Wadsworth of New York. This method is detailed by Mr. Wadsworth in a series of articles appearing under the title "Principles and Practice of Advertising" in *Advertising and Selling* during 1911–12. (Copyrighted, 1912, by Gerald B. Wadsworth.) In the July, 1912, issue of that paper, Mr. Wadsworth summed up some of his main points in a set of diagrams which it will be found interesting and suggestive to compare with the charts of Mr. Fowler.

**Printers' Ink*, March 14, 1912, pp. 30 and 32.

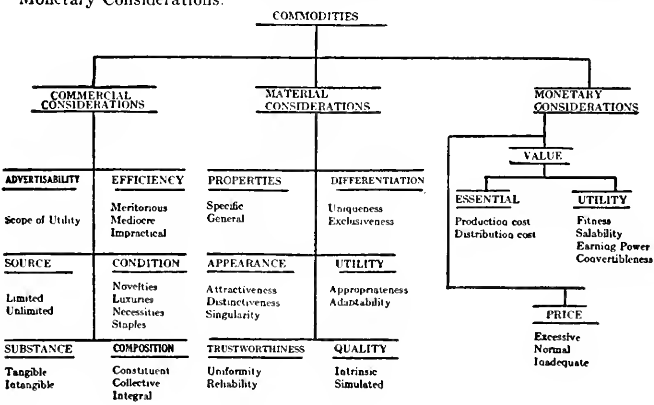
ANALYTICAL CHART—PRINCIPLES AND PRACTICE OF ADVERTISING

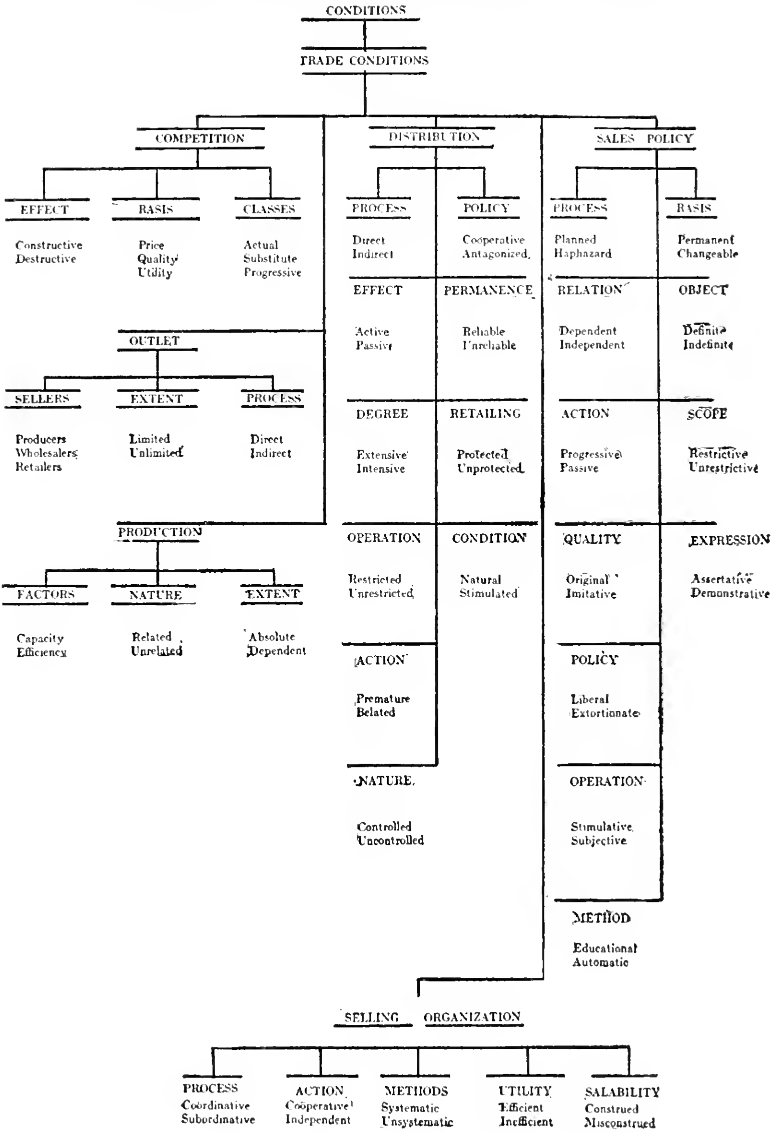
The advertising man has to deal with and consider four important, general factors— Commodities, Conditions, Methods and Results.

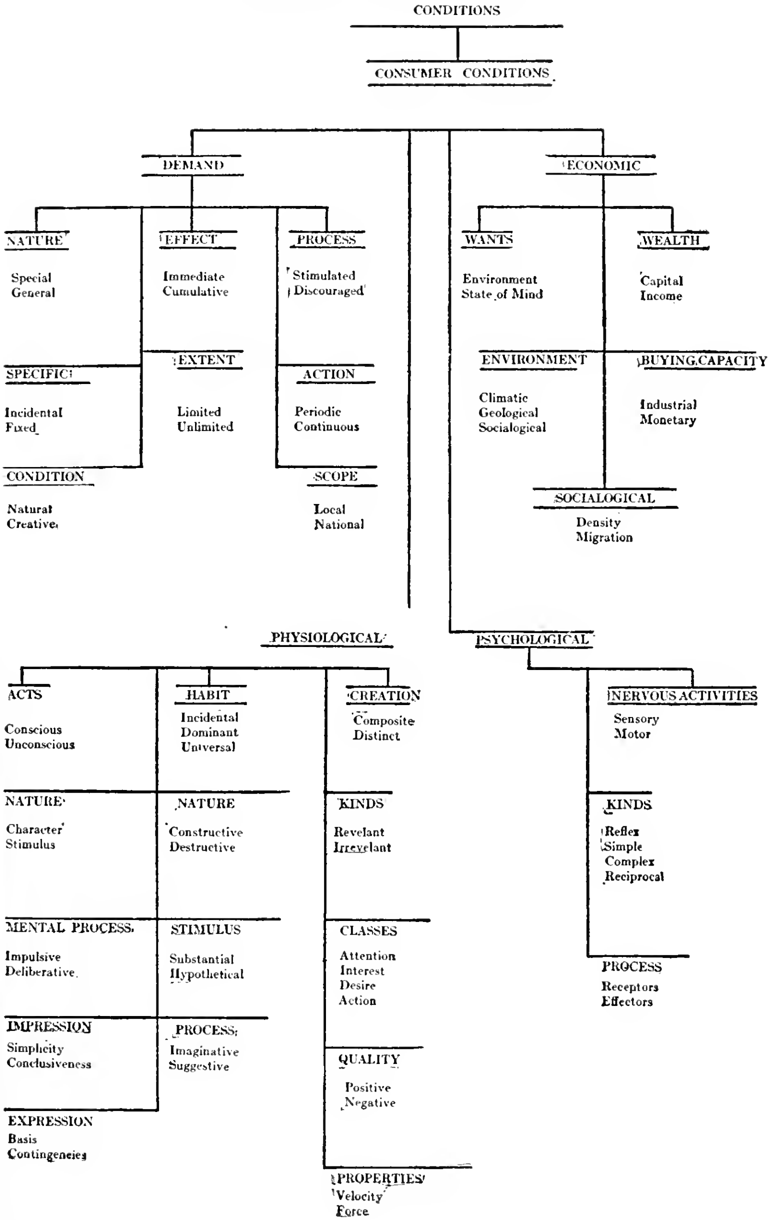


FIRST SECTION

The advertising man should ascertain the status of a commodity, both as to its intrinsic merit and the relation it bears to commodities in general. This enables him to judge as to the possibilities of its development. This may be accomplished by determining to what degree it meets or fails to meet certain requirements. To assist this effort the study of commodities is regarded from three viewpoints: i. e.— Commercial Considerations, Material Considerations, Monetary Considerations.




CONDITIONS
TRADE CONDITIONS
COMPETITION
EFFECT
Constructive
Destructive
BASIS
Price
Quality
Utility
CLASSES
Actual
Substitute
Progressive
OUTLET
SELLERS
Producers
Wholesalers
Retailers
EXTENT
Limited
Unlimited
PROCESS
Direct
Indirect
PRODUCTION
FACTORS
Capacity
Efficiency
NATURE
Related
Unrelated
EXTENT
Absolute
Dependent
DISTRIBUTION
PROCESS
Direct
Indirect
POLICY
Coöperative
Antagonized
EFFECT
Active
Passive
PERMANENCE
Reliable
Unreliable
DEGREE
Extensive
Intensive
RETAILING
Protected
Unprotected
OPERATION
Restricted
Unrestricted
CONDITION
Natural
Stimulated
ACTION
Premature
Belated
NATURE
Controlled
Uncontrolled
SALES POLICY
PROCESS
Planned
Haphazard
BASIS
Permanent
Changeable
RELATION
Dependent
Independent
OBJECT
Definite
Indefinite
ACTION
Progressive
Passive
SCOPE
Restrictive
Unrestrictive
QUALITY
Original
Imitative
EXPRESSION
Assertative
Demonstrative
POLICY
Liberal
Extortionate
OPERATION
Stimulative
Subjective
METHOD
Educational
Automatic
SELLING ORGANIZATION
PROCESS
Coördinative
Subordinative
ACTION
Coöperative
Independent
METHODS
Systematic
Unsystematic
UTILITY
Efficient
Inefficient
SALABILITY
Construed
Misconstrued


CONDITIONS
CONSUMER CONDITIONS
DEMAND
NATURE
Special
General
EFFECT
Immediate
Cumulative
PROCESS
Stimulated
Discouraged
SPECIFIC
Incidental
Fixed
EXTENT
Limited
Unlimited
ACTION
Periodic
Continuous
CONDITION
Natural
Creative
SCOPE
Local
National
ECONOMIC
WANTS
Environment
State of Mind
WEALTH
Capital
Income
ENVIRONMENT
Climatic
Geological
Socialogical
BUYING CAPACITY
Industrial
Monetary
SOCIALOGICAL
Density
Migration
PHYSIOLOGICAL
ACTS
Conscious
Unconscious
HABIT
Incidental
Dominant
Universal
CREATION
Composite
Distinct
NATURE
Character
Stimulus
NATURE
Constructive
Destructive
KINDS
Revelant
Irrevelant
MENTAL PROCESS
Impulsive
Deliberative
STIMULUS
Substantial
Hypothetical
CLASSES
Attention
Interest
Desire
Action
IMPRESSION
Simplicity
Conclusiveness
PROCESS
Imaginative
Suggestive
QUALITY
Positive
Negative
EXPRESSION
Basis
Contingencies
PROPERTIES
Velocity
Force
PSYCHOLOGICAL
NERVOUS ACTIVITIES
Sensory
Motor
KINDS
Reflex
Simple
Complex
Reciprocal
PROCESS
Receptors
Effectors

A FORM-AND-MOTIVE CHART

A third type of analytical method is one which attempts to attach to the analysis a record of the forms of appeal which are called for, thus linking the motive to be stirred with the form of appeal which is to stir it. Under the title "What Makes Men Buy?" this form of chart is described by Carroll D. Murphy of the *System* staff as follows:

ANALYSIS OF SELLING OR ADVERTISING PROBLEM

Analysis of Factors in Selling	Buying Action Required of Prospect	Increased Expenditure of Prospect's Money		Change in Direction of Present Expenditure	
	Class of Product	A	B	C	D
	Character of Product	Unfamiliar and Without Ready Demand	Unfamiliar but Matching Unexpressed Demand	Familiar but Offered in an Unusual way	Similar to Goods Regularly Sold in Same Way
	Attitude of Prospect	Thinks He is Doing Well Enough Without it	Will Realize Need When Informed of Product	Habitually Buys Some Brand in Another Way	Now Does Like Buying
	Task of Sales Campaign	Must Make Him Feel His Disadvantage	Must Teach Him What Product is	Must Lead Him to Change This Habit	Must Emphasize Brand to Get
	Dominant Tone of Sales Campaign	Persuasive and Impelling	Analytical and Descriptive	"Reason Why"	Suggestive or Publicity
Buying Motives Aimed at in Appeal	Money	X	X		X
	Utility	X		X	
	Caution	X		X	
	Pride		X		
	Self-indulgence			X	X

*Instead of interviewing retailers on why products are not moving and in this roundabout way getting at its selling problems, one concern has for years kept an analytical sales record

*System, September, 1912, p. 227.

of its various products, the kinds of argument and copy which have proved effective or otherwise, and the different appeals which have successfully marketed each article. The chart is based on these records. Every time the firm has attacked a new sales problem or planned a new advertising campaign, its selling appeal has followed the lines of this chart.

The First Step in Classification

The first question asked when the marketing of a product is laid out with the aid of this form-and-motive chart is: "Must this selling effort induce an outright expenditure on the prospect's part, or merely change the direction of expenditure to which he is accustomed? Must he decide to *spend* for it, or merely to *choose* it in place of something else?"

Tests have demonstrated that this question is of prime importance. To induce new, outright expenditure is a heavy burden on the entire sales machine. Contrary to the opinion of many it is easier for the later entrant into any selling field to arouse demand than for the pioneer.

In the analysis of products four classes are found to be important. If the new product you offer meets an *existing and evident* want or need, your prospect falls into the "B" column on the chart. "I've wanted something like that," he tells himself; and having long planned to make such a purchase when opportunity offered, he puts through the expenditure on his previous "O. K." You need only to explain, describe and picture your product, showing that it is what he has needed and desired.

If, however, the article is something whose lack he has never felt and which on its face appears to be merely an extra expense, your prospect is in column "A." He thinks that he is doing well enough without your interference in his routine program of purchase and use.

In this case your sales campaign, selling talk, demonstration and advertising must not only develop the possibility of more profit through your article, but must make the prospect feel keenly the disadvantage and loss of being without it. It must inspire him with a desire to save effort, make money or seize some new delight, and persuade him to make an unexpected outlay for the untried advantage it may be to him. "B" stands waiting for you to come and offer him what you have. "A" is headed in the wrong direction; you must stop him, turn him and take him back with you.

Among such commodities as are in habitual use there is a further distinction. All of us must have food and clothing.

The Sub-Divisions of the Second Group

All in one group or another must have paper and pencils, or nails and cement. If you have goods to sell similar to those I am buying, you will try to make them as cheap, as good and *as easy to buy* as those I now use. If, then, by persistent advertising or other selling effort you stamp your brand on my mind more strongly than your rival, you attract my patronage. When I go to the counter I will probably inquire for your product. If, however, your brand of bread must be ordered from a distance and I am used to buying bread at my home corner, or your coal must be ordered by mail, while another firm's salesman comes to my door, your selling tactics or words must do more than suggest to me the name of a brand; it must change a habit of mine. And a change of habit except along the line of least resistance must have a motive back of it. Your selling must show "reasons why." You find me walking past your door; you must give me an individual cause for turning in at your place.

This fourfold classification suggests the essential links between any product and its prospect — the dominant thought of its selling program. Other plans may pay, but a part of such sales efforts are directed at points on which your prospect is already sold. These principles have been used as a guide in the making, buying, selling, demonstrating and advertising of goods. Skilfully used, they reduce to black and white the position of any business. They indicate the angle of approach — the style of appeal which should predominate and the conditions that must be met. They guide the advertising manager as he writes and the sales manager as he coaches his men.

An improved household article was recently put on the market. The first selling campaign failed; an investigation

A Case of Misfit Selling Talk

followed immediately. More than a hundred average prospects gave as a reason for their neglect the fact that they had felt no disadvantage in their use of the familiar device. It had always served and it still seemed good enough for them. The new article had been designed to overcome difficulty in cleaning; so far the venture had unconsciously followed the chart. But at the selling crisis, the vital advantage of the new over the old device and the fact which made the old undesirable had been lost to view. An article in class "A" had been offered with class "B" sales talk.

When on the other hand the latest novel comes out in a second edition — testimony enough of its popularity — simple descriptions are sufficient to sell it. It falls into that class of commodities for which an eager public is waiting. So, too, mere announcement of the name sells gum, soft drinks and cigars. It takes genuine reasons, however, to make the housewife risk her expensive woolens and laces with an unfamiliar soap. It means a decided change in buying habits for her to demand a new brand of rice, cornstarch or cocoa, against which her grocer very probably will make a protest. There must be reasons behind the choice, and those reasons must be made plain. . . .

The Five Motives

At the bottom of the form-and-motive chart . . . these motives are roughly classified under five heads: 1. Money gain or money saving. 2. Utility, necessity, convenience, enjoyment, love, moral considerations. 3. Pride or emulation. 4. Caution and foresight. 5. Self-indulgence, such as luxury, ease, laziness, vanity, appetite.

Every blend of the human motives which prompt buying can be classified, more or less loosely, under these heads. To determine that the tone of your sales talk and advertising should be persuasive, descriptive, logical or suggestive is not enough if you want to secure maximum returns from your campaign. Your appeal will still be made blindly unless directed at the most inviting specific motives you can discover in your prospects.

The Money Appeal

The most elementary appeal is to offer your prospect money gain or money saving through his purchase. Any periodical you pick up offers examples of "bargain price" headdings: "Direct from the works saves 40 per cent." or "At factory prices on approval." The cheaper store plays up price more often than any other appeal. Sales schemes are generally based upon money gain; it is the chief resort of the advertiser who is groping his way.

The money motive supplies the big outlet that accommodates supply to demand. By a quick shift of price and a limited time appeal to the money motive, stocks of all sorts and under every condition are closed out with a margin of profit or salvage. Over-emphasis of this money motive, however, may result in a loss of prestige and patronage where prospects want utility — quality rather than cheapness.

Wherever there is a warm human touch — wherever the saleman's talk, the window display, the demonstration or the advertisement strikes home — the appeal can be classified by the chart as touching one or more of the vital motives which actually underlie your interest in your purchase.

The Use of the Chart Does Not Guarantee Success

Such an appeal may not insure the success of a campaign, for at every step between factory and consumer there are chances of error in merchandising. During years of business, however, this form-and-motive chart has been proved to be an excellent preliminary test of sales tactics. The average copy-writer throws aside an advertisement which has failed and starts anew. The salesman "tries out" one style of talk and, failing, discards it for another line of argument. But the man who has charted his problem, revises, develops and strengthens the form and direction of his appeal until it sets a new mark for sales.

A Case of Success by Change of Appeal

Under each of the five headings many specific motives may be grouped. Judgment, working on the results of a few tests, will determine for any business which are the vital ones that impel the average prospect to buy. The manufacturer of a patent weather strip launched his product with enthusiastic copy and sales talk about the cleanliness and warmth of the "weather-tight home." But people did not buy. Then he changed his approach and pictured a house where dust and disease-laden floor drafts constantly threatened the health of the children. Immediately sales picked up. Unconsciously he had reclassified his product under the "A" group and changed the basis of his appeal from a lower to a higher motive. He secured extra expenditure from his prospects by making them feel the disadvantage, the danger of being without his product. His former appeal to mere comfort and pride had nothing like the selling force of this appeal to the more potent motives of caution and parental love. . . .

ANALYSIS OF A BREAD MARKET

How the Ward Baking Company Analyzed the New York Market

With these charts in mind as suggestions of the general plan for analytical studies, let us look for a moment at the methods employed in an actual case. A concrete example is found in the case of the Ward Baking Co.'s attack on the New York market. W. B. Ward, of this company, in telling about its campaign, calls attention to the fact that the perishable nature of the product figures as the dominant factor controlling the distribution system. In the case of bread we have a commodity which must be completely distributed within a few hours, although its producers enjoy a partially compensating advantage in the universal character of the market. Mr. Ward says:

A Bread Census

. . . . *The first step was to take a census of the trade in New York and Brooklyn. We used a big map of New York and another one of Brooklyn. These were marked off into districts and territory was assigned to each salesman. Our sales force was recruited from the force we already had trained in Pittsburgh, and naturally our best men were chosen. After having been assigned to certain territory, a salesman was provided with forms on which each prospective dealer in his section was to be listed.

Studying the Dealer

This listing was done after a personal call had been made upon the dealer and such information as "standing in the community," "probable bread usage," etc., was obtained. There was every incentive for the salesman to be accurate in his reports. After the census was completed the work of securing dealer co-operation was conducted by the same men. Pencils and aprons bearing the name of our product were distributed among the grocery stores, and while such things were being passed around, our men took particular pains to get to know the dealer and his employees. Of course, our representatives were equipped with a strong selling talk, and to that I am coming presently.

You will understand that all this work with the dealer was being carried on while our plants were being erected. In making and selling bread, our experience has shown that there is one selling point which overbalances all others in importance, and is most effective with both consumer and dealer alike. That point is cleanliness. Every step in our manufacturing, our merchandising and our advertising campaign verged on that one point.

Developing Talking Points

Our plants were advertised by newspaper and billboard as "Snowwhite Temples of Cleanliness." We have invented and perfected machinery which cleans the flour, mixes the dough, kneads the bread, etc. This has not speed alone for its object, but also the elimination of

Printers' Ink March, 14, 1912, p. 3

the bare hand. We not only wrapped the loaves in tissue paper, but we put white gloves upon the hands of our delivery men. In addition, their caps and uniforms were also white, further to carry out the idea of cleanliness.

Even the way in which we have fixed our trade-mark label to the loaf has an interesting slant. For years bakers had been in the custom of pasting the labels on the bread. One day somebody discovered the obvious, and simply put the label in the bottom of the pan before the dough was poured in. The natural stickiness of the dough and the process of baking did the rest. Here, again, we accomplished the two great desiderata, time-saving and cleanliness.

In Pittsburgh we had had many visitors at our plants, and it was the best kind of advertising. When they saw the white-tiled rooms, the interior full of sunshine, the perfected machinery, the absence of handling with the bare hands, the best sort of an impression was created; but when we came to New York it did not seem possible all at once, in starting a big business, to get the residents to come out and visit our plants, which were located in places inaccessible to the greater portion of the population.

So here is where advertising and the printed word came into play. We used solid pages in the daily papers, playing up as strongly as we knew how all the points bearing upon the cleanliness of our product, and the speed with which it was gotten into the consumer's hands after it was made. We invited the people to visit our plants, and while it was not expected that many would respond, they were at least impressed with the fact that our conditions were right, and that we had nothing to conceal. Street cars, electric signs, and billboards were used in connection with the daily paper advertising.

A happy condition which was entirely accidental probably helped the campaign along. I knew quite definitely the conditions under which a city's bread is usually baked. So I was not particularly shocked when I read the report of Commissioner of Accounts Fosdick that had just been submitted to Mayor Gaynor. It said that of the 4,000 or more bakeries in Greater New York scarcely one hundred were above ground, and in buildings erected or remodeled for baking purposes. . . .

. . . When the papers began to print reports of such investigations, it naturally helped our campaigning, but we did not in any way inspire the stories nor employ a press agent. When we were ready to advertise we simply came forward with the facts about our own products, and told the truth in paid space. The response was instantaneous.

We operate 200 automobiles in New York for our delivery system. This again has a bearing upon our two selling points of speed and cleanliness. It is not particularly appetizing to think that a man who is handling harness and driving horses also handles your food supply. Furthermore, the automobile delivery enabled us to cut down time on long hauls materially, and give our entire system the speed of a daily newspaper delivery.

Distribution before Advertising

It will be of interest to know that both our manufacturing and distribution plans were working smoothly before we started any advertising at all. One of the advertisements contained this explanation of the way to test Ward's Tip-Top Bread: "1. Eat it. 2. Analyze it. 3. Reason it out." The test suggestions, coupled with a short, pointed talk on our process of manufacture, was, to my mind, the most striking advertisement we ran. Following this series there was a big jump in our sales. It was to be expected, and right there came in a test for our distribution plan which brought out one of its strongest features — namely, flexibility. In order to supply the trade developed by the advertising, our output went ahead by leaps. Sometimes the number of loaves covered by a leap was in excess of the number demanded by dealers. In such cases we simply sent salesmen into new territory and repeated the original process. These men sold enough to take up the slack and insure the marketing of each day's production of bread the day it was baked. We have been expanding our sales system steadily since opening last September, but we have not covered New York and Brooklyn yet, with suburban New Jersey still in the vista. . . .

ANOTHER APPLICATION OF ANALYTICAL METHODS

The Factors which Control the Advertising

Harry Tipper, advertising manager of the Texas Oil Company, in discussing the factors in production and distribution which govern advertising does not push his analysis into as great detail as either of the gentlemen previously quoted, but he begins his application of the same idea by setting down a list of items under fifteen heads. Mr. Tipper, it will be noticed, goes even back of the goods, to the factory conditions themselves. His list is as follows:

*1. The capacity of the plant involved.
2. The consumption of the article in question.
3. The number of competitors in the field; and, consequently,
4. The total amount of business which can be secured.
5. The present consumption in relation to the total possible consumption.
6. The increase in the consumption each year during a series of years up to the present.
7. The consumption in the different states or zones which may be of interest from a selling standpoint, showing best and worst from the total consumption.
8. This consumption balanced against the square mileage involved.
9. The number of dealers who would handle this article — if it is to be sold through dealers.
10. Present distribution of the material in question.
11. The present market price of competitive articles.
12. The total amount of money involved in business, considering the consumption.
13. The total amount of money involved, considering the percentage of present consumption which could reasonably be expected.
14. The total profit involved in this amount of business, and, consequently,
15. The total amount of advertising and selling expense which could be absorbed in developing the business.

Commenting on this list Mr. Tipper says:

It will be seen from this array of the factors entering into the case that the advertising manager, in order to be in a position to decide on the extent, the method and the reason for advertising, must be familiar with the conditions from all selling standpoints. Otherwise, the plan of advertising decided upon may have only a comparatively small relation to the sales effort and conditions.

It has been unusual, even in the selling department of any

Printers' Ink, December 28, 1911, p. 10.

business, to develop all, or nearly all, the factors which are expressed above, and, as a natural consequence, a large amount of money is being expended every day in experimentation upon a market regarding which the facts are already developed.

Danger of Personal Impressions

The usual plan in by far the majority of cases where it is decided to market a new product is to start a few salesmen on what would appear, from a personal impression or general knowledge of the trade, to be the most important markets and feel the thing out in this way. An expenditure of $20,000 to $50,000 is easily absorbed in this experimentation without developing such information as would form the basis for an examination into the possible efficiency of selling and the possible profit to be secured. Personal impressions, even those of one or two men who have been brought up in the industry, are easily misled, by appearances and local conditions through restricted fields, into an entirely wrong conception of the market and the methods to be adopted in covering such market most efficiently. In working out a case a few years ago, the writer was particularly struck with this condition.

A Case in Point

The plant in question had a capacity which was considered by the experienced sales manager to be quite small. It was also concluded by this gentleman that $15,000 or $20,000 could be spent for advertising this particular output in addition to the organization of a considerable sales force.

Knowing very little of the trade conditions in this field and being impressed with the lack of statistics on the subject, the writer made an investigation, which was carefully carried out, into the possible market along the lines in which it was proposed to sell the article in question.

This investigation showed: (a) that the personal impression or judgment of the sales department was utterly at fault and that the writer's judgment was equally out of line with the facts; (b) that the total consumption of the article in question in the field proposed did not absorb more than one fourth or one fifth of the capacity of the plant, and anywhere from one eighth to one tenth of the amount expected; (c) that the cost of the advertising and sales organization proposed would have been entirely out of line from the standpoint of possible consumption within the near future.

While this was an unusual case, on account of circumstances in the industry involved, which made the apparent importance of the business much greater than there was any warrant for, it showed conclusively the necessity for investigation of the trade conditions in order to form a reasonable basis for the formation of a selling plan; and inasmuch as advertising is a part of the selling plan, *the same necessity arose in the determination of the extent, method and conditions of the advertising.*

Apart from such an unusual condition as this, the excessive cost of selling, due to promotion and sales work, covering fields and methods which the consumption of the articles would not warrant, has just as much to do with the difficulties in many organizations as the over-capitalization of physical properties.

I have in mind a plant in the Middle West where, although the business had increased to the extent of requiring double the capacity to fill it, the waste of efficiency in selling and the consequent enormous promotion expenses made it impossible for this firm to realize sufficient profit to pay a dividend.

It is well known that usually the expense of marketing equals 100 per cent. of all the other factors entering into the cost of an article, and in quite a number of cases the proportion is even greater.

This being so, it is evident that, in order to approach the question of marketing any particular material, it is necessary that the basic information should be at hand. This should be arranged in such shape that an intelligent investigation can be made with a view to approaching the marketing of the product with a high degree of efficiency.

The Advertising Manager and the Sales Manager

It may be contended that the advertising manager, dealing with only a portion of the selling question, is not interested in the development of a number of these factors. It is true that the development of most of the factors should naturally fall upon the head of the sales department; but it is just as true that, as a rule, the advertising manager is in the best position to make such investigations and secure the information along these lines. Except in the notably efficient selling organizations which stand out as unusual monuments of efficiency, the sales manager has been a successful salesman with a turn for executive management. For a number of years selling has been to him a succession of individual deals and the general marketing has been the result of these.

As a matter of fact, precisely the reverse should be the case if the subject is properly approached. The individual deal and the success of this deal is the result of an intelligent marketing scheme.

Furthermore, the sales manager has been commonly limited in his viewpoint by the necessity for showing a certain amount of sales within a specified period (say six months or one year) at a certain percentage cost of selling. This has the effect of preventing him — unless he is unusually farsighted — from viewing the marketing scheme over a series of years and having in view rather the ultimate effect than the balance in his favor over a short current period. . . .

This question of the exact method of procedure in an analysis of this kind is a most vital one. It would require an entire book merely to outline all the methods of getting data for even the most common cases. In almost every line some data are available, and others are almost or quite inaccessible. Even if all the facts were available, no two advertisers would use them with equal skill. Mr. Ward's experience in analyzing the New York bread market, for instance, will not be useful *in toto* to anybody else — even a rival New York baker. But the fact that he did make such an analysis and the way he went at it ought to be suggestive to every advertiser everywhere.

Not forgetting the importance of the goods nor of the nature of the consuming market as factors in determining the advertising plan, forms and methods, it is our purpose in this study to centre our chief attention on the third element — the distribution system — and see whether we can pick out some of the more salient points in that as they bear on the practical problems of advertising.

REVIEW QUESTIONS — CHAPTER I

1. What did the bean-canner find was the trouble with his advertising campaign? (a) In the first investigation? (b) In the second?

2. (a) What are the main divisions of the Fowler plan of

analysis? (b) Of the Wadsworth plan? (c) Of the Murphy plan?

3. Which of these plans helps you to get the clearest idea of your own advertising problems?

4. How did the Ward Baking Company make sure that its advertising would sell bread?

5. Do you think Mr. Tipper's list of "factors" could be reduced? Ought it to be added to?

PROBLEM QUESTIONS — CHAPTER I

1. In Mr. Fowler's plan for analysis of the product he has a place for profit to various factors in the selling mechanism. What does he apparently mean by this? Gross mark up, or net profit?

2. How does this bear on the advertising plan? For instance, if a manufacturer of a hardware specialty retailing for 25 cents could manufacture 100,000 at a cost of 7 cents each, and 500,000 at a cost of 5 cents each, what effect would this have on his plans for creating demand?

3. Carefully compare the methods of analysis described in this chapter. Choose the elements from each which you consider best adapted to your case and work out an analysis of your own selling problems as they affect your advertising campaign.

4. Do you think the "Buying Motives" in Mr. Murphy's chart include all the motives necessary for consideration?

5. Suppose that after he had made his first investigation, the bean-canner (p. 3) had found that it was going to cost him $200,000 to reach the 80 per cent. of his market hitherto untouched, what new elements would this discovery make it necessary for him to consider?

CHAPTER II

THE DISTRIBUTION SYSTEM

DISTRIBUTION for retail consumption calls for two main steps between the producer and the consumer. The first is the step by which the product is moved in bulk to large distributing centres and there held ready for sale or delivery to the type of house engaged in performing the second step. This work may be done in a single move, or it may involve a series of transactions—all performed, however, at wholesale. The performers of this work are variously known as wholesalers, jobbers, or by other names in some trades where their methods involve a certain amount of consignment business. The large term "Middleman" covers them all. Their services are primarily commercial rather than productive. Furthermore, these services are difficult, somewhat hazardous, and when the producers are highly localized and the retailers small and scattered, these services are undeniably necessary, and call for special equipment and skill.

The Two Steps in Distribution for Retail Consumption — the Wholesaler

The second step in distribution for retail consumption is that by which the goods, divided into small units, pass out of trade. The retailer, who performs this service, needs no explanation. This brief summary blocks in the main steps in distribution of goods selling at retail, but in few cases is the actual situation as simple as this. It is the main object of this compilation to show how necessary to the advertiser is an adequate appreciation of the actual conditions in distribution; in other words, an understanding of

The Place of the Retailer

what is involved in the relations of the parts of the modern distribution mechanism to each other.

The Chaos in Distribution

If conditions of life were stable, if cities were not growing larger and more numerous, if transportation facilities for goods and people still kept retail trading units small and isolated, this two-parted system of distribution would be working away without conflict or trouble. But the real conditions are quite the reverse of this imaginary combination, and as a result some retailers grow large and become independent of the wholesale distributors, while others remain small and still need the services of those functionaries. Some wholesalers, too, change their position by undertaking manufacturing or retailing or both. And as a result, the whole system of distribution for goods consumed in small units is in an unsettled state.

Advertising, as an influence aimed at consumer direction and control, is obliged, at every turn, to face some expression of this conflict, and a firm grasp of the more important features of the situation is essential to advertising success. No matter whether the advertising be undertaken by the producer who attempts to modify the whole distribution plan for his goods, or by the middleman or retailer who deals with only a part of the system, the need is equally urgent.

Under the title of "The Mix-up About the Jobber," a series of articles by Raymond W. Gage appeared in 1910 which give a statement of some phases of the conflict. (*Printers' Ink*, August 11, 1910, p. 8; August 18, 1910, p. 11; September 22, 1910, p. 29.) The following paragraphs are taken from these articles.

THE STATE OF CHAOS

*The jobber is one of the very stiffest problems facing manufactures. . . .

What is the trouble?

Ask this question of the manufacturer, the jobber and the

Printers' Ink, August 11, 1910, p. 8.

retailer successively and you ascertain the "other fellow is to blame."

"If," says the manufacturer, "Jones, the jobber, hadn't put out his private brand, in competition with mine, I wouldn't have had any fault to find. He's pushing his own goods and at the same time handling mine. He won't let me know where my own goods are for sale, for fear I'll go over his head to the retailers. Consequently, between inability to stimulate and help my dealers, and the jobber naturally pushing his own brand in preference, I'm up a tree, and I'll go direct to the retailer, if he doesn't come to time."

The Views of Each Step

"If," says the jobber, "Martin, the manufacturer, hadn't cut me out and gone over my head direct to the retailer, I wouldn't have put out my private brand."

"If," says the retailer, "Jones, the jobber, hadn't gone also into the retailing business I'd not have accepted the direct prices of the manufacturer and wouldn't have gone into the field of wholesaling, too."

The jobber, the manufacturer, and the retailer are interchanging functions. Park & Tilford are retailers, with a chain of stores, as well as jobbers. Francis H. Leggett & Co., of New York, are becoming advertising manufacturers of Premier products, as well as jobbers. Here are two jobbers reaching both ways, causing dissatisfaction to the manufacturer and the retailer alike.

The Interchange of Functions

The manufacturer, in order to have a finger in the messing up of the situation, has been known not only to go over the jobber, to the retailer, but also to jump at once to the consumer. An example is Browning, King & Co., clothing manufacturers and retailers, in fifteen cities.

Of course, the retailer couldn't stand all of this meekly. So, we see in the James Butler string of grocery stores a retailer who demands jobbers' prices of the manufacturer and who is even doing some of his own manufacturing. Marshall Field & Co., of Chicago, do a large jobbing business. Wanamaker's, of New York, has just organized a wholesale department. All these were at first retailers.

It is easy enough to see why this taking one of another's functions should be regarded as something of more than academic trade interest. As a matter of fact, it is a profoundly vital condition.

The Large vs. the Small Buyer

If James Butler can buy groceries direct from the manufacturer at jobber's discounts, how can the little retailer on the corner, who is strictly minding his own business as retailer, possibly compete? Butler can sell his goods at prices that are "cost" to the little fellow. And the little fellow must live. He, therefore, is doing his part in stirring up the dust and, by association with other little fellows, putting himself on even buying terms with Butler. Those department stores that get jobbers' discounts are also regarded as just as full of threat to the retailers' business.

For their part such enterprises as those of Butler grit their teeth, mutter something about "competition of jobbers" and "survival of the fittest." Indeed, the department stores, Butler, et al., insist that they must have the jobbers' discount or they can't do business in competition with the retailing jobber. Macy's, or Saks', or Marshall Field's, or the May Department stores seem to have some justification in their explanation in view of the invasion of the retail field by the powerful H. B. Claflin interests. . . .

It is a battle of giants, and the little fellow, buying without any discount, can only sense the lump in his throat and grab at the crumbs of patronage that are thrown his way. If it is going to be his fate to be blotted out, he must get such comfort as he can from the fact that he went down in a pitifully unequal conflict, not with men, but with natural economic forces that tend to crush their path to the consumer by the shortest and the cheapest route.

The Manufacturer—His Troubles and His Solution

And above all looms the manufacturer. Altogether he is the strongest factor in the fight. If he is an advertising manufacturer (and it is the advertising manufacturer we are considering) he rules the situation, in the last analysis. He has made his goods known, through their trade-mark, to consumers. He is the maker of the things which this country eats, wears, sleeps on, plays with, and works with. Demand is the voice to which all listen, and substitution can only make a feeble effort to resist or modify it.

The manufacturer in many cases is acting the jobber for himself. Heinz's 57 Varieties don't get on to pantry shelves by the jobber road. They go from manufacturer to storekeeper. So with Kirkman's soaps, so with much trade-marked clothing, so with National Biscuit; so, to some extent, with Armour & Co. and their canned goods. And these are only a few.

But, as a rule, it is certain that most manufacturers would prefer to sell through the jobber to any other method. It saves them having direct relations with thousands of retailers.

To be sure, there are some specialty manufacturers who would sell direct to the retailer, whatever the conditions. Heinz, with his distributing stations and salesmen, is in position to put his pickles into the hands of the groceryman very quickly and therefore in a fresh state. Also, the National Biscuit Company's crackers and wafers don't tarry on their way so long from manufacturer to retailer direct as they would if they had a jobbing house as a relay station.

But the fact that some companies have tried relations with the retailers and got sick of it is proof of the general feeling. The Columbia Conserve Company is an example. Yet one who is prone to argue the case for the jobbers' elimination can dig up strong points. The Lisk Manufacturing Company, of Canandaigua, N. Y., maker of enamel ware, has been doing a direct-to-retailer business. It has 25,000 accounts, it is stated, and is in a most flourishing condition and well satisfied with itself.

The Work and Place of the Jobber

Many jobbers have grown to wealth in the course of years. After a generation or two of often absolute control over the retailer it would perhaps be expecting too much to have them all renounce their claims to supremacy still. Complaints arise from many quarters that the jobber is too dictatorial, that he ought to be shown that he is not the indispensable fellow he thinks he is.

But efforts to oust him are as certain as fate to be fought bitterly and skilfully. Some jobbers possess the retailers, body and soul. Small storekeepers, and sometimes the larger ones, have been advanced goods by the jobber until the jobber really owns them. In what position are such retailers to put up a restraining hand to the domineering wholesaler?

Entrenched with capital and influence with the trade, the jobber is also a dispenser of business to the manufacturer. Not the advertising manufacturer, usually, but that other who, hungry for orders, snaps up avidly a commission to make for a jobbing house a line of private brand goods.

Such manufacturers frequently find themselves in trouble. Not long ago a manufacturer of edged tools received a notification from a certain jobber that the latter would not renew his contract for the private brand goods. The manufacturer had been making these from time out of mind and the future seemed rosy. He had been getting only a small margin of profit, but he had made money. With his one customer gone, what could he do? His goods had not been advertised and he had no standing with consumers. The jobber had not only taken the goods but also the credit, among the trade, for the product. That manufacturer had a very painful half-year. But he has learned his lesson, for he is now advertising and is establishing himself with the general public, which is not liable to drop him a curt note and take away his market between the time he opens his desk and the hour he goes to lunch. . . .

*A jobber that has private brands to sell in competition with those of houses that advertise must walk a very straight line to avoid falling under the suspicion of the manufacturer. Some jobbers hate protected prices. Dickering and trade deals and secret bargains have been the rule so long in former days that jobbing houses which are in a rut cannot understand the spirit of the new era. Some of them will go to shameful lengths to undermine the sales of a widely advertised brand. But manufacturers like Procter & Gamble, the Shredded Wheat Biscuit Company, Kellogg's Toasted Corn Flake Company and the Cream of Wheat Company, who have got their fighting spirit up, are making things unpleasant for those jobbers who are "putting sand into the gear box."

Jobbers and those who buy at wholesale discounts often strike viciously to uphold old practices. The Kroeger Grocery & Baking Company, of Cincinnati, became peeved because Procter & Gamble wouldn't sell Ivory Soap to them at a discount and threatened to build their own soap plant, evidently expecting to get the Ivory Soap people "on the run" right away. This is similar to the alleged threat of Austin, Nichols & Co., New York jobbers, to start a cereal plant to make Toasted Corn Flakes because Kellogg refused to make them preferred buyers. Austin, Nichols & Co. cannot now obtain Kellogg's Corn Flakes, nor can Francis H. Leggett & Co., of New York, another wholesale house. Austin, Nichols & Co., have made good in part their threat by taking on Doctor Kellogg's Toasted Rice Flakes and "boosting" them for all they are worth through the trade.

Printers' Ink, August 18, 1910, p. 11.

There has been a hot fire of form letters from both the W. K. Kellogg Company and from Austin, Nichols & Co. upon the retailer, as a result. Concealing the anger he must have felt, W. K. Kellogg has been treating the matter in a humorous way, trusting to his price policy, his reputation in the trade, and the consumer demand to carry the day for him. . . .

The situation in the grocery specialties field is not essentially different from that in most of the other lines of trade. An authority in the jewelry field in New York predicted that the jewelry jobber would be out of business in five years. The * * * * goods lend themselves readily to mail shipment direct to the consumer or a straight delivery to the retailer. One influence that may keep the jewelry jobber doing business in spite of predictions is that the average retail jeweler cannot use the quantity of merchandise which would enable him to buy direct of the manufacturer. A stock of jewelry is tied up for a relatively long time in the retail shop, and a direct buying is often rendered difficult from the inability of the retailer to command sufficient capital.

Manufacturers of goods that bulk large do not predict the extinction of the jobber. The jobber is deemed to be a necessity as a distributor. But what manufacturers will bend all their energies to remedy is the backwardness of the jobber in rendering the fullest possible co-operation. . . .

THE CAUSE OF THE TROUBLE

Trying to Cut Out a Step

*The whole mix-up has been caused by the attempt of some manufacturer or wholesaler to cut out one or more steps in the old-time distributive process, which was from manufacturer to jobber, to retailer, to consumer. The consumer holds the key —he will buy where he can get the best goods cheapest. While this tendency is one of the most natural in the world, it has developed strife and ill-feeling to a remarkable degree. Caught in the swirl of changing trade currents, every factor concerned has at times turned upon another, accusing it of being at the bottom of the whole trouble.

But companies which have spent many years in establishing selling policies are not able to change them over-night. They

**Printers' Ink*, September 22, 1910, p. 29.

must adapt slowly and change selling habits with exceedingly farsighted eyes.

Thus the jobbers are finding themselves bulwarked by several very important and powerful manufacturers. The latter are not ready to change the channels of distribution — it would throw their business into confusion.

Different Policies Toward the Jobber

One overshadowing concern marketing its product through the jobber has done yeoman's work in trying to give stability to a situation which economically is tending to a gradual change. The change looks to the elimination of the jobber or the lessening of his functions. This concern is the Diamond Match Company, which is said to control 90 per cent. of the match trade of the United States. It emphatically insists upon price-maintenance and upon selling through the jobber. It is interesting to note that the Diamond Match Company believes in the "free deal," for its policy has been to give one case free for every ten ordered; lately, because of competition in certain districts, it is giving one case free in five. By countenancing this practice it sets itself in opposition to the Kellogg Toasted Corn Flake Company, which sells as cheaply to the small buyer as to the big one. Fred Mason, assistant sales manager of the Diamond Match Company, says he cannot see the wisdom of adopting a policy which would lose for him the services of 70,000 jobbers' salesmen. It is his policy not to sell to the big retailer or the chain store direct; indeed, he has found that only 15 per cent. of the total supply of matches is sold through chain stores or buying associations.

The Babbitt Soap Company also believes in the quantity buying price. It has a price for 100 cases, for fifty cases and for twenty cases. There is a strong feeling abroad in the trade that the quantity prize will prevail, and that Kellogg's fixed price policy is unnatural. One man active in a state retail association asked if Kellogg bought on the same principle, or whether he demanded a lower price on his cartons the more he bought. He said that Kellogg himself bought according to one plan and sold according to another. Furthermore, he felt that the sooner the leaders could unite upon some common-sense principle in accordance with reason the quicker a confused situation would right itself. One notable thing about the jobber's mix-up is the convincing quality of the opinions held by the opposing forces.

THE DILEMMA OF THE RETAILER

Mr. Gage's summary of the situation makes it clear that, while the "mix-up" may be primarily about the jobber, the retailer is by no means free from worries. As a matter of fact it is a serious question whether the jobber or the small retailer is in the worse strait.

The dilemma as it bears on the grocery retailer is described in an article in *Advertising and Selling*, which contains a serious truth in a somewhat jovial exterior, and while the retailer's position may be different in various trades, the troubles of the groceryman are suggestive of what is to be found in many different lines:

A Retail Trade in Which Few Fortunes Have Been Made

. . . . . *Take the retail grocery trade the country over and find the fortunes made in it compared with other fields of retail endeavor. There are more second and third generations driving automobiles and playing polo because of success in drygoods and hardware retail merchandising than in the retail grocery business.

Why is it? Well, there are reasons aplenty, and maybe as important a one as any is the fact that the retail grocery business is wofully overdone. A successful retail grocer must be a very intelligent merchant. He must be a careful buyer and an equally careful seller. Of course that applies to every business that prospers, but in a grocery business where many profits are small and individual sales small too, with cut-rate prices until the merchandise fairly bleeds, and with a delivery system which greatly increases the overhead expense, the retail grocery sometimes does well to break even.

Advertised Foods and the Retail Grocer

What has all this to do with advertising? you ask. Well, it has a lot to do with advertising, and, in the first place, more to do with selling. The retail grocer is the natural distributing outlet for the food products advertised so generously in the standard and women's magazines of the United States. The retail grocer is in most cases a very important link in the manufacturer's chain. The food specialty producer usually sells to the jobber, who in

*"How Would You Like to Be a Groceryman?" By Walter Bernard Cherry. (*Advertising and Selling*, June, 1910, p. 59).

turn supplies the retailer, and the retailer takes care of the consumer. The manufacturer's dealings with the jobber are greatly facilitated because the wholesale grocery trade is perhaps the most healthful of all jobbers. But the retailer takes long chances on credit and carries a multiplicity of items which increase his investment and sometimes fail to help his profits.

The specialty manufacturer of food products with a national distribution naturally turns to the advertising mediums of national circulation for his publicity. He tells his story to the enormous magazine-reading public in a maximum way for a minimum cost, all things considered. Naturally the specialty manufacturer's distribution is first to be considered. There are approximately 240,000 retail grocers and general storekeepers in the United States. General stores usually carry groceries. Of this total, 190,000 grocers and general stores are in the small cities, and 50,000 stores in the larger cities. The sale of food products over the grocer's counters is naturally regulated by the available public, and it is a well-known fact that some food products sell better in the smaller cities than in the larger cities.

When a manufacturer's distribution of his specialty is complete, and a representative number of retail grocers have stocked the goods through the jobbers, the manufacturer's national advertising campaign starts. It naturally produces business because we assume the product is right and is subject to a natural demand, logically increased by publicity and the very quality of the merchandise. Mr. Advertiser's campaign may be tremendously effective in his mind and in his agent's mind, and yet it is a very difficult problem for both principal and agent to solve, when heavy space is bought in the big magazine of one million circulation which goes everywhere and must help the sale of this piece of merchandise wherever it is stocked. But how much does it help? Who can tell? . . .

We might liken the general publicity for a food product stock in 240,000 retail outlets to the firing of a locomotive. We can never tell which single ad in a national magazine campaign sells one or ten packages of None Such Mince Meat in Kankakee, Keokuk, Kokomo, or Kalamazoo, but we know the goods sold, and that's the answer. We cannot tell which shovel of coal heaved into the furnace of No. 3972 took the flying Empire State Express any single mile between Syracuse and Utica; but we know the train moved, and we know if we took out some of that national magazine campaign, we would be very apt to feel it in our sales; and we also know that if Mr. Fireman became peevish and stingy with his coal old 3972 would ease off and begin to touch some others than the high places on her journey. . . .

But how about the groceryman? Have you ever been in a grocery store and counted the various brands of merchandise he carries? Shut your eyes and think of a grocery store you know. I will warrant that on that grocer's shelves you will find fifteen kinds of cereals, twelve sorts of soap, six different brands of baking-powder, many varieties of extracts, tinned soups, fish and other edibles. . . . Do all these various brands sell in equal proportions? Hardly that. The advertised brands sell, and the retail grocers tell us that the brands whose advertising is continuous, consistent and everlasting are the steady, plugging sellers and are most often called for by brand name.

The National Advertising of Groceries Determines the Grocer's Stock Selection

Mr. Cherry's article brings out clearly one of the many phases of the present disturbed condition in one branch of retail business. The effect of national advertising on the retail grocer's stock is only a surface indication of a radical change wrought by this single form of advertising on the whole selling system.

THE RETAILER'S STRATEGIC POSITION

Another aspect of the retailer's position is presented by George L. Louis, of Chicago, in an article in *System.* Mr. Louis takes the ground, that while the retailer may be in trouble, his place in the distribution system is the vital one, and that the solution of the present strained condition lies, not in the elimination of any part of the present distribution system, but in more careful planning and better co-ordination of the various elements of distribution. This is, in a large measure, the work of the advertising man:

*Many manufacturers have been led to assume . . . that the "created demand" . . . will close sales and pre-

**System,* June, 1912, p. 584.

vent substitution. The demand of the consumer is, it is claimed, the pivot upon which distribution revolves, and this consumer's demand alone is sufficient to bring about the co-operation of the dealer.

What is commonly termed "created demand" is, in my opinion, no more than a *primary* selling influence. In itself it is not sufficient to make sales. Psychologists tell us that sales are made by a process of elimination; the consumer does not argue, "Why I should buy," but questions, "Why should I buy?" Advertising that starts this reasoning is only a preparation; something more tangible than printed words or pictures must be added to complete the sale.

In a series of one hundred instances where consumers were watched to note how and why they bought advertised goods, eighty-three couched their first question, "Have you so-and-so?" and seventeen, "I want so-and-so." This shows the attitude of the average purchaser when entering a store with the intent to buy. The question "Have you so-and-so?" is a lead for the merchant to put forth his final and necessary sales force. The consumer is simply in an interrogatory attitude.

The Retailer Concludes the Sale

With his direct contact, his personal influence, and his final selling talk, the retailer is the power that concludes sales. The influence of the retailer in intimate touch with the consumers is far greater and more effective than that of a distant manufacturer whose appeal is by means of the printed word alone.

No matter how successful selling by threat may have been — with the consumer as the innocent wielder of the "big stick" — the retailer to-day knows his power. He is no longer susceptible to anything but the direct approach, with goods and prices as the selling basis. This does not mean that he does not recognize and appreciate the wonderful aid of a selling campaign directed by the manufacturer at the consumer. But it means that such a campaign as a selling force from the manufacturer must follow the goods and not precede them in importance.

In order to verify the conclusion that the dealer is the court of last resort, to whose influence the consumer is more susceptible than he is to that of the advertising manufacturer, the experiment was made of submitting substitutes for a number of widely advertised articles now before the public. A list of the best known advertised goods, clothing, shoes, toothbrushes, saws, food products, soap and furniture, was used as experiments by retailers in various lines for my benefit. Without one exception, each substitution was easily effected. I was rather startled at the ease and quickness with which it was done in all instances.

Substitution Is Easy for the Retailer

For example, a woman who had been a patron of a certain grocery store for many years, and who at regular intervals ordered a dozen bars of a well-known advertised soap, gave a list of the items she desired to the proprietor of the store. When she mentioned the soap he produced an unknown brand and quietly said: "Try this instead of that, Mrs. Brown; it's just as good." Mrs. Brown looked at him curiously for a moment as if surprised at the suggestion, met his firm, assuring glance, then answered, "All right." The dealer did not argue or say anything detrimental to one soap or in favor of the other.

The consumer — the final purchaser — is in direct contact with the retailer. To distort conditions and attempt to influence the consumer directly without the co-operation of the dealer is to describe a circle instead of a straight line in securing maximum sales at minimum cost.

Yet we cannot ignore the fact that the influence of the manufacturer's selling effort is a tremendous factor in selling goods, and that it minimizes the effort and energy of the retailer in closing sales.

What Advertising Has Done

An analytical survey of the change which national advertising has brought about leaves no question of its value to both the manufacturer and the dealer. If the grades of merchandise made and sold fifteen years ago be compared with present qualities, a startling difference will be found. And when we compare household equipment now in common use with that of previous years — electric washers, player pianos, sectional bookcases, and the like, with their progenitors — an even greater contrast is seen.

Now the cause for these changes cannot be traced to consumer initiative, nor can the dealer be credited with them. The educational work which inspired the final buyer to appreciate the betterments has been almost wholly on the part of the producer and wholesaler.

A large clothing manufacturer, discussing this angle of the question, called attention to a ledger of 1896, which showed that the clothes bought during that year averaged from six to twelve dollars per suit. There were few fifteen, eighteeen, or twenty-dollar sales. The preponderance of sales during 1911, on the other hand, ranged from eighteen to twenty-five dollars. In similar fashion, a corset manufacturer sold chiefly twenty-five, thirty-five, and seventy-five cent models eight years ago. To-day he does not manufacture any model to be sold under one dollar, and the majority of his sales are from three to five dollars. A maker of toilet preparations has so changed his lines that he appears to be running an absolutely different business. High-grade dental and face creams, talcum powders and toilet soaps now form the bulk of his output.

The manufacturers and the retailers who sell their products agree in attributing the change in consumer buying to one cause — advertising. In studying consumers, therefore, and learning how and why they buy, we must not lose sight of the advertising manufacturer and the effect which he has had and is still having in stimulating desire for and appreciation of quality goods.

The Two Forces Which Need To Be Co-ordinated

The fact that the manufacturer can thus influence buying, however, does not justify exclusive attention to the consumer. With the educational force of the manufacturer and the intimate selling power of the retailer working together, we have the combination which promotes maximum buying. If either fails to consider and co-operate with the other, "problems" begin to arise — the manufacturer's problems, dealer problems, and consumer problems — which make waste wherever they appear.

When the manufacturer bids for the consumer's attention directly for the dealer, consumer buying can be wonderfully promoted. This is amply illustrated by the recent change in policy of a large concern which makes medical supplies. This house advertises extensively. Its copy has, until recently, terminated with a coupon request that entitled the sender to a sample of its products which was sent to the inquirer from the factory. Then the name was used as a weapon upon the drug store of the town from which it came to show a demand. The effect of this method upon dealer and consumer was never satisfactory. Some three months ago the firm tried a new method. Dealers were liberally supplied with samples, and the advertising directed the public to go to the local drug store and get them. The sales to dealers and from dealers to final buyers have tripled since. . . .

The consumer of the city presents a problem different from and more difficult than those of the small town. The environ-

City Problems More Difficult

ments are different, the influences are different and the results are different. The selling effort in the metropolitan centres has been so intensified that it is always at a white heat. Therefore, the buyer has become more or less calloused to the appeal, and is much less responsive than his small town brother. The city buyer shops before purchasing. This shopping may cover weeks before final action is taken. I know of one woman who visited six stores to examine and compare dress-goods values, and, finally, after two weeks' deliberation over the samples collected, returned to the first establishment and bought.

The department stores are mainly responsible for the high tension in buying in the cities. Few of the big department stores spend less than $100,000 yearly in newspaper advertising alone, and many spend that amount in a single paper. The tremendous force of daily pages and frequent double pages of department store newspaper advertising has reduced the effect upon the consumer of the manufacturer's advertising campaign very materially.

By eliminating the trade-marked name in their selling, the department stores have driven in a separating wedge that has made them independent of the manufacturer. Three women were given a list of twenty advertised articles to purchase at a department store in Chicago. Of that number they returned with only three; in place of the other seventeen they were all offered "our brand which we ourselves manufacture."

The Buyer in the Small Town

The buyer in the small town is thrown into an intimate contact with the store and its proprietor which is absent in our cities. The more or less uninterested clerks of the big stores are a barrier to anything but a similarly mechanical selling and buying method. This eliminates emotion from buying and makes it a cold reasoning process, and, consequently, a harder and longer process.

To stimulate selling in cities by means of inquiries from consumers in the manufacturer's national campaign is a farce. Inquiries and coupons presented to clerks in larger stores are usually met with a cold negative and seldom if ever reach the buying head of a department. As an experiment, I made twelve inquiries at one department store in accordance with the suggestions in twelve manufacturers' advertisements. I was told at each counter, "We don't carry it, but we have our own special brand." Eight of these special brands were traced down and found to be the manufacturers' goods that had been advertised. . . . .

The excerpts presented in this chapter have been chosen with a view to making clear four points which are to be elaborated in subsequent discussions:

(1) Distribution of goods for retail sale is in chaos, due to the interference with one another of the various steps in the old or "regular" distribution system.

(2) Much of this confusion has grown immediately out of attempts to control trade through appeals to the consumer. The man who can control the consumer-demand is always in the strategic position.

(3) Of all the distribution factors, the retailer is most favored by natural conditions, since he is the channel through whom the consumer-demand once created is converted into business.

(4) While the retailer has the best natural position, the other factors in the distribution system, the producer and the middleman, are by no means weaponless, nor are they thinking of surrender.

REVIEW QUESTIONS — CHAPTER II

1. What are the two main steps in the distribution of goods for retail consumption?

2. Why is there trouble in the system?

3. What are the troubles of (a) The Manufacturer? (b) The Jobber? (c) The Retailer?

4. How does this conflict in the distribution system affect national advertising?

5. How does national advertising influence stock selection by the retail grocer?

6. If the retailer has an advantage in his ability to "sub-

stitute," why does he allow himself to be driven to handle so many lines?

PROBLEM QUESTIONS — CHAPTER II

1. How do you account for the rise of the "big" store in the drygoods and ladies ready-to-wear trades?

2. Are the same causes back of the chain-store development in groceries and drugs?

3. Taking into account all the efforts being made to educate consumers, and influence jobbers and retailers, and the growth of trade-mark and brand advertising and price maintenance, would you say that conditions were better or worse for big store and chain store development to-day than they were twenty years ago? Give reasons in full.

4. What do you think of the future of the small dealer in the drygoods, grocery and drug lines?

5. To what extent are conditions the same in the hardware business as in these other trades? What would you think of a chain of hardware stores as a business proposition as compared with a chain of grocery or drug stores?

6. Would you say that a manufacturer's national campaign, advertising sheetings to the consumer, would be easier, or more likely to give results than under present conditions if the retail dealers handling the goods were all small as they were thirty years ago? If there were no small dealers left what would be the case?

7. If you were planning an advertising campaign for a scouring compound for enamel tubs, basins, etc., to be sold both by grocers and hardware stores, which outlet would you give most weight in your plans? Would you expect the same plan to cover them both?

8. Mr. Gage in discussing the disorganization of the distribution system says in one place that the manufacturer is "the strongest factor in the fight." In another place he says: "The consumer holds the key." Mr. Louis says: "The

retailer is the court of last resort, and the retailer knows his power." Mr. Cherry, on the other hand, seems to think that the retailer (in the grocery trade, at least) is obliged by modern conditions of trade to do a complicated business at small profits, and that in this he is more or less helpless. Are these men all talking about the same conditions? Is there any way to reconcile their statements?

CHAPTER III

THE RELATION OF ADVERTISING TO THE DISTRIBUTION SYSTEM

WITH this brief discussion of commercial analysis applied to advertising problems, and this summary of some features of the disturbed state of the retail distribution system, we face two specific questions:

(1) How can the advertiser who must sell through this disordered system determine what he wants to do to his market? and

(2) Having chosen his desired ends, how is he to set about attaining them?

In April, 1912, Clarkson A. Collins, Jr., Manager of the Plan and Copy Department of the Collin Armstrong Advertising Company, of New York, contributed a series of articles to *Printers' Ink* under the title "What To Do Before Advertising." In the first of these Mr. Collins says:

> . . . *A salesman can sell goods at a profit in spite of a faulty sales plan, a cheap package, a poor letter-head; in spite of a hundred different errors, any one of which might well spell death to the success of an advertising campaign.
>
> There is no waste in a salesman's work. He goes always to a possible buyer. Out of a thousand reproductions of an advertisement only one may reach a possible buyer. And when the possible buyer is reached the spoken word is always more effective than the written. The spoken word meets an objection instantly. The written word may never meet it. The spoken word is reinforced by a smile, a gesture, the clasp of a hand. The written word has nothing but itself.

Waste Motion in Advertising

Printers' Ink, April 4, 1912, p. 3.

Since advertising in any form does entail this tremendous waste, the manufacturer who intends to advertise should put his house thoroughly in order before spending a dollar on the written word. Only by so doing can he hope to receive the greatest results possible from his advertising.

The average manufacturer is more of a maker than a seller. As a result there is usually much to be put in order in the sales side of his house, the side that deals with human nature, not with machines and materials.

And it is with the sales side that I shall treat, taking for granted that the manufacturing side is in order, that the manufacturer is turning out at the lowest possible cost an article which performs in the best possible way the purpose for which it is made.

The manufacturer who would advertise must consider carefully the following factors, making changes and corrections when necessary and possible, in order to do away with every ounce of friction that is going to retard or perhaps wholly destroy the success of his campaign:

Seven Things for the Advertiser to Consider

I. The Article. Is its appearance attractive otherwise?

II. The Name, Is it easy to remember and pronounce? Can it be protected?

III. The Package. Is it attractive in appearance? Is it convenient in shape and size? Does it lend itself well to display on the dealers' shelves?

IV. Prices. Are the profits to the trade too high or too low?

V. Distribution. Is it concentrated or scattered? Will it dovetail with an efficient advertising campaign of any kind?

VI. Distinctive selling points. Are there any? Can they be created?

VII. Business Stationery. Is it attractive and distinctive?

I have seen most of the principles implied by the above questions violated without apparent material harm by successful manufacturers — non-advertisers. I have also seen the non-adherence to any one of these same principles constitute in itself the rock upon which an advertising campaign, otherwise successful, has been wrecked, or at least had its power greatly impaired. . . .

The appearance of an article has about as much effect upon sales made by the spoken word as upon those made by the written word. If it is well designed and *looks* efficient, it will sell better than a competing article that has not these attributes. Logically, however, this is a point on which a manufacturer should reach perfection before selling work of any kind is attempted. There is absolutely no excuse for the short-sightedness or ignorance on the part of many manufacturers which makes it necessary for an advertising manager or agent, coming into the game after it is started to change the appearance of an article he is to advertise.

I. The Article and its Appearance

The mistakes made in christening articles of merchandise are innumerable. It would seem that most manufacturers, in selecting a name for some child of their brain, open a dictionary, a Bible, or any other book that comes handy and pounce upon the first word that catches their eye. When this is not the process the names of competing articles are gone over and another name as nearly like the rest as possible is originated.

II. Some Pitfalls in Name Selection

Among sweeping compounds, the manufacture of which is a comparatively new industry, are to be found the following names:

Nodust
Nomordust
Dustbain
Death-to-Dust
Dustroy
Kildust

The packages for these different sweeping compounds, although alike in general shape, differ in color.

Let a woman be sampled with one of these compounds, let her grocer make a sale over the counter, and the chances are that thereafter she will be able to distinguish her particular compound by the color of its package. Her dealer will not be able to give her a substitute. If her first impulse to buy comes through one of these methods, and it probably will, if the article is not advertised, the similarity of names will not hurt the manufacturer greatly.

But two or three of the makers of these compounds are now beginning to advertise. Let a woman be convinced by the more or less careless reading of advertisements of Nodust, let us say, that she wants to try a package. She has no distinct idea of what the package looks like. How easy for the grocer who does not carry Nodust to sell her Nomordust instead, or Dustbain instead of Dustroy, Kildust instead of Death-to-Dust.

The familiar slogan, "Buy by name," is reduced to a mockery in a case like this. If any one of those six manufacturers had used a little thought and foresight in selecting a name for his article, he would have had an inestimable advantage over his competitors when it came to selling through the written word.

A short time ago a large corporation was about to put a new article on the market. The sales plan was ready. An extensive advertising campaign had been planned.

The Value of an Established Name

A number of the lines produced by the company were sold under an inclusive trade name. In the case of this particular article one of the officers decided that variety in names is as spicy as in life. He selected a name totally unlike the trade name of the company, which was already widely and favorably known. The executive committee approved his selection.

Fortunately the advertising manager of the corporation knew his business, and furthermore had backbone enough to object strenuously to a thing he knew was wrong. The advertising agent backed him up and finally the name adopted was discarded and the regular trade name used in its place. A brand was snatched from the burning. The sale of that article through its advertising had been greatly augmented by means of the good-will already enjoyed by its unadvertised brothers.

Good Names to Avoid

So, Mr. Manufacturer, use foresight rather than hindsight in matters pertaining to your label or trade name. Don't select a name such as Star, O. K., Twentieth Century, Standard, Ohio. There are 180 Standards of one kind and another on the market to-day. There are 44 Twentieth Centurys, over 50 O. K's, 41 Ohios, almost 200 Stars. The name Ohio is descriptive in a geographical sense. It cannot be protected. The other names have lost value on account of their commonness

Beware of the association of ideas on the part of the public. Such names as Standard, Peerless, Perfect, Perfection, suggest alike the idea good or best. The identity of the name is apt to be lost in the idea it suggests. Get a name that is distinctive, short, easy to spell, easily remembered, and print it so that it can be read. Then drive home in your copy the idea that the article it represents is the best.

What I have already said with regard to the appearance of an article applies largely to the package in which it is sold. This is especially true when the nature of the article makes a container absolutely necessary, as is the case with most articles of food, with liquids, powders, cold creams, etc. Here the package takes on the nature of the article itself, and it should not only be attractive in appearance, but should lend itself readily to the purpose it is to serve when in use.

III. Advertising Aspects of the Package

A polishing cloth for metals designed to take the place of the familiar liquid and rag combination was on what appeared to be its deathbed. Although the ills which beset it were numerous, not the least among them was the form of its container.

The cloth is moist and should have been sold in a package that would serve as a repository for it when it was not in use. Instead, the manufacturers packed it, tightly rolled, in a small cylindrical carton. When the cloth had been taken from the carton and wrinkled in use it could not easily be replaced. A special place in which to keep it had to be found. As a result, the fact of its moisture, an unpleasant feature at the best, was accentuated, and repeat orders from the consumer were not forthcoming.

Study the Product Under Service Conditions

Every manufacturer of package-sold goods should accompany his package into the home of the consumer, study its advantages and disadvantages as they show themselves there. Then he is in a position to make intelligently the changes that suggest themselves as necessary. This step, however, should be taken at the beginning of the sales campaign, not put off until a certain amount of good-will has been created for the package in its original form.

IV. The Price in Its Advertising Relations

*If the trade discounts on an article are too low, or if the price to the consumer is too high, the fact will be discovered at the beginning of a sales campaign usually long before any advertising is indulged in.

When the trade is being allowed too large a profit, however, it may take an advertising campaign to bring to light the evil that is resulting.

An unreasonably high trade discount is, if not an invitation, at least a temptation to the dealer to cut prices.

There is an article being sold through the hardware trade on which, up to a short time ago, a profit of 90 per cent. was

---

Printers' Ink, April 11, 1912, p. 67.

allowed. The manufacturer sought to curry favor by allowing this profit. His competitors only give from 40 to 50 per cent. and the trade had always been well satisfied with the prices.

The 90 per cent. man began to advertise. Trouble followed immediately. The price of his commodity was a feature that should have been, and was, given prominence in his advertising. This very prominence showed at once that his commodity had no stable price. It brought to a head a sore that had been festering for some time.

The article was supposed to retail at one dollar. The trade had been selling it at from sixty-five cents to ninety-five cents. In few instances had the full price been asked.

When the advertising created a demand for the article at a *given* price the inevitable happened. The consumer found that he could buy at less than he expected. Shopping for the lowest price followed. Confusion and dissatisfaction among the trade resulted.

From the above example, and I know of at least one other similar case, it will be seen that too great liberality is as injurious in sales work as penuriousness. Also it takes the written word to show the fault clearly.

V. The Advertising Side of Distribution

If a manufacturer, while his business is in its infancy, will only look ahead and plan for bigger, better days, he will save himself untold worries, bring untold dollars into his pocket. This applies as truthfully to the question of distribution and to distributing methods as to any other department of business.

The citation of two specific instances will be sufficient to show the all-important relation between the distribution of a commodity and the advertising of that commodity.

Two years ago I listened to the tale of woe of a textile manufacturer. His first advertising campaign, which had involved an expenditure of $15,000 in women's publications and trade papers during a period of eight months, had ended disastrously. Results were *nil.* The money had apparently been wasted.

I looked at the copy that had been run. It was attractive, convincing. I examined the list of mediums used. So far as class went it was all right. I asked the manufacturer about his distribution. It was nation wide. The number of towns in which his goods were sold? About a thousand. The number of dealers handling his line? About a thousand.

There was the solution. A national campaign to the consumer with a thousand dealers, scattered from the Atlantic to the Pacific, handling his goods! The waste was enormous. No wonder that the campaign had failed.

He had about 25,000 possible customers among the retail trade. Fifteen thousand of them were located in the towns in which he had distribution. A woman who read his advertising and was influenced thereby had, on a national basis, but one chance in twenty-five of finding his goods on sale in her store. Limiting the hazard to his cities alone, she had one chance in fifteen.

This man had agreed to sell to only one dealer in a town. His customers were not limited, however, as to the selling of competing goods. He gave everything, received nothing. Under his plan his total market consisted of 1,200 retail dealers, there being that many towns in the United States in which his goods could be sold.

Advertising of almost any kind was for him impossible. A magazine campaign was out of the question under his plan of distribution. A newspaper campaign, supposing that he spent only $100 per town, would total $100,000. He had so limited his sales that an expenditure of even half that amount would have been impossible. In fact, so far as advertising went there was only one thing he could do — get into the advertising columns of his customers.

Relation Between Advertising Cost and Distribution Expense

A few weeks ago there walked into my office a man who had made up his mind that he would advertise the article he made — an article of general household use selling through hardware, house furnishing, and department stores. He was firmly convinced that advertising would pay him. From what he told me I judged that it would — but not with his present distribution. He has three salesmen on the road. One covers the Pacific Coast — because when hired, he said that he was most familiar with the trade there. One works in New York City. The third is busy in New England — busy there, it seems, because *he* was familiar with that territory.

I convinced the man who committed the above crime against good sense in selling that he cannot advertise. It would take between $30,000 and $40,000 a year to cover his territory adequately with newspapers. Under present conditions sales do not warrant such an expenditure. Magazines could not be used. His distribution was too scattered. So, this man, who wants to advertise and should advertise, has, through lack of sales knowledge, effectually closed the advertising door against himself. It must remain closed for some time to come.

The moral of all this is plain: Concentrate your sales efforts. Select as a centre the most promising field for your product. Then work out from that centre.

The advantages that accrue do not all relate to advertising. This method of conducting a sales campaign has many general features that make it advisable in most cases and that are too obvious to need mention.

Advertising whets the edge of competition. With one exception it is the most direct form of competition. The manufacturer who becomes an advertiser enters, in effect, into a great debate. His opponents are his competitive advertisers. His audience and his judges are the people. He will win or lose primarily on the strength and clarity of his argument, not on the virtues of his proposition. To win decisively he must not only present conclusions, but also the facts from which these conclusions are drawn. He must deliver a stronger, a more convincing argument than his opponents.

VI. Picking Out the Selling Points

Few advertisers, particularly new ones, realize the value of the use of logic in their copy. Sweeping, unsupported statements are the rule; careful, deductive reasoning the exception.

This all leads inevitably to the question of individuality in copy, the necessity of giving the consumer some distinct, individual reason for believing that one article is better than another.

In planning an advertising campaign for a manufacturer with whose proposition I was totally unfamiliar at the beginning, I came eventually to the consideration of copy. The general sales plan, the matter of his relations with his trade, the items of cost and profit, manufacturing methods, etc., had all been gone over. Everything was as it should be.

My manufacturer did not have much to say about his copy. On my asking him what he considered his strongest selling points with the consumer he produced a collection of forty or fifty advertisments that had been run during the two previous years.

"Here," he said, "this copy gives the whole story. You'll probably get more out of it than I could tell you."

I read his copy from the beginning to end. I read the copy of his three chief competitors. When I got through I knew no more than I did at the beginning. Every one of the hundred-odd advertisements I read told me the same thing. Each told what the article mentioned could be used for. (All four served the same purpose.) Each either directly claimed or implied that the article mentioned was the best to be had. Nowhere was there an original, distinctive selling point.

What Is a Selling Point?

But the manufacturer I was working with has such a sales point now. It is based on one small process of manufacture. He had entirely overlooked its importance. But, properly featured, it has doubled the efficiency of his advertising and carried him far ahead of his competitors. I will venture to state that there is no commodity on the market that has not some salient feature in connection with it that can be turned into capital as a sales point, an actual reason why the article is or does what the maker of it says it is or will do.

Sometimes this sales point has to be created — a slight change in manufacturing method, a change in shape. But a clue to it is always there.

I should like to give other and more specific examples under this heading, but to do so would mean, frankly, the disclosure of so-called trade secrets.

To prospective advertisers I can only say this: the man who has only come into contact with his jobbing or retail trade steps into an entirely new field when he begins to advertise to the consumer. The sales arguments he has been accustomed to become useless. He must create new ones to meet new conditions. In some particular the thing he makes is different from and possibly better than the thing his competitor makes. He should discover the particular. . . .

These points made by Mr. Collins show some of the ways in which the sales possibilities of the goods, and the sales methods affect the advertising. On the other hand, the advertising often has a very distinct effect on the sales possibilities of the goods, and upon the sales methods as well. The relations between advertising and selling are of the nature of a constant, mutual interaction.

Hamilton Gibson, Manager of the Cereal Department of the Ralston Purina Mills, St. Louis, and formerly Advertising

Manager of Sanitol, treats this phase of the subject concretely, as follows:

DEVELOPING THE SALES POSSIBILITIES OF AN ARTICLE

*The great modern force of advertising has changed merchandising conditions completely about, so that the merchant now says, "You create the demand and then I will stock your goods. For to-day so powerful is advertising, that it not only takes the goods off the dealers' shelves, but puts them on as well." Therefore, to-day salesmen *follow advertising* and are the *result* of it, securing the advantages of distribution through the demand that advertising has created.

Goods sold to the dealer are only half sold. The complete circle is the sale to and use by the consumer.

Do not let me lead you to infer that there is no further need of compact and strong selling organizations. They are more needed now than ever before. A sales manager and advertising manager are one and the same person — or should be. Both are arms of the same body, two component forces working toward the same end, sales. Advertising blazes the trail, creates the desire, fixes a state of receptivity in the mind that finally results in the purchase. The sales force, taking advantage of this, steps in, feeds that want and places the goods so as to be easy of access among the wholesalers and retailers.

The Sales Organization and the Advertising Campaign

Every article has its peculiar sales organization, one which experience has developed as best fitted to distribute that particular product. The wholesaler is the grand absorber of thousands and tens of thousands of articles in his general line that the trade demand — the great central storehouse for supplying an instant call. The jobber's force of salesmen have beaten tracks, and customers are solicited regularly. The jobber redistributes and stocks heavily on specialties, which are fed out by his special staff of men. The shoe houses go direct to the merchant with their selling organization, if they are big enough; if not, to the jobber or broker. The broker has developed for himself a strong position. He is known, locally, and favorably in the territory he covers—sometimes a single town, sometimes a group of cities, or a limited territory. The manufacturer saves his selling expense in that territory by dealing with the broker; often sells

***Printers' Ink*, March 23, 1911, p. 54.

his product direct to the broker, who redistributes to the trades, including the jobbers, through his own men. Many articles can be more economically sold through brokers than by maintaining a force of salesmen.

A Peculiar Case Which is an Exception

I have been particularly interested in watching the progress and experiment that is being made in New York City during the past two years. There is a gentleman who owns a cleaning fluid — well-known to you if I should mention it. He believes so strongly in the theory that advertising makes its own demand and sells its own goods, both to the consumer and to the retailer and jobber — securing its own distribution and without the operation of any sales force — that he is spending a big sum of money each year in publicity, using all kinds of mediums; yet does not operate a single salesman. All his business comes to him by mail, as a result of the consumer demand, and money that would be spent in salesmen is thrown entirely into advertising, and his little office force carries on a big business entirely through correspondence. It's rather an ideal way to operate if you can; but most businesses need salesmen, and the best that can be had. There are merchandising problems, however, where an expensive sales force can be eliminated, the products being of such a nature that the trade can be carried direct from the factory to the wholesaler and retailer. Many hardware products, especially paints and certain raw materials, are instances of this kind.

Interdependence of Advertising and Sales Organization

The retail merchant then orders as needed — the result of the local demand from advertising. In that way the dealer stocks no more than his local consumption warrants. He is never out of the goods. He is constantly getting small lots from the jobber The jobber stocks it, and the business is carried through in the most economical manner. Advertising in these cases will then have entirely absorbed the function of selling.

But the manufacturer's selling force, under most conditions, is coming to consist of highly specialized men covering large territories, seeing only the biggest trade, and keeping things running smoothly in their respective territories. And the salesman is becoming more and more a through-and-through advertising man.

A big scouring-soap concern in New York City has developed their business on similar lines, so that to-day their goods, through years of constant publicity advertising, are sold in over 250,000 grocery stores in the country. Their business is constantly growing, and the demand has gone into practically every nook and corner of the country. This concern operates a group of only fifteen salesmen, who do not pay their expenses through the orders they take, but are kept in the field to maintain the company's prestige, to keep in touch with the trade occasionally and as a means of directing local sales effort whenever required.

A selling organization is to-day an advertising organization. Each follows the advantages provided by the other.

DEVELOPING THE ADVERTISABILITY OF AN ARTICLE

A suggestive discussion of how the advertisability as well as the salability of the goods advertised as affected by the advertising is found in the following article by W. P. Werheim, Advertising Manager of Pratt & Lambert, of Buffalo, N. Y., makers of paints and varnishes:

. . . . . *I shall mention specific examples rather than endeavor to lay down any general principles, as every commodity has its own peculiar advertising advantages.

In the first place, the manufacturer must determine whether his product is necessary, desirable, or can be made so. Second, he must ask himself whether his product is new, different from, better than, or at least as good as, any similar product. Then, if he is convinced that his product will measure up to these two requirements, he may proceed farther.

What an Analysis Will Show

The manufacturer of an article about to be advertised must be prepared to make good on his advertising in other words, the article must be as good as his advertising. He owes this to the public and on this will depend his final success.

Assuming that the article now to be advertised has true merit, the next step is to offer it to the public in attractive garb or dress. If it is a good household article or other small commodity, he must look carefully to the package. The package should be of convenient size, attractively labeled and easy to open. As examples, there are the packages of the Uneeda Biscuit, Colgate's Toilet Preparations, and some competing preparations.

**Printers' Ink*, January, 5, 1911 p. 27.

If the article itself has no exceptionally prominent qualities or values, a scheme frequently can be evolved to make an advertising point of advantage. As an instance I cite the Colgate Tooth Cream. Many thousands of dollars are being spent in acquainting the public with the fact that this dentifrice "Lies flat on the brush like a ribbon." The opening of the tube is so constructed that the cream comes forth in this manner. Other dentifrices do not lie flat on the brush. Thus, the Colgate people have really given this article a quality or an advantage which the product itself did not possess. This demonstrates how an advertising asset can be created. In this instance, it is in reality service — service to the customer; he is enabled to use this article more conveniently and more economically. Many tremendously successful campaigns are based on just such simple points.

In placing an article on the market, such a small matter may make or break the would-be advertiser.

The advertisers of Towle's Log Cabin Syrup put up their syrup in miniature tin log cabins. They say in their advertisement: "It is put up in the log cabin can." These advertisers have thus linked very closely the style of package with the name of their product.

In advertising one product of the concern with which I am connected — I refer to "61" Floor Varnish — we fastened upon one point which could be featured; that point was durability. Heretofore, in the advertisements of similar products, the point of durability was merely mentioned incidentally. We let the other fellow tell how beautiful floor finishes are in general and how easily they may be applied. On the other hand, we endeavor, in our advertisements, to drive home the durability of "61" Floor Varnish, through illustrations of our hammer and heel test, as well as in the copy. This advertising has been exceptionally successful, whereas a campaign on a similar product, exploited in the usual manner, was a flat failure.

An advertiser may have an article which has a peculiar advertising asset in some territories and not in others. For instance, Huyler sells candies "Fresh Every Hour." This phrase is an advertising asset, but it would mean absolutely nothing and would sound absurd to use it in a magazine or in the many towns where Huyler sells but has no stores.

Many manufacturers have established service departments — that is, they have established departments to serve customers.

The people in such departments devote their entire time and efforts to giving the customer technical information as to how a product may be used to best advantage, that its full worth may be developed by the customer himself. These departments are featured in the advertising. Thus a most valuable advertising asset is created.

Advertising May Result in Finding or Developing Talking Points

In these days of modern advertising, we may almost set it down as a general rule that the ordinary known qualities of a product are not sufficient to make it an advertising success. The qualities must be enlarged upon, developed or added to in some unique manner to secure the greatest efficiency of the advertising. I do not mean by this that it pays to do dishonest advertising, but that the advertiser should take advantage of every legitimate means to emphasize the qualities of his product, and thus actually add value to it.

In short, the state of mind of the purchasing public, or the individuals composing it, determines the "advertisability" of a product. It is the key to the final solution of the sales problem. Occasionally a desirable state of mind may fortunately already exist and the only requirement is the mere announcement of the qualities of an article, but usually this desirable state of mind must be created by effective illustrations and forcible copy.

You have got to win your public or the individuals composing it. This done, you have won your market.

EFFECTS OF ADVERTISING ON UNADVERTISED GOODS

Thus advertising affects the selling properties of the goods advertised. It also frequently affects lines not covered by the advertising — perhaps quite remote from it. A case in point is brought out in the following discussion:

Vacuum Cleaner Advertising Helps the Carpet Sweeper Trade

*"The $250,000 or $300,000 a year which is being spent in advertising vacuum cleaners has also helped us to sell carpet sweepers, and I imagine it has made a market for brooms, too," says G. Q. Porter, the secretary and executive officer of the National Carpet Sweeper Company, of Newark, N. J. "We cannot tell just how much it has helped us, but we know that we

---

**Printers' Ink*, November, 16, 1911, p. 52.

have gained about 50 per cent. in business over last year, and must attribute some of the increase to something besides our own advertising and sales effort.

"The peculiar value of the vacuum cleaner advertising," continues Mr. Porter, "is that it has educated the people to a higher standard of household cleanliness in a way that the less striking and picturesque methods could not do. It has probably educated the people to higher ideals of household cleanliness faster than it has been able to educate them to vacuum cleaners, and the sweeper and broom lines have profited by the increased interest, at the expense, in a way, of the vacuum cleaner people, though the outlay will all come back to the latter in the long run.

"Undoubtedly a large number of housekeepers have graduated from brooms to carpet sweepers, and in time a large number of carpet sweepers will be relieved of the heaviest responsibility in housecleaning by the addition of vacuum cleaners, but it will be a long, long time before the vacuum cleaner is so perfected as to absolutely displace either sweeper or broom. It would be needless and bothersome, for instance, to unship the cleaner every time one wished to pick up threads or crumbs on the floor if the sweeper or broom would more easily dispose of them. Some households can afford only a broom, but those that have sweepers have brooms also, and those which employ cleaners have the others, too."

How Rivals Help Each Other

There is another aspect of which Mr. Porter did not speak. The National Company is comparatively a young company. It is not more than six or seven years old. There are other carpet sweepers in the field and until a short time ago one almost monopolized the market. The advertising which that one has done has, of course, had large share in softening the market for sweepers and to a lesser degree for brooms. So the younger concern has profited not only from the advertising of the suction sweeper but also from the more direct demand created by the older concern. . . .

The Broom Business Also Thrives

Inquiry among the broom manufacturing houses shows that the industry has probably not been injured by the vacuum cleaner and carpet sweeper advertising. It has grown as the population has grown. If it were advertised it is possible that it also would be able to cash in more heavily yet on the publicity of the other methods. The experience of these lines of business suggests that it might be profitable to give more thought to the subject of industry advertising than is generally given. The biggest men in the field appreciate that what is, rather loosely, called competitive advertising, involves a great deal of waste. Advertising with your eye on your competitor distracts attention from the educational function of your ad. In scheming up wordings, pictures and effects to offset his advertisements, you are in danger of missing the customer's eye. Two competitors who are doing this might as well be two clerks quarreling behind a counter while possible customers hesitate and pass on.

Few fields ever do reach their limit — for those who attend strictly to business. Beyond the developed demand there is almost always an immense undeveloped demand, and it is generally, we could almost say always, cheaper for rivals to combine in developing this latent demand than to struggle murderously to grab off the lion's share of the limited trade.

THE EFFECT OF ADVERTISING ON DEMAND AND DISTRIBUTION

Commercially, the prime effect aimed at in all advertising is some form of influence upon demand. To create, to control, to stimulate demand — for one or all of these advertising is done. Wm. H. Ingersoll, who is advertising director of the concern making the widely known Ingersoll watches, has this to say about the interrelation between advertising, the demand, and the distribution system:

*Neither distribution nor demand can precede the other without loss, without wastefulness and therefore without loss of efficiency. If we are going to wait for distribution until we have created a demand, we will wait forever, or nearly forever. On the other hand, if we are going to create a demand without distribution — rather, if we are going to try to create a demand without distribution, without advertising — there again we are going to delay the time that we reach the success to which we are entitled. In other words, the most economical, the most efficient way, in my opinion, of handling this subject of distribution and demand is to go ahead in a moderate way and advertise, and take the sales methods that are at hand and keep the demand going by getting all the distribution you can.

Printers' Ink, March 9, 1911, p. 71

I have had a very interesting experience in the convention of our own salesmen. During this convention the question of what is demand came up. We found it possible to clarify in the minds of our salesmen to a very great extent what they are to say on this question of demand. Some of them had thought it was the idea to threaten the dealer with bankruptcy if he didn't have our goods, because of the demand that was being created by our advertising. Some of them had become so discouraged that they never talked of demand, and they plead with the dealers to stock the goods on some personal basis to save their jobs, and between the two we found that the real solution is to explain to the dealer what demand is, and we tell them it is this:

What Is Demand?

Advertising and all business is a matter of the mind; all that we claim, all that we ask our salesmen to say to the dealers of this country is that our advertising itself is to help them create the possibility for sales, to teach the retailer that we are placing in the minds of the people, his customers, people that are round about him, certain information that predisposes them favorably toward the thing which we are advertising. Now, in order for them to avail themselves of that something which we have placed in the minds of the people, it is necessary for them to have the goods, advisable for their own sakes to sell those goods, to recommend them, to say what they are, and to realize on this favorable condition that we have created. Not to teach them but to tell them that they must have those things. I believe that these salesmen were greatly strengthened by getting that into their minds. Of course, we went into it with them in greater detail. It helped them to understand on their own account what advertising is, and I contribute that thought here for the sake of the utility it might have for some of the men who are having like problems.

Demand and Distribution

This is a very human proposition; all of business is a human proposition. The dealer can very materially influence the sale of any line of goods he carries. If he wants to sell more, he can help, or if he wants to sell less, he can help. What are the means by which he can be induced in the matter of profit, and what are those things which are more or less fixed in business, the adjuncts, the supplementary methods that are available to the sales organization for giving a little more speed to the sale of goods in dealers' stores? One desideratum is to acquaint the dealer with the merits of the goods, and with the kind of talk to be given to the trade in support of your advertising.

Linking Up Goods and Demand via the Retailer

I have sometimes noted with surprise the effect with which retailers accept and utilize information along that line. If you will give them selling talk on your goods, if you will possess the clerks of those dealers with the ideas and their effective expression that they can use in selling the goods to the trade, you are doing a good work and a supplementary work to your advertising and distribution.

WEAK LINKS IN THE CAMPAIGNS

These discussions of the relations between advertising effort and the distribution system make it clear that while there are many things to watch in advertising as a business-creating force, none is more important than that the demand once created by the advertising be able to connect easily with the goods.

An article on "Weak Links in Big Campaigns," by Chalmers Lowell Pancoast, presents this point quite vividly. Mr. Pancoast says:

*A few weeks ago I saw a "first-timer" advertisement in a weekly magazine. The article advertised was something I wished to purchase very much. In fact, I was converted into an immediate purchaser from the first reading.

The advertisement was attractively illustrated, presented convincing arguments, mentioned a six months' guarantee, named colors, sizes and prices. Not one of the important selling points was omitted. When I had finished reading I had fully made up my mind to purchase one of these articles.

At the close of the advertisement appeared that old familiar phrase, "Ask your dealer." Now in Chicago, as in other large cities, with such indefinite directions the prospective purchaser simply must take chances.

I went to four stores and could not find the article at any of them. At each place I was offered "something just as good." . . .

**Advertising and Selling*, May, 1912, p. 144.

The chances are that five out of ten people would have been influenced by the salesmen's talk and immediately forgotten the advertised article. But I had firmly decided I wanted this particular article, which had been described so convincingly. When I could not find it at the stores, I wrote to the manufacturer, and in a few days received a form letter which did not give me any further information. I was just about to write to the advertiser and jog him up for a second time when a letter came giving the names of two dealers in Chicago.

Four Chances for Substitution

At one of the stores mentioned I had already called, but I went again and found the article was being sold without any ticket or mark to show it was the article advertised in the magazine under a trade-marked name.

After I insisted on being shown that it really was the article advertised the clerk reluctantly pulled out the original box from beneath the counter and there I saw the trade-mark name on the box.

The Break in the Trade-mark and Guarantee Campaigns

In the advertisement the phrase "Guaranteed for Six Months" had been played up strongly. The word "guarantee" had been mentioned three times. The guarantee tickets had been removed from the article, and when I asked for the guarantee ticket the clerk said it was not necessary — that if it did not wear to bring it back. But I insisted on the guarantee ticket and finally it was dug out of the bottom of the box, where it had been thrown when taken from the cap and replaced by one of the store's price tickets.

I do not believe there is one person in twenty who would have gone to the trouble I did to purchase this article.

My experience is conclusive proof that this apparently excellently constructed national campaign has several costly "Weak Links."

In the first place, if the advertiser had used a couple more inches of space and condensed the ending of the ad, he could have given the names of the dealers in all the larger cities where this article might be found.

In order to get results from the greatest number of large city prospects it is necessary to give the name of the dealer. In this advertisement very small type would have been ample to direct the customer. The lack of this information undoubtedly lost the advertiser a large number of immediate sales.

In this case, where the trade-marked article was something new, it was a serious weak spot in the campaign. This same "Weak Link" may be found in plenty of other advertised products. Sales are lost because the advertiser does not bring the consumer in touch with the dealer.

Thousands of dollars invested in good, result-getting advertising are wasted because of this one "Weak Link."

Another weak spot in the campaign just mentioned was the fact that the dealer was permitted to remove the guarantee tag, and place the articles on sale with no mark of any kind to identify them with the trade-mark on which thousands of dollars was being spent.

Any manufacturing advertiser who used the larger weeklies and monthlies certainly should make his campaign to dealers as effective. But I saw this same product displayed in a dealer's window without anything to identify it as the trade-marked, advertised product. This is even a more serious weakness in the campaign which is costing the advertiser many profitable sales in addition to the money invested in advertising space.

In planning the campaign every link in the chain which extends along the trade channel should be tested thoroughly before the chain is suspended to bear the weight of public patronage.

Here was from all appearances a very well-executed national campaign, yet my personal experience in reading the advertisement and attempting to buy the article in Chicago proves it has many "Weak Links" which are costly leaks. . . .

REVIEW QUESTIONS — CHAPTER III

1. What seven things does Mr. Collins mention as being necessary for the advertiser to consider in trying to sell goods?

2. Why does he think these are more important in trying to interest customers through advertising than through personal sale?

3. Do you consider the case of the cleaning compound mentioned by Mr. Gibson an exception to the rule he states or is it only a variation?

4. Referring to the opinions of Mr. Porter, do you agree with him that vacuum cleaner advertising has had any effect on trade in carpet sweepers and brooms? Is there any way to prove whether it has or not?

PROBLEM QUESTIONS — CHAPTER III

1. A weak link in many national clothing campaigns has often been pointed out in the failure to direct the prospective customer to the nearest local representative. Can you suggest any practical remedy for this? What would you think of the insertion of the manufacturer's name or card in local directories and telephone books of some of the large cities, giving the street address or 'phone number of the representative as a means to this end?

2. Could you suggest ways to better the methods used by the cap manufacturer (pp. 63 – 65) to co-ordinate his national and local advertising?

3. Give concrete examples of how an article becomes more salable as it is well advertised. Is this always the case?

4. What do you think of the suggestion that a new type of "industry advertising" might be employed to offset pioneering losses? Is the idea feasible?

CHAPTER IV

THE PROBLEMS OF MEDIUM SELECTION

WE HAVE examined schemes of analysis, have looked into the advertising aspects of goods, of market, and of distribution methods and have seen the need of deciding what effect is to be striven for. Now we come to the question of what mediums will produce the desired effect with the greatest certainty, with the least waste, and the least expense. Here we must depend partly on our advisers in the field of advertising technique. And yet we cannot turn the case over to them entirely. Important as are the elements of technique as tools, they are after all only the means to the end. The real end — the effect on demand — is largely determined by the character of the selling problem. If, for instance, we choose one market, by class, by geographic location, by income, by any one or any combination of measurement standards, we have already gone one step toward medium selection — and that a long step.

The Sales Factors in Medium Selection

Moreover, one does not need to be a prophet to see a very marked advance among mediums toward a policy of frankness and honesty in their statements concerning the patrons whom they reach, and concerning the results which may reasonably be expected to follow from their intelligent use. And this increased frankness makes it easier to select mediums to fit a plan worked out on analysis.

Medium selection is a business by itself, calling for special training and much detailed knowledge. In most cases it will be found wise for the ordinary advertiser to seek and follow the advice of a trained and conscientious "medium selector" of some kind. And yet there are some features of the problems of selecting mediums for the attainment of desired advertising ends which can and should be familiar to every advertiser. An editorial in *Printers' Ink* for May 4, 1911, p. 78, gives the following estimate of advertising outlay in the United States through some of the chief mediums in general use

Newspaper advertising (retail and general)	$250,000,000
Direct mail advertising (circulars, form letters, etc.)	100,000,000
Magazine advertising	60,000,000
Farm and mail order	75,000,000
Novelty	30,000,000
Billposting	30,000,000
Outdoor — electric signs, etc.	25,000,000
Demonstration and sampling	18,000,000
Street car advertising	10,000,000
House, organs, etc.	7,000,000
Distributing	6,000,000
Theatre programmes, curtain and miscellaneous	5,000,000
	$616,000,000

Each of these main forms of advertising has its ardent advocates. And the ardor with which they advocate their pet plans adds to the advertiser's difficulty of choice. Fortunately, nearly every one of these methods is being reduced to a sound business basis. Greater care is being exercised to keep up the "tone" of the advertising carried, and greater frankness and honesty are being employed in telling the advertiser what service he is getting for his money. The advertiser's ability to gauge his mediums to his needs is still far from a basis of mathematical certainty. But as the mediums are more completely standardized the advertiser is in an increasingly better position to base his selection of mediums on the results of his analyses.

Recent Changes in Newspaper Advertising

Newspaper advertising, making up nearly one half of this estimated total, is the oldest, and probably the least skilfully employed, of the more important mediums. A large part of the trouble with newspaper advertising is attributable to the careless methods of the publishers in accepting almost any advertising copy which would not actually exclude the paper from the mails. As a result many general advertisers have refused to use daily papers for display advertising.

This disregard of standards of respectability, together with deliberate misrepresentation of circulation figures, has prevented the newspapers from getting their full share of the advertising growth of the past decade — large as their share has been.

A concerted movement has been made during the past few years to improve the quality of the advertising carried in daily papers, in order to make this form of publicity more attractive to the higher types of national advertisers. Early in 1910 *Printers' Ink* wrote a letter to 250 newspaper publishers in the United States asking them what measures they took to prevent the appearance of fraudulent or improper advertising.

The replies to some of these letters were published (*Printers' Ink*, March 16, 1910, p. 3) and indicated a very widespread awakening on the part of the newspapers to a sense of their responsibility for the honesty of their advertising columns. Of the papers approached thirty-five refused to accept private disease advertisements under any circumstances, and ten others accepted such copy with privilege of revision. Patent medicines, guessing contests, intoxicating liquors, bucket shops, and reward certificates are other forms of advertising tabooed by an increasing number of papers. On the whole, the moral tone of daily paper advertising columns is being raised, and this medium, once cleaned up, bids fair to regain, to a degree, the preëminence it once enjoyed. And, furthermore, the sentiment is growing in favor of full and honest circulation statements by newspapers. As this practice becomes more common it will be increasingly easy for the advertiser to select his mediums with regard to their ability to produce the ends he has chosen to strive for. And newspaper advertising will come into its own. Already it is possible for an advertiser to take sworn circulation figures and with them cover a good many of the best markets in the country. And at the same time he can know in advance quite definitely what his outlay for space is to be.

Advances in the Magazine Field

The figures covering *magazine advertising* in the table will be considered by many to be surprisingly small compared with the figures above it. But this is one of the most easy to estimate of all the figures, and probably is not far from the true amount. The really surprising thing about this figure is that it is largely the result of about twenty years' growth. This form of advertising, after a brilliant career, is just now passing through what may be termed a period of readjustment. The indications are that it will come out of the period of remaking, on a sounder basis than it has ever been on before.

Truman A. Deweese, director of publicity of the Shredded Wheat Company, in an address before the Sphinx Club in New York (*Printers' Ink*, March 23, 1910, p. 104), outlines the advantages of magazine advertising as compared with various other forms, and takes the ground that this type of medium "is all there is to national advertising." He contends that magazine advertising gets prestige on account of the exclusive and high-grade type of advertiser who is in a position to use it, from the length of life of the medium, from the dignity of its appeal, and from the uniformity of rates and the low cost of circulation per capita.

The real importance of this medium in the advertising field — particularly in connection with national advertising—is not easily measured in figures, but some idea of it may be obtained from a few statistics showing the number of lines of advertising carried by 68 leading publications in 1911. These did not include any trade papers, and the list covers only publications with large general circulation. (*Printers' Ink*, January 18, 1912, pp. 92–93). The figures show that 26 general publications carried 4,533,000 lines in 1911, while 16 "class" papers (such as *Motor*, *System*, *Outing*, *Country Life in America*, etc.), carried nearly 3,980,000 lines, and 13 women's magazines carried nearly 3,290,000 lines, and 13 weeklies carried 5,385,000 lines — a total of nearly 17,000,000 lines for the 68 publications.

The characteristic thing about magazine advertising as a whole is the growing tendency to set charges for advertising space at a figure commensurate with the size and character of the circulation.

New Methods in Out-of-door Advertising

Out-of-door advertising also has been standardized to a large degree. Practically all of the 3,000 or more local bill-posting companies in the country belong to the National Poster Advertisers' Association. Through this organization is handled that portion of the business of these companies which is not purely local in character. This is about 30 per cent. of their total business, the 70 per cent. being such work as theatre posting, which is handled by the local concern without intervention by the Association.

*The National Association does not fix the rates charged by its members. It insists, however, that they shall not exceed the maximum, which is 20 cents per sheet per month, nor fall below the minimum, 9 cents per sheet per month.

All boards are of standard size and construction, and the Association maintains detailed systems of inspection, has organized solicitors, and operates a system of receiving, executing and checking orders on a nation-wide scale. The details of this system are told in the article referred to earlier in this paragraph. The most important point is the fact that this branch of advertising has within a few years been reduced to a stable and reliable basis, whereas it formerly was in a bad state of disorganization. The Association is now in process of justifying itself before the Sherman Law.

Street Railway Advertising

For many lines of goods, *cards in street railway cars* have grown very popular within the past ten years. A list of grocery producers who were using car cards for widespread campaigns in 1910 includes the following:

*National Biscuit Co., Joseph Campbell Co., Walter M. Lowney Co., National Starch Co., Van Camp Packing Co.,

Printers' Ink, May 23, 1912, p. 3.

American Sugar Refining Co., Quaker Oats Co., National Food Co., Corn Products Co., Burnham & Morrill, Dayton Spice Mills, Ghirardelli Co., Foulds Milling Co., Duff's Molasses, Gorton-Pew Fisheries, Sapolio, Ivory Soap, The N. K. Fairbank Co., Shinola Co., Nugget Polish Co., Globe Soap Co., Luntz Bros., Leet Bros., Chas. B. Knox Co., Carno Mills, Merrell-Soule Co., F. H. Leggett & Co., Woolson Spice Co., Armstrong Packing Co., Kinkasi Provision Co., Southern Cotton Oil Co., Pillsbury-Washburn Co., Southern Mfg. Co., Towle Syrup Co., Joseph Burnett Co., Beech Nut Packing Co., Holbrook's Sauce, Swift & Co., Cermon & Co., Postum Cereal Co.

This list might be materially extended by including concerns advertising locally, or within a short radius. And similar lists might be prepared covering drug specialties and even wearing apparel.

This medium, while still comparatively new, is taking its place among the most effective mediums for widespread campaigns, and the cards have been standardized and rates reduced to a basis having definite relation to service. Most of the car advertising in the United States, Canada and Mexico is under the control of the Street Railway Advertising Company.

The Relation of Advertising Charges to Service Rendered

And so we might go through the entire list of principal types of advertising medium and find the same evolution taking place. Each is settling down to something like a tangible method of relating cost to service rendered.

But the problem of medium selection is not merely a question of picking out different types of medium calculated to produce a pre-determined effect on a chosen lot of consumers; it involves also very intricate difficulties in correlating different types of advertising so that the results from each will supplement the other to the greatest possible extent.

**Printers' Ink*, February 2, 1912, p. 54.

Obviously the advertising medium field divides itself into two great groups, national or general, and local or direct. The first group represents the field of activity of the producer or general distributor and the latter belongs primarily to the retailer. The fields have been described as being designed respectively to put goods on the retailers' shelves and to take them off of those same shelves. And much has been written about the need of coöperation between these two fields of appeal to the consumer.

By some it is contended that the advertising campaign of the producer ought to embrace the appeal in both fields, since they are merely parts of the same continuous distribution process. By others it is held that the processes are distinct and that they can best be performed separately by the general and the retail distributors respectively.

AN EXPERIENCE IN TRYING TO CORRELATE NATIONAL AND LOCAL MEDIUMS

An Atempt to Correlate National and Local Advertising

An interesting case in point is the record of results secured by a concern manufacturing caps, which undertook to do local advertising for a selected list of 163 of its retail dealers, and found the results unsatisfactory. (*Advertising and Selling*, February, 1912, p. 40; March, 1912, p. 88.)

This concern made arrangements with 163 retail houses to do local advertising for them, and this list of houses to be helped included a wide variety of types — city houses with big trade, small town and country dealers; some were extensive and some meagre advertisers on their own account. This local paper advertising was undertaken in addition to various other dealer helps, such as style books, display cards, etc. Three forms of agreement were worked out. In one the

Results Secured

manufacturer paid for all the local space, under specified conditions; in the second he paid for one half of it, and in the third he paid for the cut space only. The first was adopted by 72 houses in two seasons, at the end of which the business done with these houses fell off from $77,000 to $48,500 — a net loss of $28,500 including 23 houses lost outright, and 33 reducing their orders. The 23 houses adopting the second plan reduced their business from $31,000 to $22,100 — a net loss of $8,900, 8 having dropped out altogether and 7 having reduced their business. The third plan fared a little better, being adopted by 68 houses, of which 11 were lost, and 22 reduced their purchases, the sales to the houses using this plan declining from $47,100 to $43,000 — a loss of $4,100. (These and other data are given in *Advertising and Selling*, February, 1912, pp. 43–44.)

Commenting on these figures the advertising manager of the concern says:

What the Advertising Manager Found

> *Now, our 163 customers, as per these tables, purchased a total of $155,571 for the seasons of 1910 and spring 1911. Those of the number who "repeated" and stayed with us made purchases for the seasons of spring 1911 and fall 1911 totaling about $113,651, the decrease being $41,920, or 26 per cent. instead of 15 per cent.
>
> Selecting further unpleasant facts from the tables, we find that among the customers who "repeated" and stayed with us, there was a greater decrease in business than we could reasonably expect, when we compare their purchases for the two different seasons and make an allowance of a varying average of 10 to 25 per cent. to cover the sales of overcoats, which, of course, are not purchased as heavily in the spring as in the fall, and vice versa.
>
> Thus, we might continue our investigation of the different kinds of losses these tables reveal. But "enough is plenty," particularly when we aren't pleased with it. Besides, what if we were compelled to figure the total gains or losses of our entire business from the evidence contained in these tables? To do so would surely indicate that if we had been losing business in general at the same rate during the same period, we'd have to close the doors and quit business here pretty soon.
>
> But we won't. We're going to stick right in the game.

Advertising and Selling, March 1912, pp. 88 et seq.

We've been improving our product and service right along. And our direct-to-dealer campaigns for new business have been decidedly successful. While we were doing this localized newspaper advertising our total gains in new accounts were 50 per cent. in excess of our total number of lost customers. The only important feature of this is that this gain was not the result of our localized newspaper advertising. Had it been these tables would never have been prepared.

These returns having been received, the advertising manager set about trying to draw from his experience conclusions which would make the experience useful in future campaigns.

In the first place, he was forced to conclude that he, at a distance from the local market, could not gauge satisfactorily the quantity of local advertising which would be most useful in a large number of localities. In the second place, he came to believe that the quality of the advertising done locally, at long range, was poor. The copy was necessarily of a general type — or "kettle" advertising — dozens of places with all kinds of varying conditions being served with copy from the same "pot," and localized merely by "sold exclusively by" and the dealer's name at the bottom of the advertisement.

Summing up the results of this campaign this advertising manager says:

The Advertising Manager's Conclusions

In view of the above study of these tables and our discussion of the facts they disclose we can come to but one conclusion regarding localized newspaper advertising: That it is expensive and unfortunate philanthropy, not successful selling assistance. *Let the manufacturer manufacture and let the retailer retail.* The manufacturer who attempts localized newspaper advertising cannot control trade conditions, cannot control the merchandising methods of his customers, cannot prevent losses in business by means of his retail advertising, cannot publish in the retail fields anything but stereotyped, unvarying, kettle copy, and not enough of that at a reasonable expense to get desired results.

Why should the manufacturer break into the retailer's legitimate field, anyway? Just as sure as he does he begins to promote commercial indolence, and to rob the retailer of his initiative, his business independence and energy, his desire to beat competition. Just as sure as the manufacturer attempts to take over any part of the retailer's legitimate duty and privileges he just as surely causes the retailer to lose his grip on his own business.

Furthermore, your good live retailer doesn't want any of your localized newspaper advertising. He wants his own. He has a local reputation of his own and prefers to trade on it instead of yours, whether he actually boosts your product or not. Your copy that merely gives him a space for his name at the bottom of the ad is not localized advertising and he knows it, and he knows that his trade knows it too, and it is this trade he has to depend on for his life or death in business.

The retailer is a whole lot closer to his trade than the manufacturer is. He is a personal friend of two thirds of the people who come into his store for merchandise. Why shouldn't he do his own talking to them? Why let you do it? Is it any wonder that he is indifferent to the manufacturer's effort to usurp by mechanical methods both his advertising functions and rights? Can you blame him for even actively objecting to having his advertising handled by a man who may be a thousand miles away from the firing line? And should the manufacturer attempt to make kettle copy (even though it may be of Krupp-gun power intrinsically) produce business for a hundred different retailers in a hundred different places?

Such advertising is misdirected effort and will weaken and not strengthen the position of both the manufacturer and retailer. You can help, you can enthuse the dealer, you can incite him to action, but don't do his advertising for him.

ADVERTISING ABILITY AND THE VALUE OF MEDIUMS

Whether or not one agrees that this single experience justifies these rather sweeping conclusions, he will find in it a specific case of great interest. Perhaps the failure was due to poor planning or poor execution. In any case, the results, beyond a doubt, did not justify the time and money spent in getting them. Possibly the fault was individual, although this hardly accounts for the uniformity of the failures.

The advertiser's ability to make profitable use of a medium may have little relation to the instrinsic value of the medium. But, obviously, this ability is one of the important factors to be considered in making the choice of medium to be employed. James H. Collins discusses this in an article on "Advertising Mediums of To-morrow." In the course of this article he says:

Much Depends on the Skill with Which Mediums Are Used

*During the past five years thousands of manufacturers who never advertised before have tested this new resource of selling. Some have gone into national mediums only to discover that the best thing for them was intensive development of territory around home, where their distribution is strong. Others have begun locally, and found that it was possible to expand the campaign to national proportions. Manufacturers in trade journals have broken new ground by entering general mediums, and those in general mediums have strengthened their trade journal work. General mediums begin to take on a strong flavor of dealer argument in many cases, and at the same time purely general copy addressed to the consumer is found in trade publications. National mediums have been used for local purposes. Local mediums have been used to secure a national effect, and local advertising backed up by national methods of follow-up.

In other words, as advertisers learn how to advertise, the fine differences between mediums tend to disappear. Most of them are arbitrary, anyway — distinctions made for space-selling purposes.

Naming the Best Medium

The time is at hand when the advertiser, asked to name the best medium, will no longer knit his brow in thought. He will laugh. He knows that all good mediums are necessary, and that the best is an ideal combination of them all, each in its place, and every one pulling to a common end.

This being so, the men who publish the mediums and sell the advertising space will unquestionably be found working together more closely to-morrow than they are to-day. It is not to be expected that competition will cease. That is not to be desired. But on certain fundamentals they are bound to work together. It is in line with all business development nowadays.

**Printers Ink*, April 4, 1912, p. 24.

In our first chapter we discussed the importance of commercial analysis as a part of advertising plans for goods to be sold finally at retail. In the second, we examined some of the problems growing out of the disorganization of the distribution system leading to the retailer. In the two succeeding chapters we tried to show how the advertiser who starts with an appreciation of the selling problem suggested in these two former discussions may first select the end for which he is to strive, and then may set about choosing means for the attainment of that end.

In all this, while we have adhered to concrete illustrations as closely as possible, we have been obliged, for the sake of clarity, to make our statement of problems much simpler than are the actual conditions which they illustrate. For instance, an advertiser can seldom sit down at the very beginning of his business career and "by taking thought" work out a plan of campaign which never will need change. The conditions with which the advertiser deals are not merely fluid, but they are at high pressure as well. There is not much exact knowledge about these conditions, but such as there is may be made useful.

Every man familiar with advertising records could supply cases showing how the available means for studying the interrelations of selling and advertising problems have been used profitably. Almost any really well worked out campaign shows how one after another of the problems we have presented here has come up for solution. Before we go on to a more detailed study of advertising and its relations to the successive steps in distribution suppose we look at a concrete case which illustrates some of the points we have made.

THE STORY OF CARNATION MILK

Take, for instance, the case of "Carnation Milk" as it is told by A. Rowden King of the Ethridge Company. It is interesting to see how many of the points we have made so far find concrete illustration in this story as it is told:

*It isn't easy to revolutionize the public's buying habits. The young salesman of bottled water who was assigned the state of Kentucky complained bitterly of that fact.

When the public wants meat, bread or candlesticks, it naturally turns to the butcher, the baker or the candlestick maker, as the case may be.

The advent and growth of our modern department stores, those giants of retailing, have probably done more to change the public's habits of buying than anything else; but peculiar conditions of the manufacturing field are evolving quite as momentous changes in certain cases.

The Difficulty of Changing Buying Habits

It is *particularly* difficult for a manufacturer to bring about a change in the public's buying habits when he wishes to take a staple article away from one group of retailers who have always centred their business solely about it, and give it to another group of retailers who have long handled and would still continue to handle many other staples besides the article in question. For instance, it was comparatively easy to make it seem natural for the public to ask for Rubberset Shaving Brushes and Gillette Safety Razors at the haberdasher's, or for camera supplies and stationery at the druggist's, or flower seeds at the grocer's. In these instances the new lines have simply been added to those *already* being handled by the retailers.

Trying to Shift a Part of the Milk Business from the Milkman to the Grocer

But it is a very different matter for the Pacific Coast Condensed Milk Company, manufacturing and selling Carnation Milk to attempt to transfer the nation's supply of milk from the hands of *the milkman* to those of *the grocer*, and to make of the latter "The Modern Milkman." Milk is the staple of staples, and an even more essential commodity than sugar, which has always stood to the fore among the five thousand odd things which wholesale and retail grocers almost invariably sell. That the Pacific Coast Condensed Milk Company has had such phenomenal success, that with the present season it has entered the field of national advertisers in an aggressive, large way, is why this story — a recital of that success — is timely.

Certain remarkable statistics may well serve to clinch the

* *Advertising* and *Selling*, May, 1912, p. 37.

reader's interest. This company began doing business with one small condensery at Kent, Washington, in the fall of 1899. Its output at that time consisted of 60 or 70 cases of milk a day. To-day, not thirteen years afterward, this company has fourteen immense plants in the states of Oregon, Washington, Wisconsin and Illinois. It has its own can factory with a capacity for turning out half a million cans in ten hours. The story is told of little Tommy who went to visit his cousins in the country. He at once showed a lively interest in the dairy. "How much milk does that cow give?" he asked his uncle when he found him milking one day. "Don't give nothin'," replied that gentleman; "you've got to *take* it from her." It has been much the same with the Pacific Coast Condensed Milk Company. Success has been wrought in the face of imminent defeat. From the present volume of business it would appear that success had been as easy as falling off a log; as a matter of fact, it has been more like selling water in Kentucky. Every inch of the ground has had to be fought over.

A Small Plant—A Special Product—Remote from its Best Market and with Powerful Rivals

In the selling and the advertising, prejudice has been the great stumbling-block, and educational methods to enlighten the public have been necessary from the start. In 1899 people thought that evaporated milk could not be manufactured without adding something to it; a chemical or something of that kind. That same prejudice is still met with to-day, though to a less degree, due to the intensive advertising of an educational nature which has been done on Carnation Milk. The public has always tended to consider canned milk as something primarily of use in emergency cases when fresh milk cannot be had.

The Product and the Consumer at the Start

E. A. Stuart, the head of the business, had been a wholesale grocer in Los Angeles. His business acquaintanceship in California was extensive. Yet the first year's results were nothing short of discouraging. That year, with three to five salesmen and a number of women demonstrators working, only about 1,200 cases were sold. During those early days the largest jobbers in the West, among them the wholesale house from which Mr. Stuart had withdrawn, Craig, Stuart & Co., doing an aggregate business of a million and three quarters dollars, did not average two cars a year.

The Distribution System at the Start

The Plan to Change the Commercial Aspects of Goods and Market

Yet Mr. Stuart was convinced that evaporated milk could be taken out of the emergency class and placed among the necessities, and his belief was all the more strengthened when he found that certain of his competitors, who had been longer established, had been trying to get the control of his business away from him by roundabout means. It was in the days when the great country to the northwest, the Klondike and Alaska, was opening up, that Mr. Stuart took suitcases of the milk out himself and retailed it, a few cases at a time, to parties then fitting themselves out for a dash in the Land of Gold to the north.

These and other like experiences were hard, but they established the footing for the product. Gradually good salesmanship, combined with a little local advertising with paint and in the newspapers on the coast, had its results, and it was not many years thereafter when the necessity for more plants became apparent. The State of Washington, with its cool, pure streams and its green grass the year 'round, had proved an ideal locality, and the additional western plants which have been built are in that state and in Oregon.

The Selection of Distribution Plans

Certain principles have been strictly adhered to from the beginning in the Carnation Milk selling scheme. The company has been a stanch supporter of the strictly wholesale grocer. Says Mr. Stuart: "We do not favor selling even semi-jobbers. We endeavor to strongly protect the jobbers' interests. We realize we cannot carry water on both shoulders and we want to work in harmony with the jobbers. I have turned down many an order, when it has seemed hard at the time and when I was anxious for business, to protect the jobber, knowing that, if I filled the orders, I would create ill will. Often a semi-jobber has sent in an order for Carnation in carload lots and it has been a temptation to fill it, but we have had the backbone to say: 'No, sir.' For that reason, in the localities where we have Carnation Milk well established and the jobbers know of our policy of doing business, they will stand to the front and help us fight our battles."

Mr. Stuart also has his well-defined opinions on the question of overstocking retailers and jobbers, which is often attempted in so many lines and especially in the grocery trade. Says he: "I would rather sell a man 25 cases once a week than 100 cases once a month. To sell the retailer or jobber what he considers to be his requirement for a given period is a whole lot better than doubling that amount for a longer period. It creates a better feeling and reinforces the confidence of a buyer in Carnation Milk if he is compelled to purchase Carnation Milk often.

"I overstocked two merchants in San Francisco once. They gave me orders for carloads more as a compliment than anything else. I called on them a month or six weeks after delivery and they told me the milk was selling very well. I called on them in about four months and they said it was selling slowly and they seemed to be discouraged. I did not want them to feel that way about my product, so I asked them how much they had left. One had 285 cases out of 500 and the other had 225 cases, and I took the surplus milk off their hands and gave them my check for it. I told them I would be glad to supply them thereafter with what they thought their trade would require. A little later they gave me orders for 25 cases a week and it was not four weeks until they replaced these orders with carloads, and since then they have bought hundreds of carloads. They simply had got discouraged because they were overstocked, and, by taking the milk off their hands, I renewed their confidence and they were able to sell more goods."

The Choice of Mediums

Until the present year, the advertising account has solely consisted of outdoor publicity; that is, painted walls, painted bulletins, posters and car cards. This has been supplemented by a little local advertising, at times, in the newspapers of the big cities. In the fall of 1907, for instance, paint was used on walls and boards in the Far West and car cards were used in Chicago, St. Louis, New Orleans, Pittsburgh, Detroit, Toledo, St. Paul, Minneapolis, Kansas City, Omaha, St. Joseph, Sioux City, and Duluth. The Mahin Advertising Company, Chicago, which has developed the account from its inception, has seen the scope of the outdoor advertising on Carnation Milk grow until this year all varieties of outdoor advertising are being used throughout the country in forty-two big cities and surrounding territories.

In its educational advertising the Pacific Coast Condensed Milk Company has not only had the antipathy of the public in general against all canned milks, but it has had the competition of other canned milks, selling at a lower price per can.

But Mr. Stuart has felt the courage of his convictions. He went into the business because he believed that it had a big unforeseen future ahead of it. He has felt that raw milk, as it is left at the consumer's back door by the milkman, is unclean, germ-laden and disease-breeding. Furthermore, he has known that raw milk is expensive because the fastest and most costly train service is necessary in its transportation, and because elaborate equipment and an army of men are required for door-to-door distribution. The cost of fast trains and of fast distribution comprise more of the cost of a quart of raw milk than the milk itself.

A New Idea of the Goods Was Created in Minds of Dealers

Mr. Stuart has combated the popular belief that canned milk is only advisable when raw milk cannot be had (as on exploration expeditions, on the frontier, in camps, etc)., from the very first. He has shown the grocer that in making him "The Modern Milkman," Carnation Milk is for him a constructive and creative force, enabling him to secure and hold a business which he formerly could not get away from the milkman. He has shown the grocer that most new products which are put on his shelves prosper, if they do at all, at the expense of the other products which he is already handling by reason of a different dash of flavor or of color or of carton. The margins of profit being equal, the grocer would just as soon handle *one* such product as *another*. But Carnation Milk opens a whole new business to the grocer. It is possible for him to add a milk route to his grocery route without additional trouble and without danger of loss through spoiling. A family spends, on an average, $3 or more per month for milk.

In advertising Carnation Milk to the consumer the endeavor has been to show that Carnation Milk is not made, not manufactured, that nothing has been added to pure fresh milk to obtain Carnation Milk, and only water has been removed; that imperfect milk could not be thus canned because it would sooner or later burst the tin. Early in the advertising the phrase was used: "Carnation Milk — From Contented Cows." The latter phrase, combined with ever-present scenes of cows grazing in green, quiet pastures, has magnified the idea of sanitation and efficiency. . . .

The Attack on the Consumers

Two or three years ago the Pacific Coast plants of the Pacific Coast Condensed Milk Company became entirely inadequate to supply the demand. Indeed the trade had grown so that certain jobbers who had worked up handsome increases in their sales were unable to get the goods to meet their requirements. It was evident that additional plants were necessary. Mr. Stuart saw that the big future sales of Carnation Milk were destined to be in the Middle and Eastern states, and in an endeavor to save the heavy freight charges from the Pacific Coast, he made a careful investigation of the dairy conditions in the states of Wisconsin and Illinois, and last year erected three big new plants in Wisconsin and one in Illinois, each capable of turning out about 2,000 cases of milk a day.

New Production Conditions Due to Advertising Success

This development had a very direct bearing upon the present big advertising campaign, the first of national scope. It came about in this way: In the old days, with only the Far Western plants, the company had advertised contented cows eating "green grass the year 'round." The pictures used had shown cows eating the perpetual grass of Washington and Oregon with the typical snow-capped mountain scenery of those parts in the background.

But green grass could not be had in the states of Wisconsin and Illinois *the year 'round*, and the jobbers knew it. When some of them learned of the new plants, they wrote requesting that they continue to receive shipments only from the Far Western plants. "This," says Mr. Stuart, "rather put it up to us to prove that, even without green grass the year 'round in Wisconsin and Illinois, it is possible to have contented cows and the best quality of milk."

In order to set the trade right, about fifty men were invited to be the guests of Mr. Stuart on a four-days' tour of inspection through the new plants last fall. A private train was chartered. These men were chiefly brokers who sell Carnation Milk in different territories in all parts of the country, from Los Angeles to Boston, from San Antonio to Butte.

But the all-important fact, from the point of view of the advertising man, is the fact that at the meetings of these men on this trip it was planned to confer as to the best way of going about the first advertising campaign on Carnation Milk. And to help in that conference, the following advertising men were also invited along: John Lee Mahin, Wilbur D. Nesbit, M. O. Smith, B. S. Presba, and F. M. Lillie, all of the Mahin Advertising Company; A. P. Johnson, Chicago *Record-Herald*, and M. F. Reddington, Thos. Cusack Company.

Meetings were held every day on that trip at which the sales and advertising problems were discussed. Finally, at the last meeting, when views had crystallized, Mr. Mahin asked each broker to write out his suggestions, based upon his knowledge of local conditions, as to what the advertising should be. "We want to have your opinions," said Mr. Mahin. "Of course we cannot follow your suggestions in every case, but we want to have them and to give them careful consideration."

As a result of the very valuable ideas which these brokers contributed, the present advertising campaign has been planned.

Planning a New Campaign on National Lines

It consists, as has already been mentioned, of outdoor advertising of every type in, and radiating out from, forty-two big cities. Thirteen full pages of copy have been prepared to be run in the big newspapers in the big cities. And full pages and full column advertisements of Carnation Milk — many of them in three and four colors or lithographed — began running in the March and April issues of the following national magazines: *Ladies' Home Journal*, *Saturday Evening Post*, *Woman's World*, *American Sunday Magazine*, *Delineator*, *Designer*, *New Idea*, *Housekeeper*, *Christian Herald*, *Ladies' World*, and *Illustrated Sunday Magazine*.

In addition, a supplementary campaign will be run in the recreation publications. One hundred and twelve lines will be run twelve times in *Outing*, *Recreation Sports Afield*, *National Sportsman*, *Field and Stream*, *Forest and Stream*, *Outdoor Life*, *Outers' Book*, and *Hunter, Trader and Trapper*.

The copy makes an interesting study. Naturally, with the coming of the Middle West factories, the reference to cows feeding on green grass the year 'round, and the snow-capped peaks in the background of the grazing scenes, have been omitted. A vital feature of the campaign is a positive guarantee carried in the full-page copy, reading in part as follows: "Order a 10-cent can of Carnation Milk from your grocer, and if you find that Carnation Milk does not please you better in every way than fresh, raw milk, or than any other evaporated milk or condensed milk, write us and we will cheerfully refund your money and postage."

Every piece of copy of whatever size is strongly educational. The advantages of Carnation Milk are emphasized, which is simply "pure, wholesome milk to which nothing has been added and from which nothing has been taken away but water" as compared with ordinary, raw milk, which is "hauled 100 or 200 miles in large, presumably clean, cans, in express cars, bumped and jarred, dumped out on platforms in the sun to be handled by grimy fingers, bottled in a dimly lighted room and delivered on your back step before daylight."

The comparison is also made between Carnation Milk and the old-time condensed milk, "thick, stringy, ropy — with sugar added which gave it body."

In addition, every advertisement pictures and describes one excellent use for Carnation Milk, as, for instance, for school children, on the picnic, for the baby, in cooking. The reader is urged to send for a book of recipes which describes scores of other uses. All of this educational advertising is aimed at the deep-seated public tendency to put canned milks in the emergency class.

In addition, of course, a splendid set of cut-outs, window displays, and other dealer-aids have been prepared and the grocer is urged to send for them.

A very handsome twenty-page book of about the page size of *Collier's*, printed in three colors and called the *Carnation Herald*, has been prepared and sent to the grocers. In it the whole Carnation story is told from many different angles as well as the facts about the present year's campaign of advertising, presented in a form that must convince.

REVIEW QUESTIONS — CHAPTER IV

1. What is *Printers' Ink's* estimate of the total United States outlay for the twelve types of advertising in their list?

2. What is being done to put advertising on a more stable basis in some of the leading lines? Are these improvements being made at the instigation of the public, the advertisers, or the operators of the mediums themselves? Who gets the most benefit?

3. What was the plan of the cap manufacturer for making his national and local advertising work together? How did it work?

4. If you were asked to name the best type of medium for advertising men's caps, what would you have to know about the plan of campaign before you could answer?

5. What did the Pacific Coast Condensed Milk Company plan to do with its advertising? With what success has it met?

PROBLEM QUESTIONS — CHAPTER IV

1. In the Carnation Milk campaign two "slogans" have been largely employed: "The Modern Milkman," and "From Contented Cows." Each appeals to a different element in the market, and in a different way. Analyze these, and compare them, their appeal, and their possible effects. Do you think the two together are better than either alone would have been? Could you suggest another to go with these, making a new appeal in a new way, and working in harmony with the rest of the campaign as outlined?

2. A piano company recently paid an eminent pianist $80,000 to use their piano on tour. Would you call him an advertising medium? Was the special tour of jobbers to the Carnation eastern plants an advertising medium? Can you make a list of five types of mediums in general use not included in the *Printers' Ink* table quoted? Can you make a list of ten advertising mediums which are not, but which might be, used in advertising a grocery specialty?

CHAPTER V

ADVERTISING AND THE CONSUMER

THE consumer of to-day is not merely an individual with a need which he seeks to have filled by proffered merchandise for sale. He is an individual with a need, plus certain more or less well-formed prejudices about his need, plus a more or less open mind. This combination of needs, notions, and susceptibilities is the central object of attack for all advertising aimed at the sale of goods consumed at retail.

An unsigned article in *Printers' Ink* sets forth this phase of the consumers' position as follows:

The Modern Consumer

* In 1911 when the consumer buys, *he* does the *choosing*. He asserts his particular individuality. He expresses his likes or dislikes down to the most subtle differences. He weighs values between this and that brand of a similar product. He discriminates, he wants *what* he wants — and he gets it.

Advertising has made this *choosing* possible for the consumer. In the decades past, soap was soap. Wheat was wheat. Coffee was coffee. Paint was paint. Razors were razors. When the periwigged consumer of 1811 wanted soap, he went to a druggist's — or was it an apothecary? — and mildly asked for and accepted a cake of soap. Perhaps he never heard of *any* soap but what was rudely made at home! That was all. But the consumer of 1911 knows that soap is no longer merely soap. Advertising has taught him that there is Pears' "matchless for the complexion"; Williams' "that won't smart or dry on the face"; "Ivory," "99.44 per cent. pure"; Packer's, Colgate's, and a host of laundry soaps. Each has a very distinct and separate value, and a logical but specialized appeal.

The modern consumer decides whether his complexion will

Printers' Ink, January 26, 1911, p. 59.

be improved by Pears', or whether Colgate's will do it more good. Or if he is absent-minded, and apt to mislay the soap when bathing, he will buy Ivory, for "it floats," and is especially adapted to the use of absent-minded persons. And his wife will decide why she prefers Swift's Premium to Armour's Star, Babbitt's to Fels-Naptha, or some other product. Advertising has increased the number of soaps, because it has made possible a larger exercise of the consumer's individuality.

The consumer of 1811, with her panniers and pompadour, bought wheat from which to make her porridge. But wheat in 1911 is no longer wheat. We are living in the beardless age and the breakfast food era. An assortment of wheat foods confronts the woman of to-day which would make her ill from indecision if she were not the well-poised woman that she is — Maple Flakes, Shredded Wheat, Grape-Nuts, Apetizo, Egg-O-See, Malta Vita, Cream of Wheat, Pettijohn, Ralston — and these are only a beginning!

And the son of the periwigged consumer of 1811, did he choose his make of razors and collars and suspenders and shotguns? Odd's Bodkins, he did not! He was lucky to get any nameless, nondescript or home-made contrivance. To-day his great-grandsons choose in just what manner, shape or form they will be shaved or shave themselves, selecting from among at least 100 possible choices. . . .

Not only has advertising enabled the consumer to have a large variety from which to select, and thus express his individual taste, but it has *educated* the consumer into *being* a connoisseur — which apt word means "one who knows." The modern consumer is "one who knows." Formerly a man who was called a connoisseur was one in a thousand. He was supposed to know more than his fellows. He was probably rich, had traveled, and was an authority on matters of art, taste, food, music. When his friends wished to make important purchases, they came to him, because he knew more.

Advertising Shapes the Consumer's Wants

But to-day advertising tends to make all consumers into connoisseurs. It has been a great free correspondence school in merchandise. People without taste have been educated into taste by advertising campaigns in furniture, wall coverings, architecture, clothes, and an endless number of things. Their art standards are heightened by such advertisers of pottery as the Teeco and the Rockwood. Piano-makers have informed them about tone and touch. They have learned scientific facts about food values (witness the strenuous advertising of the bean-canners the Armour, Swift, and Libby concerns, to say nothing of the, flour, chocolate, coffee, biscuit, and endless canned-goods firms). They have the best art brought to their notice by the Perry Pictures and the Copley Prints. The consumer of to-day is his own connoisseur.

It is this quality of knowing what he wants and why, that is the best safeguard the modern advertising manufacturer has. If an advertiser can teach a consumer strong, mental reason why he prefers a certain product, and can make him refuse all substitutes, that advertiser has a far firmer hold on his trade than any other manufacturer. When the consumer chooses for himself, and has established his individual taste for a certain brand of product in preference to all others, he *is bound* to "take no substitute." He is also apt to become a permanent customer. . . .

A Case of Consumer Education

The Stetson Shoe Company is doing something good along these lines. It has issued a booklet on "The Right to Know" how shoes are made, showing this important fact: the toughest leather is down the spine or backbone of the hide, and it wears longer and better than leather from the softer outer portions. The Stetson shoes, it is explained, are made of this part, therefore give better wear than shoes not so made. If you want a well-wearing shoe, insist on getting shoes made from the backbone leather. Such a specific argument "bites" and develops consumer individuality. Consumers are expressing their individuality in the most minor articles. Take toothbrushes. The consumer no longer buys any old bristles to remove the unsanitary fragments from his molars, but purchases a prophylactic, or a special design of some sort.

The merchandising plans and entire distribution organization are being affected by this growing consumer individuality. It is going to be the big thing for manufacturers and distributors to take account of more and more.

THE WILL OF THE CONSUMER

The modern consumer, then, it should be clearly realized at the start of any discussion of his place in the distribution of merchandise, is not merely a combination of needs, notions, and susceptibilities, but he is a combination which is constantly changing and being changed. No man can foretell in advance exactly what results are to follow from any given appeal to this volatile composite, although it is possible to know beforehand pretty definitely what the general nature and limits of those results are to be. If the consumer were an inert, helpless mass it would not take long to reduce him to laws. But both individually and collectively he has a *will*, which must be considered in connection with any appeal to him, even if this *will* does not become the main object of attack. And this will never is inert.

At the meeting of the American Economic Association, in Washington in December, 1911, Prof. T. N. Carver, of Harvard University, said:

The Psychology of Attack and Resistance

"It would be an interesting and illuminating statistical investigation if we could count and tabulate the agencies of 'high pressure business.' If we could arrange two columns of figures, one giving the number of courses of instruction on the psychology of salesmanship, the other giving the number on the psychology of resisting salesmanship; one giving the number of articles in business journals on how to make sales, or how to get orders, the other giving the number on how to avoid buying what you don't want, or how to avoid giving orders, the result would be illuminating. We should probably find a parallel to Guizot's famous generalization regarding the relative efficiency at different historical epochs of the forces of attack and the forces of defence. In this case we should find the individual bent on defending his income and his meagre savings, while a great array of forces is bent on attacking them. Just as gunpowder and cannon made the forces of attack superior, and changed the political condition of Europe, so now, wood-pulp paper, cheap advertising, and shrewd salesmanship are making the forces of attack stronger."

The consumer is the point of attack, either immediately or ultimately, in every advertising campaign for advertising goods finally sold at retail. And while we are discussing methods of attack, is it not well to take stock of the consumer's defence? What are the characteristics of the consumer as a class which meet, and, in a measure, offset advertising and selling betterments? Space will not let us catalogue more than a very few:

The Consumer's Defences

(1) The consumer's spending power is limited by his earning ability. He may develop, or have stirred in him, new wants, strong enough to make him work harder in order to earn more, but he cannot honestly spend more money than he earns, no matter how complicated his wants may become. This sets a final limit on consuming capacity, and sets a limit to the exercise of his will.

(2) The strength of the consumer's savings instinct determines the margin between his earning power and his willingness to spend. The strength of this instinct is only relative and here the consumer is vulnerable. His "will to save" is elastic.

(3) The "standard of living," the opinion of the class to which the consumer belongs as to what may be expected of him in the spending of his income, has its constant effect on a civilized man's conduct, and this again is relative and open to attack.

(4) Price habits have tended to become fixed in many lines of retail business. The consumer has come to accept an increasing number of set prices, and set price intervals. There may be a few places in this country where a man expects to find a necktie line regularly carried at some price other than 50 cents or $1 or upward, but they are few. And so it is with suspenders, shirts, shoes, sox — almost everything a man wears — certain price habits have become well established. This puts competition in these lines on a basis of quality, or service. It makes purchase easy for the consumer, but it modifies the character of the advertising appeal, as we shall see.

(5) Buying habits are undergoing modification also. And

these make another change in the advertiser's position. With price "higgling" partly eliminated, and the whole problem of appeal and sale based on quality and guaranteed satisfaction, the consumer has come to expect that goods can be bought without bargaining. The consumer certainly is safer in his purchasing, but equally certainly he is more careless.

(6) And again there is the effect of the multiplicity of appeals being made to the consumer. The individual consumer and the consumer as a class is appealed to from so many sides that the effect of no single appeal can be what it would if it stood alone.

To sum up these consumer defences we find that, while the consumer, as an individual or as a class, may be led, stimulated, diverted, directed or otherwise influenced in buying, there are certain roughly ascertainable limits to the effects which may be expected to follow attacks on the will of the consumer. There are certain limits beyond which his earning power will not let him go, there are others, less certain, beyond which he will not buy unless his saving impulses are stifled, there are social and commercial habit barriers to consumer diversion, and last of all, the appeals to the consumer may partly neutralize each other by their mere multiplicity.

Any one of these six defences viewed from the advertiser's standpoint would show elements which cannot be ignored with safety in an advertising plan. And these are only six out of an innumerable company which might be mentioned. But these will serve to show how powerfully runs through advertising, of whatever kind, this continuous ebb and flow of the forces of appeal and resistance. An appeal to "buy my soap" must be much more than a pretty picture or a cordial invitation, or even an effective appeal to reason. It must take account of all the collateral forces at work on the soap buyer at the time when he buys soap. And with greater or less elaboration the same thing is true in the selling of real estate, or books, or anything else.

An Attack on the Savings Instinct

There are few cases in which the *resistive power of inelastic income* and the *savings instinct* (in this case working in combination) are better illustrated than in the recent Encyclopædia Britannica campaign. Here is a commodity for which every man with an interest in living affairs has at least a vague desire, but which comparatively few would normally feel they could afford. The great problem was to make a fair portion of the possible market feel that, income and savings instinct considered, the price was not prohibitive. This was accomplished in a remarkably clever way. The price was split up into sections so that it looked small. It was then explained that a delay in purchasing meant some actual money loss, due to a necessary indefinite price increase after a set date. And the price obstacle was attacked indirectly also, by treating it in all the advertising as if it were negligible detail compared with the value of the work as a compilation and its beauty as a set of books. The campaign is thus described by Lynn G. Wright, Managing Editor of *Printers' Ink:*

. . . *Few campaigns carried on in this country have demanded more pressing activity or witnessed a more successful working out of plans laid necessarily several months in advance.

Over in the Cambridge University Press offices in West 32d Street the pressure was terrific. The four-page colored inserts in the magazines, the trade-journal copy and the driving daily paper copy running frequently to full pages, set inquiries in motion toward the publishers' offices. . . .

Every inquiry demanded an answer and a prolonged follow-up. The slightest show of interest brought upon an inquirer a lengthy procession of booklets, prospectuses, testimonials, statistics and authoritative indorsements, to say nothing of hurry-up letters which pictured the swift-approaching date of May 31st, when up would go the price of the Encyclopædia several dollars a set.

While there were literally miles and miles of advertising copy, it was written about this chief "talking point" — the

**Printers' Ink*, June 15, 1911, p. 9.

remarkably smaller size of this edition because of the use of thinner paper. In as many varied ways as copy writers' ingenuity could devise, the point was made that the separate volumes could be held easily in the hand and could be taken to the fire and consulted for pleasure as well as information. The wonderful compactness of the volumes was illustrated by cuts in the advertisements and by window displays in bookstore windows. The follow-up literature convinced the prospect of the wealth of contents and of the authoritativeness of the names of the editorial staff.

And again that recurrent warning: "Hurry! After May 31st you will have to pay a good deal more for these books."

It was explained why the set could be given more cheaply by subscribing before May 31st:

"The reason for offering special prices at all to prompt subscribers was purely a material one, the whole situation being governed by consideration of manufacture. In order that the manufacturing may be completed economically and rapidly it is essential that the total number of sets for the first distribution shall be accurately determined by the last day of this month, and then all of the remaining copies that will be required to execute orders registered by that date will be completed as one continuous operation and with the utmost dispatch.

"There is, indeed, no industry in which the economy of manufacturing upon a large scale is more evident than it is in the printing and binding of a book, and manufacturing upon a large scale means, in this case, not only the printing of a large number of sheets and the binding of many thousands of volumes, but also the printing and binding of this large number without interruption. All whose applications are posted before May 31st are entitled to the lowest price, because their orders, being received while the whole machinery of production is still in motion, will be executed as a part of an unbroken series of operations."

All of which is good sense, and was so generally recognized. But the first few months brought orders only in driblets. By the middle of May the total had reached about 20,000.

The advertiser then turned on more "power." Warning copy was hurried to the dailies of all the larger cities of the United States. Daily reports were printed of the number of orders received. The copy took on, more and more, those specific new features that are known to be good action producers. May 31st was pressed into the minds of millions of readers as the last day of opportunity. They must have dreamed about it — and then delayed a little while longer. For the real action did not begin till after May 20th. On May 18th 23,000 applications had been registered. On May 24th these had jumped to 26,154 and were so reported in the advertising. "Only seven days left" a 60-point John Hancock caption flared.

There was an upheaval in the United States mails and two days sufficed to show 27,515 orders. One or two more pressing invitations to act, and on May 30th 29,790 names were enrolled on the order books.

On the morning of May 31st the last ad was published. In addition to the forceful reminder carried, it included a facsimile Western Union telegraph form, so prepared that it needed but little more than the sender's signature to complete the order for the books. Orders not mailed or telegraphed before the stroke of midnight would not be booked.

That was a stirring day in West 32d Street. Messenger boys filed into the Builders' Exchange building in a stream. The bags of the letter carriers grew more plethoric with each delivery. The order clerks in the Britannica offices on the tenth floor forgot their lunch in their vain endeavors to keep the stacks of letters and telegrams from toppling. Oliver McKee, the English sales manager in charge, came near to uttering an exclamation, so near did he come to losing his reserve, as his excited assistant reported the doings. One of the final orders was from a corporation head who asked for fourteen sets, one for his yacht, one for his home, and the rest for his executives.

Two days later the checkers were able to make a close approximation of the total bookings. Orders ran to over 32,000 sets — increase of nearly three thousand in a single day. Advertising did it; 30,000 lines were used in the newspapers. Over $75,000 was spent in the last thirty days. . . .

Increasing the Consumer's Wants

The results described as coming from this campaign were clearly achieved mainly by attack on the savings instinct. Few campaigns illustrate this so clearly. But the same principles figure largely in the sale of nearly all articles involving a large initial outlay. Talking machines, piano players, and automobiles are noteworthy examples of commodities of this type.

Attacks on "*standards of living*" shade off from these almost imperceptibly. These often take the form of attempts to get people to buy more than enough to satisfy their normal wants. This type of appeal and some of the methods employed in making it are thus described by Waldo P. Warren:

*Did you ever go into a haberdasher's store to buy a box of collars and come out the possessor of four shirts, three cravats, several suits of underwear, and a sporty vest?

If so, you came in contact with one of the biggest principles of business promotion — the principle of getting people to buy more.

And if you observed carefully the methods of the salesman who waited on you, you caught a glimpse of how it was done. But the chances are you didn't realize at the time that you were dealing with a conscious artist — you thought you were doing it of your own free will. You were, in fact, and right there's where the art of the salesman comes in.

The principle and the effect are the same when applied to advertising.

The salesman does it by assuming that you came in to buy more than that box of collars. He didn't limit his opportunity by thinking of you as a "collar customer." He assumed that you were in a buying frame of mind, and that collars were your starting point. You found that he had a better opinion of you than you had of yourself, and you instinctively responded to it, and were unwilling to admit that you were not as good a spender as he thought you were.

The manufacturers of men's clothing recognize the great power that lies with the retail salesman, not only to sell their goods, but to sell more of them. One of the big clothing manufacturers of Rochester inculcates the idea, not only in its advertisements, but through its dealers to the actual working policy of the retail salesman, that a man gets better wear out of two suits at $25 each than he will out of one tailor-made suit at $50 or one of the higher-priced ready-to-wear suits.

A handkerchief manufacturer finds that the man who dropped in to buy one handkerchief, because he had left home without one, will just as readily buy three if he finds they

Printers' Ink, November 16, 1911, p. 32.

come also in packages of three at even money. And the advertising prepares him for the transaction by mentioning the various packages containing one, two, and three handkerchiefs each.

The manufacturer of 3-in-One Oil "gets people to buy more" by putting the oil up in a bigger bottle, and giving more oil for the same money than in the smaller package. The desire to buy at the best price is instinctive, and when a larger sale can be made in one transaction it is often possible to utilize this instinct, even when the bargain does not come out of the manufacturer at all, but out of the possible profit of the dealer on two sales instead of one.

A well-known mail-order house in western New York has made a gigantic success with the principle of getting people to buy more. By offering premiums for club orders the mail-order house gets a great deal of extra business — ordinary household articles that otherwise would be bought at the grocery store, but put in with the order to make it amount to ten dollars.

The "assortment idea" is by no means a new one, and is the avowed secret of the success of many great enterprises. Butler Brothers, perhaps, represent the conspicuous maximum effect of the application of that idea. Their first stock, based on this idea, was so small that it is said they had to pile up empty packing cases halfway back in a twenty-foot storeroom to make the place look full enough. But the "assortment idea" was there, and people "bought more" than if each item had been offered individually. To-day the largest warehouses in six cities, and perhaps the largest list of dealers ever reached by one concern, attest the value of the plan. The plan, plus, of course, but nevertheless the plan — "getting people to buy more." . . .

And this attack on standards of living is not merely a matter of increasing the wants. It involves, in many cases, problems of refining wants already existing. To get people to buy a better grade of goods, pay full price for it, and be satisfied with their purchase is merely another way of attacking them through their "standards of living." The writer just quoted (Waldo P. Warren) calls this "Getting People To Pay More." Concerning this he says:

Refining Existing Wants

*As a past master of the art of "getting people to pay more" I think no one who knows would dispute the claim of Marshall Field. I do not mean paying more for a given quality but appreciating a better quality and paying what it is worth. The day has passed when "getting people to pay more" for a given quality is regarded as a virtue, or even as a good business principle. The whole tendency of experience is to demonstrate that value giving is the only sure highway to success.

Marshall Field had a maxim, which in his quiet way he dropped more than once in those casual conversations with executives and department chiefs, and by which means he succeeded in so infusing his spirit into the personnel of a vast organization that it would go the way he desired it to go while he enjoyed a six months' holiday in Europe. That maxim was: "The appreciation of quality remains long after the price is forgotten."

I have heard it quoted many a time by various department chiefs with whom it was formerly my pleasure and privilege to come in contact, and quoted with all the finality with which a religious zealot points to his "proof text" of Scripture, in explanation or justification of a merchandising or advertising policy.

One day in particular I remember standing by the counter where women's shopping bags were displayed, and falling into a conversation with the department chief whose simple jurisdiction included those articles. A new stock had just been put in and he was taking a justifiable pride in showing me what exquisite creations were included in the display. Some of them were marked at $50, $60, $75, etc., and from that on down to $5. (Notice I did not say $49.95, etc.) I said to him: "Do you have much trouble in disposing of bags at that price?"

"We're not very anxious to dispose of them at all," he replied. "You see it is well worth while to carry those bags in the case even if we never sold them. Of course we do sell them occasionally, but they're worth more to us if we keep them."

"Why, how's that?" I asked — that was before I had learned much about the psychology of merchandise displays.

"Well, you see, a man will come in here to buy a bag for his wife, or she will come herself for that matter, and have in mind paying $5 or $10 dollars. But when they look over the assortment and see that, while they can get a fine-looking bag for

Printers' Ink, December 28, 1911, p. 36.

that money, there are others on up to several times that sum, it simply lifts their conception of what constitutes a desirable shopping bag, and they end up by paying $25 or $30. The more expensive bags haven't been sold, and yet they have earned half their cost on that one transaction — at least one of them has.

"Then," he went on, "that woman goes out with her fine bag and sets a new standard for her friends, and they come in with $20 ideas and may end up with $40 purchases."

"Do you think that is quite fair to the public?" I asked, as personal recollections of the monthly "Field bill" came to my mind, and I remembered a remark I had often heard in explanation, "Things cost so much more than you think they are going to."

"Why not?" he asked, as if his personal ethics had been questioned. "They got good value; they got what they chose; they had the whole assortment to choose from. They could have bought a good bag for $5 or $10, but they preferred to pay more. Why should I limit them to cheaper bags if they prefer to pay for something better?"

The argument ended with the proof-text maxim, "Mr. Field says, you know, that 'The appreciation of quality remains long after the price is forgotten.'"

I have since had occasion to observe how the same principle works in other lines of trade, and also how the same effect is secured by other methods.

One of the higher-priced makes of automobiles is marketed by men who have discovered that there are many persons who demand and are willing to pay for the best that can be produced. Let others stint their product in materials, proportions, and finishings — but why compete with them when there are enough who are willing to pay for an unstinted production. And yet the problem remains of selling the intangible margin of difference, something that even appearance does not always show. It is done not by arguing superior utility, but by investing the car with a prestige or "halo" which irresistibly connotes more refined taste in the owner, and human nature, when it can afford the difference, does the rest.

Fortunately for many propositions where it is necessary to ask a higher price it is possible for them to demonstrate an actual economy, and then the problem is easy. When the "Twentieth Century Limited" between New York and Chicago can point to the saving of a business day, which to many business men means hundreds of dollars, the question of whether or not it is worth while paying $10 extra fare vanishes into thin air.

Even in the matter of prunes a leading New York grocer has demonstrated that a pound of large prunes at fifteen cents is better value than a pound of small prunes at ten cents, when the seeds are weighed separately from the fruit. It has been found possible to demonstrate this point to many of the most frugal of housewives, so that the fine large fifteen-cent prunes no longer suffer in competition with the ten-cent grades. . . .

Utilizing existing reputation, as a means of getting people to pay more, is exemplified in the phonograph business. Records for a long time were sold at a standard price of 35 cents and 25 cents, but it was found possible by drawing on the existing reputations of great singers to market records at $7 each.

Of course there is a real difference in the quality of the music, and yet there are doubtless many purchasers who have more feigned than actual ability to appreciate the full difference — the reputation gets the benefit of the doubt. The reputation, and the price of the records in consequence, is often due, however, to rivalry between impresarios, rather than to extraordinary merit of the vocalists. But the public pay for it, and count the values satisfactory, because the consciousness of rubbing off glory from reputation is quite a tangible commodity of commerce. . . .

Trying to Change Buying Habits

We all know that the "buying habits" of the consumer have changed within a generation and that they are changing constantly. But the extent of their changes we grasp only dimly.

We all know, for instance, that the "ready-made" idea no longer needs to defend itself in the shoe business. But is the same thing true of the clothing business — either for men or women? There is a sharp struggle on in the sale of men's clothing. Attempts are being made to change men's habits of buying these lines. But is the tailor as helpless as the shoemaker was in his day, and has the consumer nothing in his make-up to which the tailor can appeal, or with which he himself can oppose the seductions of the clothing manufacturer?

Some significant features of this struggle over the consumer's methods of buying clothes are brought out in the following description, by A. Rowden King, of three campaigns conducted by makers of trade-marked woolens for the purpose of counteracting ready-made clothing appeals:

*An official prominent in organized merchant tailoring a year or two ago admitted that the ready-made clothing advertisers were greatly depleting the merchant-tailoring business — threatening its very life, in fact. Another bitterly complained that the advertised vogue of trade-marked suits was reducing many merchant tailors to mere "pants pressers."

Only a few saw deep into the interior causes, and put their fingers on the weak spot — the fact that the manufacturers and importers of woolens had no standing or identity with consumers and were not backing up the merchant tailors as the ready-made clothing houses were backing up retail clothiers. The praises of ready-made clothing have been sung to consumers to the tune of a million dollars yearly, in various advertising efforts, for the last six or eight years. It was bound to come about that the public be won to the ready-made idea. . . .

A considerable number of successes in advertising trade-marked fabrics for *women's* wear have occurred in the past few years, and an analogy was bound to occur in the men's field. To-day there are three woolen houses . . . advertising to the consumer.

The fact that at least one of these advertisers of men's woolens has been compelled to increase his output 50 per cent. in order to meet the growing demand which has developed since his advertising began a season or two ago is evidence enough of the possibilities.

The ready-to-wear tailors seek to condemn the whole proposition in advance by saying: "Well, it is difficult enough for the average man to find a fabric with design and texture to suit him, let alone concerning himself with what mill made it." But inwardly, without a doubt, these same tailors see

Printers' Ink, October 6, 1910, p. 35.

in this new advertising a serious competitor for the great volume of clothing sales.

The three pioneers in this field to-day are J. R. Keim & Co., Philadelphia, making Shackamaxon Guaranteed Fabrics; S. Stein & Co., New York, selling Stein Woolens; and W. P. Willis & Co., New York, importing Willis Woolens. These are all old-established houses doing their first consumer advertising. In addition, there are rumors of other highly reputable houses, one of which has been in the business without using advertising for upward of forty years, turning to this method of marketing their goods.

The History of Shackamaxon

The 50 per cent. increase referred to above was in the case of Shackamaxon. J. R. Keim & Co. make their own woolens at their own mills, which are among the largest. Their selling proposition is to-day still another case of "Our-trade-mark-stamped-on-the-selvage-guarantees-you."

The "Shackamaxon" advertising is now in its second season. The selling idea back of it is unique and comprehensive. The purpose is to make it possible for the merchant tailor to absolutely guarantee the garments which he puts out. When his garments are made of Shackamaxon, the latter is guaranteed to give absolute satisfaction as long as it lasts. This is the Keim & Co. guarantee: "If any suit made of Shackamaxon fabric shrinks or fades, or if any fault develops in the fabric—no matter how long you have worn it—we will pay for another suit." Then, to this guarantee as to the goods, the tailor himself adds his personal guarantee concerning the fit and workmanship.

Shackamaxon is handled exclusively by merchant tailors. This makes it possible to effect much co-operation with the latter. Booklets, follow-up letters, electros for local newspaper advertising, window cards, and many other helps are freely given to every tailor who handles these fabrics.

The campaigns are also intended to overcome the idea which prevails in the minds of the patrons of many merchant tailors, that imported goods are superior to goods of American manufacture. Considerable argument is made of the fact that the Shackamaxon method is an economical one, being unique in that it necessitates no middlemen and middlemen's expenses between mill and tailor. Emphasis is put upon the methods and care of manufacture and upon the great multiplicity of patterns, it being claimed that more than 4,000 styles of worsteds, cheviots, and serges, in every kind of coloring and design, are made every year.

The F. Wallis Armstrong Company, Philadelphia, which is to the agency handling the Shackamaxon advertising, has gone particular pains to show up the goods in the illustrations used. Both the ads and the booklets carry remarkably good reproductions of the woolens, thus giving a very definite idea of how the latter really look. The cover of the fall and winter booklet, which is supplied to the tailors with their imprints, is especially good in this respect.

The trade is being reached by all the important tailor publications, such as the *Sartorial Art Journal,* the *American Gentleman,* and *Advanced Fashions.* The consumer is being reached through a list of publications which covers most of the leading magazines with national circulation. The watchword of the Shackamaxon campaign against the ready-made manufacturers is: "A suit intended to fit you should be cut to your individual measurements and fitted to you in the making."

The Stein Woolen Campaign

The Stein Woolens proposition is of about the same age as the Shackamaxon proposition from an advertising standpoint. The firm of S. Stein & Co. is one of the oldest in the business, being established in 1864, and being well known to the trade and to a host of consumers.

The Stein plan calls for even more co-operation with the tailors, perhaps, than the Shackamaxon plan. A complete department has been organized under the direction of Victor Leonard, the advertising manager (formerly with Kenyon & Co.), to promulgate plans to aid the merchant tailors who use Stein Woolens to do a larger business.

These selling plans are cut to the tailor's business measure by Mr. Leonard quite the same as the tailor, in turn, cuts Stein Woolens to his patron's measure. "It is a very different proposition as a little reflection must show," explains Mr. Leonard, "to work out a retail selling plan for a tailor who makes suits which sell at $25 to $35 and for another tailor who makes suits for $50 and up." Plans are suggested for window display, for local advertising, and for follow-ups through the mails, etc. Tailors are provided with folders of original design, booklets, and letters.

The Stein Woolens selling plan makes it possible for a tailor to be entirely exclusive. Not more than one tailor in a place is sold, unless his locality is large enough to warrant it without question. And even then not more than one or two suit lengths of fabric are sent to each locality.

The *motif* of the Stein advertising is summed up in the following argument: "The same instinct that causes you to prefer an *original* painting to a lithographed reproduction also causes you to prefer merchant-tailor clothes. . . ."

The firm of W. P. Willis & Co., New York, which completes the present triumvirate of men's woolen advertisers, has also been in the business for a long time. Feeling the inroads of the ready-to-wear clothiers, it is now testing its advertising wings for the first time. It was established forty-two years ago. It imports high-grade fabrics for distribution among the high-grade merchant tailors in this country. For this reason the Willis advertising is necessarily different from the Shackamaxon and Stein advertising, which is in the interests of the products.

The Plan of Willis & Co.

An official of the firm explains the Willis viewpoint as follows: "The man who pays more than $50 for a suit of clothes or an overcoat is entitled to an imported fabric. The highest grade custom tailors, who never command less than this price for any garment, have always made it their practice to submit to their clients only cloths that come from Europe. There are many custom tailors, however, who, because of local conditions, find it impossible to confine their business exclusively to the making of garments of the highest grade. It is to assist them, as much as possible, that we have dwelt entirely upon that branch of their business in our advertising. We believe that by identifying our imported merchandise with advertising, we will give to the merchant tailors of the country a new argument and an active selling force in their business."

As a means of identification, Willis & Co. stamp every yard of their importations with their trade-mark, and all the advertising and literature emphasize the fact that this mark is only to be found on *imported* goods. At the same time that the Willis advertising will materially help the tailor who charges $50 and upward, it will also help all custom tailors, even those who make $25, $30, and $35 garments, inasmuch as it booms the custom business generally like the Shackamaxon and Stein advertising. . . .

This little trio of woolen advertisers is bound, in the near future, to be augmented by others, for there is a large unexploited field of argument in individual service and sponsored fabrics. We shall soon see a competitive advertising struggle between these two distinct divisions of tailoring. All of which is as it ought to be, for ready-made clothing has had too easy a path to success.

To this list of three woolen manufacturers appealing to the consumer to change back again to the clothes-buying methods of twenty years ago others have since been added. Notable among these is the American Woolen Company.

These cases, in turn, have been accompanied by a third type of appeal to the wearer of men's clothing. This appeal comes from the manufacturing tailor who takes individual measurements through local agents and then makes the clothes under factory conditions in a central plant. He is thus able to perform the merchant tailor's service, while he secures most of the clothing manufacturer's savings in production cost.

The Interference of Advertising Attacks with Each Other

The *multiplying* of *advertising attacks* produces a chain of troubles, the chief among which are distributive. If an advertiser is so fortunate as to occupy a field in which he has a maintainable monopoly, he can feel reasonably sure that his results will at least roughly approximate a definite relation to the skill with which his campaign has been planned and executed. Otherwise, after his skill and ingenuity have done their best his results will depend very largely on what his competitors may do. And for this there is no visible cure in any appeal to the consumer. This is a problem quite as much in the province of the sales manager as of the head of the advertising department. It brings us back to our original theme — the interrelation of advertising and selling activities.

Is There a Cure for Substitution?

H. M. Horr, Advertising Manager of the Oakland Chemical Company (Dioxygen), New York, discusses this problem, and suggests a possible remedy under the caption, "Is There a Cure for Substitution?"

*From the point of view of the advertiser, substitution includes *any* and *every* method of diverting demand created for the product advertised.

The dealer, on the contrary, very often takes a decidedly different attitude. He says that substitution means substituting one article for another *without the knowledge or consent of the customer*. He classes all other attempts to divert demand as *salesmanship*.

If the dealer is right in *his* definition, then few dealers make a practice of substitution; if the advertiser is right in *his* definition, then substitution is one of the worst obstacles confronting the present-day advertiser. Let the dealer's definition stand and still the advertiser must contend against the widespread attempt on the part of the dealer to divert demand through what he calls "salesmanship."

How is the advertiser going to successfully meet this situation? That it is a question of very great importance is evidenced by the amount of space now being devoted by many advertisers to anti-substitution or "anti-dealers-salesmanship" copy.

In the drug field alone we have Horlick's Malted Milk, with their "the only original — the only genuine" copy; Vaseline, with their copy aimed at ordinary petroleum jellies of all kinds; Dioxygen, with their "greater strength and purity" arguments as compared with ordinary "hair-bleaching," peroxide; Pond's Extract with their copy educating the public on "*why* Pond's Extract instead of ordinary witch hazel," etc., etc.

These advertisers and many others realize that they cannot get the full benefits from creative advertising because of the activity of the retail dealer in diverting the demand their advertising creates. The same situation exists in every line of business. Every advertiser, except the strictly mail-order advertiser, suffers from trade diverting "salesmanship."

Advertisers estimate their loss of business from this source at anywhere from 10 per cent. to 75 per cent., and the worst of it is the dealer believes he is justified in his attitude.

If any individual advertiser, to protect his business, uses any part of his advertising space to warn the public against "substitutions," the dealer at once takes offence; he is more aggressively antagonistic than ever, and the advertiser loses as much

---

**Printers' Ink*, February 16, 1911, p. 22.

as he gains. *Why* did the magazines give up *their* joint "anti-substitution" campaign of a few years ago? Simply because they got cold feet; they were arousing "too much antagonism" in the retail trade.

The situation grows worse instead of better, and why? Simply because under existing conditions the balance of power is with the distributor. No one manufacturer is strong enough to make a winning fight against the odds he has to face. True, many advertisers are successful in spite of existing conditions, but how much more successful would these same advertisers be, and how many unsuccessful advertisers would become successful ones, if this one big obstacle could be entirely removed?

Is there any cure? Suppose fifty national advertisers would annually subscribe $5,000 each to a common fund to be devoted to educating the public? Suppose this $250,000 appropriation should be devoted to advertising the quality, dependability, and reliability of all nationally advertised products, without mentioning the name of any single product. Suppose, in such a campaign, the public be enlightened as to *reasons why* retail dealers prefer to sell unknown, untrade-marked and unadvertised brands. Suppose the public be taught that an established name, and a price set by the manufacturer, is the best guarantee of quality — of full value. Suppose the public be taught in every possible way to *believe* in advertised products, *and in the quality necessary to make advertising justifiable.* In brief, suppose *salesmanship be met with salesmanship* on a scale that will make things more equal. Would a campaign of this kind, conducted on a big, frank, open and above-board plan, have its effect?

Wouldn't it even be possible, in an organized effort of this kind, to supply a sign or some means of public identification to every store whose proprietor would agree *to sell what the customer asked for?* A penalty for wilful violation might be included as a condition of the agreement and a fund established for the prosecution of all violators. There wouldn't be many prosecutions because that kind of publicity would hardly be healthy for any store. . . .

There is plenty of room for difference of opinion as to the merits of Mr. Horr's plan to correct the "substitution evil."

But there can be no avoiding the fact that as appeals to the consumer multiply they are apt to damage each other by the very success with which they stir up or divert demand.

CONSUMER CO-OPERATION AS A SOLUTION FOR CONSUMER ILLS

Consumer Co-operation as a Remedy for Consumer Ills

Among the solutions for some of the more pressing distribution problems of the consumer is that worked out in Great Britain and on the Continent in the co-operative ownership of factories by consumers. Under the caption "Does Consumer Co-operation Threaten?" Charles W Hurd, of the *Printers' Ink* staff, brings out some points as to the spread of this line of activity in this country as compared with its development in Europe, and its effect on the relations between producer and consumer if it should become common. Following the portion of the article given here there is, in the original, a quotation from the secretary of the new co-operative organization suggesting its possible future plans, and a series of quotations from American manufacturers who do not seem to regard this form of resistance on the part of the consumer as a very imminent danger:

*The first consumer's co-operative factory ever established in America was started in New York a few months ago and already has four retail outlets. It is a hat factory. One of the stores handles men's furnishings as well, including many trade-marked articles, and all of the stores will probably develop along this line. The co-operative is seeking to organize the widely scattered one hundred and fifty or so co-operative retail stores in the country into one national organization and pool their buying power.

Modest as this beginning is, it is of vastly more seriousness than the sudden and astonishing crop of consumers' buying associations and municipal marketing which just now is bulking so large in the public eye. This latter is a mushroom growth, an impulsive middle-class protest against the high cost

**Printers' Ink*, April 25, 1912, p. 80.

of living, and sooner or later will subside, leaving only a few surface memorials to mark its present activity

Its only real significance is that it marks a profound alteration in the popular mind respecting co-operative ventures, corresponding with the changed industrial conditions and the widespread social unrest, and indicates that America, so long immune, may now possibly offer a more hospitable soil for the growth of the powerful workingmen's co-operative movement which has already invaded every other country on the globe and is a commercial and industrial phenomenon of the first rank.

The co-operative factory just established in New York is the vanguard of this movement.

If the co-operatives of this type were merely wholesale and retail buying societies, they would deserve only the passing interest of the national advertiser, but they are engaged in *manufacturing* as well, and their aim is not merely the moderate one of cheapening goods to a few members, but of extending the system more and more until there is effected a complete industrial and commercial revolution through absolute *monopoly*.

This is somewhat of a large undertaking, but it must be confessed that the co-operatives have made a tolerable showing at the start. They are only forty or fifty years old, but they are supported by the heads of some 10,000,000 families in all countries, which means about 50,000,000 people in all.

In England, *one family in every four* is represented in the co-operatives. The percentage in Scotland is even higher. In these two countries the two co-operatives did a business of more than $650,000,000 in 1911 — an increase of more than 8 per cent. over the previous year, despite the business depression or perhaps because of it.

The German, Belgian, and Austrian societies are much younger, but are already large and are growing at a rate which is retarded somewhat, though not checked, by private initiative and legislative hostility. The movement is closely allied with the labor movement, and outside of England with the revolutionary movement, which it helps largely to finance.

So it is evident that the movement holds something more for the American manufacturer than merely academic interest, even at this time when such consequences as those described must be remote in respect to our own land, because the continuous and complete extension of the system in this country would soon begin to handicap many manufacturers, *impair* *the value of their trade-marks and good will,* and progressively destroy it.

It would *restrict* and finally *destroy advertising* as we know it, inasmuch as the advertising of the co-operative is for the most part confined to simple announcements, and there is no competition within the societies to stimulate its development. . . .

The workingmen's co-operative, the one which is succeeding on a large scale to-day, is different from all other kinds. It starts with the organization of the market, and works back as fast as possible from retail to wholesale and wholesale to manufacturing. Its thousands of members are so many salesmen to bring other members in. It always knows its market, and is always extending it.

Practically all of the successful co-operatives are founded on the English or Rochdale model — that is to say, they are collectively owned and democratically administered. The members themselves supply the capital in small payments, but draw no dividends except as they buy, and then in the shape of reduced prices.

The English and Scottish co-operatives manufacture a great many different commodities, from bread and canned food to clothing, shoes, and bicycles. The largest bakeries in the world under one management are those of the Glasgow co-operative. The second largest are those in Vienna belonging to an Austrian co-operative.

Ground is being broken now by a co-operative in Manchester, England, for a textile mill which it is claimed will be the largest in the world.

All the goods made in these co-operative factories and mills are manufactured and sold, not for private profit, but for the benefit of the consumer members. There is no room in their plans for private enterprise. If capital is borrowed, as it sometimes is, the usual market rate of interest is paid, but no private investment in co-operative work is permitted.

The factory is given a small profit to provide for extensions, repairs, depreciation, new machinery, etc., and the retail establishments are allowed a small profit for the same reasons. The balance of the saving is divided, part among the operatives and salespeople, in addition to their wages, part among the consumers, and the rest is used for propaganda or advertising the system. In addition, there are sick benefits.

The wages are not high. The highest officer chosen by the

Scottish co-operatives never received more than the equivalent of thirty-seven dollars a week. He held office for thirty years, and is now president of the newly organized international alliance.

This outlines the sort of competition the manufacturers of the United States may have to face before many years. . . .

EFFECT OF ADVERTISING ON VALUE OF GOODS

One other point and we shall be obliged to leave this part of our discussion. And this point is chosen not because it is intrinsically more important than many others which could be mentioned, but because it suggests one of the ways in which advertising affects the goods via the consumer, just as we already have seen that it affects the consumer direct and the selling mechanism via the consumer.

If the consumer's attitude toward the goods is changed by the advertising, obviously the consumer's idea of their value to him must be altered, and it may even be possible that the real value may be changed as well. H. W. Barnes, Advertising Manager of the Russell-Miller Milling Company, of Minneapolis, contends that advertising makes goods more valuable because of these changes in the consumer's attitude, as well as for other reasons. He says:

*Does the buyer of the advertised article get his money's worth? I prefer to rephrase the subject and say, "The buyer of a *wisely* advertised article gets more for his money than the buyer of an unadvertised article." Whether the latter gets his money's worth depends upon what he expects for his money. One who is familiar with advertising expects more and is not satisfied with the mediocre.

We are led to buy an effectively advertised article partly on account of its wide distribution. You know that once you try and like it, you will be able to secure it everywhere. "Universal accessibility," then, if you please, is a quality peculiar to the advertised article, and this exclusive quality, you must admit, adds to its value. Whether the advertising or the

**Printers' Ink*, August 31, 1911, p. 62.

distribution comes first is immaterial. It is certain that the advertising and the wide distribution go together.

Suppose two brands of soap of equal quality were manufactured in a certain town and were sold at identically the same price. In the beginning one would get just as much for his money, whether he bought one brand or the other. One manufacturer, by advertising and aggressive selling methods, places his goods in practically every drug and grocery store in every city and village throughout the country, so the folks who had become accustomed to this manufacturer's brand were then in a position to secure their favorite soap wherever they happened to want it. The added convenience gave them more for their money than formerly, or more than in buying the unadvertised brand. The increased output enabled the manufacturer to cut down his cost per cake sufficiently to cover the advertising and still receive the same returns from his investment, and so the purchaser received more for his money in added convenience.

Granting, even, that the advertising had to be charged up to the customer and that each bar actually cost half a cent more than the unadvertised brand, even then it was certainly worth more than the extra cost for the purchaser to be able to always buy the article to which he was accustomed wherever he wanted it.

The Illinois farmer, after moving to Colorado, would scarcely know how to do his work unless he could get the same kind of implements and tools that he had been using. The first item he notices in his new local paper is the advertisement telling about his favorite mowing machine or plow. He is not only able to get exactly what he wants, but he is able to buy it cheaper than he could a generation ago, before advertising had accomplished the universal distribution of this particular class of goods. He gets more, perhaps, for his money in buying this kind of goods than in buying any other. There is no question that in buying some advertised articles you get more for your money than in buying some other similar article equally well advertised. The element of the value of universal accessibility, however, exists in either case.

When an advertised article is used with satisfaction in Chicago, it is worth a lot to know that when one gets to Minneapolis he can keep right on using the same identical article. It is worth more than the advertising cost not to be compelled to experiment with unfamiliar brands until he finds one that exactly fills his requirements.

It is worth more than the advertising cost to know when one buys a camera that he can always get the proper supplies for it, no matter where he is, camping or hunting. He gets more for his money than he could by buying the unadvertised article and suffering the inconvenience of not being able to secure supplies when they are most needed.

Articles that are on sale in a large number of stores are bought simultaneously by thousands of persons. In effect, this amounts to co-operative buying, and it is generally recognized that goods can be bought more cheaply in large quantities than in small quantities. In other words, each one who buys the article in question gets more for his money than he can get otherwise, and he can secure a favorite article whenever and wherever he happens to want it, makes the advertised, universally accessible article more valuable, a "better buy."

The properly advertised article possesses more value than the same article unadvertised or poorly advertised. That is, the advertising invests in the article qualities which add to the satisfaction and the pleasure and pride of the buyer. . . .

When I think of watches, a particular one stands out far above all the others. Its manufacturers have succeeded in building up around it an atmosphere of exclusiveness, superiority and other qualities on account of which I could not be entirely satisfied with any other kind of timepiece. If I were to buy one I should feel that I had bought something, a lot of things, that other watches do not possess — that I had got more for my money than I could by buying a watch whose characteristics were not well known to me.

I might recount numberless illustrations of how manufacturers of breakfast foods, fountain pens, mattresses, flour, and hundreds of other commodities have created in the minds of people ideals which make it possible for the purchasers of these articles to actually get more value out of them. These products are worth more than unadvertised products because the advertising has invested them with a peculiar value.

Advertising clothes the article with its æsthetic qualities so effectually that the actual wood, iron, gold, wool, cotton, or other material is lost sight of in contemplation of the "condition" that may be brought about through the possession of the commodity. And on this account also the advertised article is a "better buy" than the unadvertised one. The one may fill an important place in your plan of things, may contribute its share in your happiness and profit; the other is simply so much inanimate material.

The merchant who buys a cash register does not buy a drawer in which to put his cash, a lot of buttons to push, a crank to turn, and a number of various size cog-wheels. He is led rather to see in his mind's eye the condition of order, exactness, knowledge of his business, and increased profits which will come from the intelligent use of the machine.

And so if it's true, and I think you must agree that it is, that wise and honest advertising makes an article universally accessible, invests it with distinctive and exclusive qualities, and enables the buyer to choose on account of the desired *condition* the article will make possible, then it is pretty safe to say that advertising is not advertising unless it explains and teaches — unless it conveys ideas and ideals. Real advertising adds to the economic and social welfare of the commonwealth, and so of necessity the advertised article has added value over the unadvertised.

These few points, out of many which could be considered, have been presented in order to help us appreciate how much more than a mere market for goods is the modern consumer. As an object of advertising attack he is a complicated and variable composite under pressure from within and without. And there is scarcely an emotional motive, or an economic impulse with any influence on human action, which can be ignored with safety by the advertiser who wants to catch and hold him.

Nor is the consumer inert. He has powers of resistance, and he is learning how to use them. Even leaving the supremely important problems of consumer psychology out of consideration, he has means at hand for taking advantage of any weakness in advertising plans. The consumer problems of the modern advertiser are not merely to discover buyers of goods and to exploit them. They are as intricate as war plans.

REVIEW QUESTIONS — CHAPTER V

1. How does modern advertising affect the consumer's ability to choose what he will buy?

2. Do you agree with Professor Carver's suggestion of a parallel between methods of warfare and methods of advertising attack and resistance?

3. What were the main features of the first campaign for advertising the Eleventh Edition of the Encyclopædia Britannica?

4. How can "standards of living" be affected by advertising?

5. What features in the ready-made clothing business differ from the problems involved in advertising factory-made shoes?

6. How does Mr. Horr plan to meet the problems of substitution? What are the main defects in his plan?

7. How does co-operative ownership of factories by consumers affect the advertising problems of the industries in which these concerns are found?

PROBLEM QUESTIONS — CHAPTER V

1. Make a list of consumer defences in addition to those mentioned, and show how advertising plans are modified by them.

2. Discuss the effect of price habits and buying customs on the consumer's freedom of choice.

3. If two advertisers of shaving soap advertised equally widely and with approximately equal effectiveness, would the results secured by each and the effects on their campaign plans be the same as if there were five at work with the same energy and effectiveness in the same market? Would the final maximum limit of possible sales of shaving soap in the market be ascertainable?

4. Could the Encyclopædia Britannica methods of attack have been equally well employed in selling the Ninth Edition

in the early nineties? Could it be employed again in the sale of the present edition? How does the campaign now in progress for the same work differ from the former one?

5. If 10 per cent. of the boot and shoe producing capacity of the country should come under control of consumers' co-operative societies, would it affect the advertising methods of the shoe business? If the percentage should increase to 35, how would it be? What if it were 50 or 60?

CHAPTER VI

THE "REGULAR" RETAILER

THE multiplying of the appeals to the consumer has completely changed the retailer's position as a part of the distribution system. Formerly, the selling of the goods was his main service, and the selling of the goods involved influencing the consumer as to the nature of his wants, bargaining with him over the price, and then convincing him that he was satisfied with his purchase.

Under present conditions, however, largely as a result of advertising, the nature of the consumer's wants is, at least partially, predetermined. The price is more or less completely set and satisfaction is guaranteed. And all of these services are performed not by the dealer but by the producer of the goods, or whoever stands sponsor for them in the advertising. The retailer's service in the case of nationally advertised goods thus becomes primarily a delivery service and not a selling service.

For some time after this change in the retailer's position became conspicuous, nearly everybody in the selling system, including the retailer, believed that the retailer was to a large extent helpless and that he had become a mere order-taker. Recently, however, the retail dealer has come to feel something of the real strength of his position. He now sees that while he can be forced by the national advertiser to a certain extent, he has, after all, a very valuable advantage in his personal contact with the consumer. He has come to something like a real appreciation of the fact that it is through him alone that most of the psychological reactions produced by advertising can be converted into real sales. Within the past three years there has been a very marked increase in the recognition given to the retailer in national advertising plans, and it is coming to be accepted as a fact worth consideration that the plans which have met with greatest success are those which have secured the heartiest and most sincere co-operation of the retail dealer.

Retail distribution has been radically changed by modern conditions of living. Rapid transit, the telephone, and other modern inventions have removed many of the old limits on a retail store's radius of sale. Some retailers have been able to take advantage of the new conditions. And as their sales increased in volume their purchases increased correspondingly. They no longer need the services of a wholesaler for most of their purchases, since they can buy on as large a scale as the wholesaler himself. They now go to the producer direct. On the other hand, many retailers have not been able to expand in this way. And so we have, side by side, two types of retailer: (1) The "regular" retailer, still buying through the wholesaler, and (2) The new type of retailer buying with little or no wholesaler help. We shall divide our discussion of the retailer into two parts to correspond with these two types of retailer. First we shall consider a collection of cases showing the place of the "regular" retailer in national advertising and distribution campaigns, and the methods employed in getting his co-operation in selling plans. After that (Chapter VII) we shall consider the advertising aspects of some of the new forms of retailing, particularly the department store, the chain store, the mail-order house and one or two forms of co-operative store which have become important.

There are many ardent advocates of the importance of the "regular" type of retailer as a factor in distribution. Among them is George L. Louis, an advertising agent in Chicago. Mr. Louis, in a recent article, explained some features of his ideas by telling how six maufacturers in unspecified lines undertook to link up their national advertising campaigns with the work of small retailers. Mr. Louis, it will be seen, confines most of his attention to the methods of reaching small stores in towns of less than 50,000 inhabitants. This market, as he clearly shows, is extremely important. There are many, however, who believe that this part of the consuming population of the country can be reached best by approaching it via the big cities with their equipment of large stores. This type of retailing we shall examine in greater length in the following chapter.

Portions of Mr. Louis's article are as follows:

*Restandardization in distribution — in selling and buying, in the passage of merchandise from manufacturer to retailer, from retailer to consumer — has begun. With it has come, too, decided reductions in selling costs and a proportionate lowering of the price paid for his purchases by the consumer. . . .

It has been my privilege to follow closely and intimately the development of the selling plans of six manufacturers engaged in distinct lines of business and each among the largest and most successful of his kind. Together these six establishments present in fairly complete fashion the vital phases of what I have called the re-standardization of merchandising.

No one of them, however, has applied its principles to every department of his distribution program. For the purposes of this article, therefore, the individual features which these six concerns have developed most fully have been assembled and dovetailed into a composite whole. And because this composite plan can be applied to almost any merchandising business it will be set forth here as a complete unit. The details have been tried out and proved by manufacturers of men's clothing, women's apparel, hardware specialties, toilet and drug preparations and foodstuffs who have built up tremendous and profitable businesses by these methods.

Four of these six manufacturers formerly conducted their marketing in the conventional way. There has, therefore,

---

*_System_, September, 1912, p. 272. This article is the sixth in a series by Mr. Louis appearing in _System_ for November and December, 1911, and February, April, and June, 1912.

been ample opportunity to contrast methods, to gather evidence and to deduce conclusions. The other two firms are of recent origin; but their adoption of the new methods from the beginning has enabled them to make records of consistent advances unusual in the case of newcomers in their fields.

All of these manufacturers distribute through retailers. The retailer, therefore, is the most important cog in the machinery of their distribution. He is recognized as such and is as closely studied and analyzed as the processes of manufacturing themselves. The dealer is acknowledged to be a principal in the marketing of the product, and the alliance with him is a real partnership.

These manufacturers approach the retailer directly through three mediums: the salesman, the letter, and the trade journal. Since each of these has its distinct field and function in selling, they are used together. The salesman, letter and trade journal, employed at the proper time and in the proper way, will gain the attention of the most indifferent dealer.

The letter precedes the salesman. All of the preliminary work, the introduction of the manufacturer to the retailer, is accomplished through the mail. Ordinarily, unless the salesman can conveniently and inexpensively make new towns, he is not permitted to waste time and money in visiting prospects. Until the letter establishes the dealer's confidence, the salesman avoids him. . . .

A Balanced Selling Plan

What a properly balanced selling plan means to a business can be seen after study and analysis of the experience of these manufacturers. Follow-up letters can be made to eliminate much of the uncertainty involved in seeking new accounts. They lessen selling expense. They are the only practicable means of getting a huge volume of small orders on which the profit is larger than the average. The trade journal is used as a co-worker with the letter. This space is bought and used for a definite purpose and must fulfil that purpose. The copy is changed in every issue and is keyed by offers of booklets on some appropriate retail merchandising subject like selling plans, special feature sales, and so on. Each paper must produce inquiries to justify the investment.

All of these manufacturers are radical in their attitude toward their two possible markets — the large city and the small town. The cities are seemingly neglected; all their energy and effort are concentrated on the small towns. Every town, village, and hamlet where there is one or more stores is "on the sales map." The so-called "little fellows," frequently ignored on the ground that their buying power is too small, cater to at least 40,000,000 people.

Here are some statistics which have influenced these manufacturers to consider the small town as their most important market. According to the last census, there are only 2,405 cities in the United States which have populations of 2,500 or more. Including the other centres which have a million or more people within their borders, the total urban population is only 42,623,383. In the territory classified as rural, on the other hand, there are 49,348,883 persons. Of these 8,119,528 live in 11,784 incorporated towns of less than 2,500 population, but the majority of the remaining 41,229,355 buy the bulk of their necessities in these smaller towns. . . .

The Small Market Is the Short Cut

To begin with the small towns where an equal volume of business and greater profits can be secured, and work from this field to the city trade, is the quicker, easier, safer journey for the young manufacturing house to make. For the concern already established in the larger trade centres the neglected "provinces" offers an attractive field. To work it effectively, however, it must be treated seriously and not as a mere adjunct to the city territory.

Consumers in smaller cities and towns buy quality goods — all sorts of luxuries and conveniences for their homes, delicacies for their tables, devices that minister to their amusement. Cheap buying is not characteristic, as is commonly assumed. Per capita they buy much larger quantities of staple commodities like flour, foodstuffs in general, stoves, refrigerators, and so on. A large percentage of city folk live in apartments which are rented ready for occupancy, painted, decorated and even partly furnished. A goodly proportion of them eat in restaurants, where they cannot specify the salt, flour, sugar, canned goods, and other foods which they consume and where silver, china, and table-ware are not greatly considered.

Results which the six manufacturers are showing prove that sales are increased in volume, profits are larger, and all conditions are better if but one dealer is sold in each locality. With the exception of one house of the six figuring in this article, selling through exclusive dealers is the fixed rule. The one exception is a manufacturer of toilet preparations, which are purchased in such limited quantities by each drug store that sales through all stores are necessary.

But in all lines of men's, women's, and children's apparel, furniture, and so on, the volume of business and net profit can usually be increased and the selling cost decreased by selling exclusively through one retailer.

Regardless of how extensive and how powerful a national campaign may be, if the dealer is not back of the goods, only the minimum of sales will result. The "created demand" impetus is not sufficient to overcome an indifferent retailer. The final force that completes the sale must be as active and as strong as the first stimulus that arouses the consumer's desire. It is acknowledged that the dealer controls his local situation; that the consumer waits on him for his final selling argument. These manufacturers have been taught by experience that when two or more merchants in a given locality sell the same branded goods, they will not lend their names and energies to promote such goods to the fullest possible extent. For the fruits of their efforts can be shared by their competitors. The merchant knows that he jeopardizes his own welfare and profits if he advertises goods that his neighboring rival also sells.

When a merchant has the sole selling privileges and is free to build up his trade with this as an asset, here is an example of what can happen:

What Happened in a Small Illinois Town

In an Illinois town of 20,000, one of the six concerns originally sold to five stores. The sales averaged about $1,200 annually. With a change in policy the goods were restricted to one store. Immediately that dealer began to advertise the line in the local newspapers and by window displays. The first year's sales ran over $3,000; they have increased since.

These concerns nourish the power and the personality of their retailers. They have found that the more highly developed the retailer is, the more valuable he is as a selling outlet — for then he can and will sell more goods.

Instead of submerging the identity and individuality of the retailer, his initiative and independent activities are encouraged. The bond of good-will which these manufacturers establish with the retailer brings a harmony which eliminates the "dealer problems" and wastes in marketing. Selling to the merchant is reduced to its simplest, quickest form. It becomes only an exposition of goods and prices. The dealer drops his customary, defensive attitude in buying. He is free to consider the merchandise and its selling value without fear that the salesman will attempt to "put one over on him."

The caution and consequent delay in buying that characterizes the average retailer have been further removed by the "small-order" policy that some of the manufacturers pursue. They make it a rule to sell the merchant as small an order as is consistent with his selling possibilities. There is no stuffing or forcing of sales. The result is that the salesman makes a greater number of individual sales every week than he could possibly land if he attempted to sell larger orders. He "cleans up" with each customer in half the usual time and covers twice the ground the average road man can. Selling expense is reduced materially since all the "re-orders" come in by mail.

The quick turn-over of a small stock leaves an unfailing impression upon the merchant. He re-orders by mail before his stock is too much depleted, while continual reminders from the manufacturer to keep his stock up does not let him lose sight of this point. Substitution has been practically eliminated. The good will of the dealers makes competition helpless.

The cultivation by these manufacturers of a broad, intelligent relation with the retailer, solves many of the wasteful riddles of distribution. The plan promotes a frank, friendly, sincere co-operation with the merchant. The retailer is recognized as too important to be ignored, as unproductive when driven, as uncertain when cajoled and bribed. All of these manufacturers testify to this fact; as you treat the merchant just so he will respond.

Dealer Forcing Is Avoided

In the handling of their advertising, these manufacturers have worked out a common policy which arouses none of the antagonism which many national campaigns have stirred among retailers, but actually secures co-operation from the dealer to its ends and purposes.

These manufacturers keep rigidly away from employment of their national advertising as a device to force the sales to dealers. Instead he is shown that the campaign is an auxiliary power which he can use to good advantage. He is not awed and frightened into buying by circulars which captionize the alleged selling arguments: "We are reaching and influencing 5,000,000 people and are spending $50,000 for you. Hurry, stock up!" Instead, quietly, calmly, but forcibly they say: "This publicity will surely influence the men and women of your locality. It will arouse their desire for our goods. You and you alone can change this desire into actual profitable sales."

Nothing is left to the dealer, however, which the producers themselves can shoulder. The "follow-up" campaign is planned as carefully as the display advertising. The interval required for putting an inquiring prospect in touch with a retailer is reduced to as short a period as the mails make possible. Inquiries are answered the same day they are received.

How does this affect the dealer?

In a previous article, the development of the retailer from the storekeeper to merchant was traced, and the process by which in too many cases he had been forced back to storekeeper again. In contrast, the retailers of these six manufacturers have become real merchants once more. They are forcing the issue in selling. They are not buying more or less blindly. Instead each works out and shapes a merchandising program of his own.

The broad policies, the friendly attitude, and the sincere efforts of the producing concerns have entirely removed one source of worry, the attempt of the manufacturer to encroach upon their domain. This has occupied so much of the dealer's attention and consumed so much of his energy that looking after his business has often become an incidental matter.

From each of these six "new school" manufacturers I secured the names of twenty-five retailers on their books. These one hundred and fifty merchants were all customers of the various manufacturers and were within a circuit which I had mapped out for the study of the problems in distribution dealt with in these articles.

The educational partnership-efforts of the producers showed results in a very decided way. With but a few exceptions the retailers were found to be doing the largest business in their respective territories, while their selling expenses were exceedingly moderate. Free from "manufacturer problems" and able to concentrate all of their activities upon selling they had developed their trade remarkably.

Without exception, they were "cashing-in" on the national campaigns of the producers. They knew how to do this without losing their identity. They connected their stores with the advertised goods by endorsing the advertiser's claims for his wares. They focussed their "desire" which the manufacturer created, and at the same time placed themselves above the merchandise. They were reinforcing the producers' selling efforts by their own individual energies. Even in the preparation of their advertising they did not use the manufacturer's words; they rephrased his arguments in their own distinctive fashion.

Cashing-in on the National Campaign

And the next and final factor in distribution, the consumer, has been educated by these saner retail methods into better buying. He has been weaned away from the bargain idea, from the shopping habits which the retailer himself is usually responsible for.

When the merchant co-operates with the manufacturer, intelligently and willingly, two powerful forces are combined which insure the maximum selling at a minimum expenditure of energy and money. Demand and supply in themselves will not regulate buying and selling satisfactorily. The economical distribution of goods from manufacturer to consumer, by way of the retailer, must be based upon a systematic, direct, intelligent plan which invests each factor with a responsibility and brings them all into co-operation to that end.

THE RELATIONS OF THE MANUFACTURER WITH THE RETAILER

Among the most conspicuous of the advertising relations between the "regular" retailer and the other parts of the selling system is the group of methods for inducing retailers to push advertisers' goods known under the general term of "dealer help." Roughly, this term is used to cover any effort made by the national advertiser, whether he be a manufacturer or a jobber, to help the dealer convert into sales the consumer-interest created by the national advertising campaign.

"Dealer Help" as a Part of Advertising Plans

"Dealer help" takes widely different forms, but through them all runs the attempt to have the national advertiser's interests represented when the actual sales transaction induced by the advertising takes place.

The "dealer help" relations between the national advertiser and the "regular" retailer can be no better illustrated than they are in the case of the Procter & Gamble Company in its recent attempt to launch a new cooking fat under the name of Crisco. The story is told as follows by R. Bigelow Lockwood:

*The Story of Crisco, the new cooking fat that has made butter "infamous," has as its dominating character a certain individual about whom very little is known outside of those who have made his study their specialty; *the retail grocer.*

The Story of Crisco

In the scramble to "reach the consumer," manufacturers of products selling through grocers have been prone to forget that the grocer is the mouthpiece between them and the person who uses the goods. The fact remains that grocers and their solicitors know their customers so well that it is safe to say that the ordinary retail grocer can sell seven out of ten customers any brand of food he wants to. Granted that a consumer, influenced by an advertisement in the general magazines, asks for a certain product, the grocer is able in most cases to substitute something else if he wants to, for the simple reason that the customer knows him and trusts his judgment.

To illustrate just one case where this relation between grocer and customer offsets the influence of advertising. The Acme Tea Company of Philadelphia, a chain of nearly 250 stores, sells four times as much Acme Baking Powder as it does Royal. Next to nothing has been spent on advertising the former to consumers, and probably $500,000 per annum has been spent on the latter.

When a manufacturer reaches grocers he reaches their customers. Creating a demand on the part of the consumer is important, but beware lest the tendency be to overestimate the consumer end of securing active co-operation with the dealer. Work on the dealer is the missing link in modern selling methods; or if not actually missing it is often the weakest link in the chain. Every manufacturer has to cross a certain bridge — and that bridge is the retailer, provided his product is one which must be sold through this channel.

The manufacturers selling a product through the medium of the retail grocer must convey *two* messages; one to the consumer about Quality, and an entirely different one to the

Advertising and Selling, May 1912, p. 65.

grocer about Profit. If a consumer, and we are speaking now of the housewife, could remember a manufacturer's message and repeat it *verbatim* it would hold not the slightest particle of interest for the grocer. The grocer must be sent a message which cannot be entrusted to the consumer — a message regarding Profits which will make him push the manufacturer's goods. The consumer cannot be expected to convey this message; there is no reason why she should, and it would not be the best policy to let her know it anyway.

The logical campaign is to reach *both* grocers and consumers — but reach the grocers first. Thus when launching a new grocery product the dealer campaign should be started at least thirty days before general advertising begins.

Now perhaps you are thinking what all this has to do with Crisco. The answer is just this: Before we take up the actual story of the product it is necessary to thoroughly understand the actual field conditions and the relations which exist between the three corners of the triangle—manufacturer, grocer, and consumer. Once this relationship is established we shall be able to follow clearly each move in the Crisco Campaign.

In the way of enlightenment regarding the character and importance of the retail grocer I am indebted to the C. M. Wessels Co. of Philadelphia and to Mr. Paul Findlay, the New York manager of the company, and a recognized authority on grocery-store management and other matters of general and specific detail about the retail grocery business.

Should there by chance be an isolated reader who does not know what Crisco is then let me advise him to ask his wife. For the benefit of those not so fortunate as to possess wives, Crisco is a wholesome cooking fat made entirely from edible vegetable oils by a secret process. It is also a Procter & Gamble product.

When Procter & Gamble fired their opening gun at the retail grocers and dealers the following letter came, in the usual course of procedure, to the hands of a Mr. Hjermstad, proprietor of a general merchandise store at Chippewa Falls, Wis.

"CINCINNATI, OHIO,
December 12, 1911.

"DEAR SIR:

"We are expressing you to-day, charges prepaid, six packages (25-cent size) of Crisco. Please accept these packages with our compliments — they are given to you absolutely free.

"Our national advertising campaign on Crisco begins in January, when large advertisements appear in practically all of the leading magazines, especially in the household publications which are so largely read by housekeepers.

"We want you to have Crisco in stock, so that you can supply the first demand this advertising will create among your customers. It will be big advertising and the magazines will be read in several million families. You will have calls for Crisco and so will every other grocer who sells to a good family trade. Sell the six cans, and then order what further supply you need from your jobber.

"The price is as follows:

"1 case, (36 cans each), $7.50 per case; 5 cases (36 cans each), $7.45 per case; 10 cases (36 cans each), $7.40 per case.

"We enclose copy of our January advertisement, which we feel sure you will read with much interest.

"At the present time the jobbers only have Crisco in the 25-cent size, the same that we have sent you, but after the first of the year we will be in a position to supply Crisco in 50-cent and $1.00 sizes also.

"Any further information you may desire will be promptly given you. "Yours respectfully,

"THE PROCTER & GAMBLE DISTRIBUTING CO."

Mr. Hjermstad replied to this letter as follows:

"The Procter & Gamble Distributing Co.,
"Cincinnati, Ohio.

"GENTLEMEN:

"We have received the six cans of Crisco, forwarded to us by express in accordance with your circular letter, dated the 12th.

"While we appreciate your kindness in sending us the six cans free of charge, and recognize the spirit which prompted you to present us, entirely unsolicited, with so generous a gift, we cannot conscientiously act upon your suggestion to place an order with our jobber for your product.

"At your quoted price of $7.50 per case of 36, 25-cent cans, each can of Crisco would cost us nearly 21 cents. It costs us close to 18 per cent. to do business, which would leave us a profit of less than one cent per can.

"We call it bad business to ask a merchant to handle your goods on such a basis of profit.

Not a Living Profit for the Retailer

"We trust your advertising campaign will not be a disappointment to you and that the hundreds of thousands of dollars you will thus spend will not be entirely wasted. Personally, we think if part of that money were spent with the grocer in the way of better profits to him, the result would be far more satisfactory to both manufacturer and dealer.

"Anyway, we know it is time for the retail grocer to wake up and protest against the unfair treatment accorded to him by so many of the national advertisers of the day who want to make of him a mere automaton for the vending of their wares, with little or no compensation for services rendered; the customer simply puts the money in the slot and the manufacturer gets it all.

"Yours truly,
"THE SUCCESS STORE CO.,
"Per O. P. K. H., Secretary."

By this it might be taken to infer that Mr. Hjermstad had a grievance. Also that something was wrong with the Crisco selling scheme to provoke such an attitude on the part of a distributor.

Mr. Paul Findlay, who was conducting a department under the name of "Hy Credit," in the *Twin-City Commercial Bulletin*, for the benefit and uplift of the retail grocer, received these letters from Mr. Hjermstad with the request to look into the matter.

With the arrival of this correspondence Mr. Findlay realized its vast importance. Here was a situation existing between manufacturer and dealer staged to take advantage of. Hasty action might waste the opportunity. Good judgment, on the other hand, might easily result in great and widespread betterment for both maker and distributor.

Fundamentally the Crisco selling scheme was wrong. Taken as an average, 20 per cent. is a fair profit for a grocer to make on a product, but by charging the grocer $7.50 per case, and fixing his selling price at $9, the profit to the grocer was limited to 16⅔ per cent.

Consider this if you please. The Crisco Campaign had only just started, on the wrong basis to be sure, but still there was ample time to work some change. What was the remedy?

A brief analysis of some representative Procter & Gamble products will point it out.

Take Ivory Soap, Large Ivory, as the 10-cent cakes are called. Large Ivory was planned as a 10-cent seller. Present-day costs are as follows: Single box, $7; 5 boxes, $6.92; 10 boxes, $6.85; 25 boxes, $6.80. Selling at 10 cents, the margins on these costs are 30 per cent., 30.80 per cent., 31.50 per cent. and 32 per cent. These are certainly generous margins on an article nearly as staple as sugar.

Now Large Ivory may be cut by the grocer, with the following results. If sold at 9 cents, the grocer retains margins of 22.22 per cent., 23.11 per cent., 23.88 per cent., and 24.44 per cent. If sold at 3 for 25 cents the scale drops *below* the line of safety with margins as follows: 15.96 per cent., 16.92 per cent., 17.76 per cent., and 18.36 per cent.

How the Error Was Corrected

Procter & Gamble had thus always made it possible on all their products for the dealer to realize liberal margins — goods for which at the same time a steady market had been created through general advertising. Procter & Gamble had always given dealers their goods on a basis where honest margins could be made when sold at the fixed standard price, but what did the dealers do? The 3 per cent. or 4 per cent. of natural-born cutters, together with an unfortunately large percentage of dealers who do not do enough business to correctly compute their margins, destroyed the plan by taking advantage of its liberality.

The result was that when Procter & Gamble were ready to launch Crisco a plan was shaped to head off the minority from price-cutting instead of attempting to co-operate with the majority; those who will take and keep an honest margin when it is offered.

The selling scheme which Procter & Gamble launched and which caused all the trouble was the very simple one of setting a price to the dealer which allowed such narrow margin that even the blind could see their loss if they attempted to cut. In their attempt to force the dealer to maintain the advertised price they had incurred his enmity.

This plan fixed the possible margins on Crisco as follows: On one case purchased, $16\frac{2}{3}$ per cent.; on five cases, 17.22 per cent. plus; on 10 cases, 17.77 per cent. plus. Thus the biggest purchaser was prevented from making a legitimate margin, right from the start. He was up against a stone wall, for, remember, Crisco was advertised to the consumer at a fixed price per can.

All this Mr. Findlay realized — and more. He realized that Procter & Gamble had, perhaps very naturally, been deceived by the noise of the few into forgetting the silent, intelligent many who figured right, retained fair margins, and plugged ahead honestly, content with the legitimate profit allowed them.

There was only one thing to do — and if done instantly the day might be saved. The price to the dealer must be reduced 30 cents per case, so that the smallest buyer could realize his full 20 per cent. profit.

To the everlasting credit of Procter & Gamble, who through the entire period had really been anxious to work with the dealer, the price on Crisco was reduced, not 30 cents but 50 cents per case, with the following results: 1 case yields the grocer a profit of 22.22 per cent. plus; 5 case lots 22.77 per cent. plus; 10 case lots 23.33 per cent. plus.

Thus a wrong selling scheme was changed into one which yielded the grocer a liberal margin of profit and changed his attitude into one of interest and co-operation.

Do not be deceived into thinking that this argument against price-cutting is a sweeping protest against the entire system of price-reduction. Manufacturers and retailers alike are up against this question — "How far is it legitimate to go in price-reduction on special occasions?"

It is quite true that certain articles are handled for less than cost of doing business, yet the statement cannot be made that they do not yield a net margin. Other articles pay heavy gross percentages, yet there is nothing to prove that there is anything left net, after they have been handled.

In the matter of price regulation the best guide is the judgment of the careful merchant — an educated judgment. Price-cutting, on special occasions, requires cool-headed calculation. But to return to Crisco.

Having decided to reduce the price to dealers there yet remained something else to be done — to reach the distributors with the message and to establish a new and closer harmony of relations between manufacturer and retailer. And to gain this end, to talk to these distributors in their own language and through mediums which would carry the message of Crisco home, it was finally decided to begin a trade paper campaign. . . .

The complaint of Mr. Hjermstad, which was representative of grocers everywhere, proves just this: "Unwilling service is never good service," and had Procter & Gamble, through the expenditure of a great amount of money advertising to the consumer, finally *forced* grocers to handle Crisco the price paid for the distribution would have been excessive.

It costs less to make grocers *want* to handle a product than it does to try and *force* them to do so. When a grocer buys a product because he is convinced of its merit and because it shows him a good profit he buys to *sell it*. If he is forced into buying against his will he may hand it across the counter when it is called for, but he certainly will not be likely to *push* it. Get the grocer's interest and the business is won. Allow him a fair profit and he keeps customers buying the product that yields him a fair margin.

This Procter & Gamble case brings out the point which remains uppermost through the records of any case of inducing, forcing, or helping the retailer. That point is the fact that what the retailer is most interested in is a chance to make money and retain his self-respect as a merchant. Anything that helps him to do this is really "dealer help," and whatever wheedles him into pushing goods on which the profit is small for the mere increasing of producer's sales may work for a while, but ultimately it is apt, not only to fail, but to become a positive obstacle to the retailer's interest in selling the goods.

DEALER LITERATURE

"Dealer help" is of almost countless types and new forms are continually being devised. The most common type of all is what is known as "dealer literature."

So much "dealer literature" is now being put out that it is a grave question whether this form of appeal to the dealers, in spite of its directness, is not one of the most difficult to make effective. This type of appeal to the dealer as it is viewed by the dealer himself is suggestively described in the following record kept by Garrett Byrnes, a druggist in

Maplewood, N. J. It is in the form of a six-day diary in which this suburban dealer sets down his impressions of each piece of "dealer literature" as it is received. The vivid moral of this recital is the fact that the "dealer literature" which is effective is that which is well above mediocrity both in its message and in its form.

Six Days of a Druggist's Mail

*We *do* have our thoughts about the mass of "dealer literature" that reaches us — we dealers. Occasionally we experience the reaction that results in our boosting the manufacturer's goods. Sometimes we content ourselves with merely thinking sarcastically about the schemer who foozled so miserably when a day's investigation outside the beloved office would have set him right and have enabled him to put in our hands a pamphlet, a price-sheet or a folder that would put us "on our toes." I'm glad to be able to get this hearing in *Printers' Ink*. I have tried to be fair and to record the actual impressions of specific pieces of matter.

There is still another consideration. We dealers aren't all waiting to toss the folder or whatnot on the well-known junk heap which fable says lies outside our back door. On the contrary, and I am speaking for many, many other dealers I know, we look to the manufacturers to furnish us ever and anon with suggestions that will help us sell more goods and thus be more prosperous.

Every dealer worth while knows that out of his morning's mail he may gain a new idea, bringing with it a little more enthusiasm, generated by the advertising man's genius. We are more than ready to put in a new article or a new line if we are given data by which we can measure its probable worth to us in dollars, cents, and our customer's good-will.

First Day

1. A neat little condensed letter from the Rat Biscuit Company, bulking small in the centre of a large white sheet with no superfluous words, no ink wasted telling me of the superiority of their goods. What is said is everything I want to know. An enclosed post-card is a blank order for one dozen, one free and a window display.

**Printers' Ink*, November 9, 1911, p. 24.

Having a small suburban business I calculate a dozen is a fair order for me. My windows, not fronting on Broadway, I can occasionally let them to the manufacturer at cut rates. The manufacturer gets five feet of window space for a week and I get a package of goods worth ten cents. We retailers will do these things better some day and charge "union" rates for good window space.

The letter was so short I could not help reading it. That caught me.

Time: half minute to read letter, half minute to read card, ten cents profit and perhaps a little more business.

2. A post-card (I always read post-cards) stating that Dr. Doan's Directory of the United States will soon instruct the people that they need kidney medicine and the retailer is requested to stock up in time for the rush.

If I could approve this class of goods as being of benefit to my patrons I would like the advance notice that direct advertising was to be done, and would at least be on the lookout for increased demand. One minute wasted.

III. Another post-card from a fountain-pen company asking me to write them for their proposition. Why not send the proposition first time? No, I won't write them. Time wasted, half minute.

IV. The "Certificate" from the Florence Manufacturing Company is a very clever little sheet in colors, six good jokes and as many funny pictures, many paragraphs on the superiority of the goods and reasons for the dealer selling them. About five lines of real meat: "Always buy in dozen packages; always redeem certificates; three certificates exchanged for five brushes; six certificates exchanged for ten brushes."

This is all I want to know about it.

Ten minutes to read, three minutes to sort the wheat from the chaff, one minute to think it over. Fourteen minutes wasted.

V. "Another Vaseline Preparation" is the headline on a single sheet from the Chesebrough Company, accompanied by a cut of the package.

"White Vaseline and Quinine." Why, yes, I'll need that. Why wasn't it made years ago?

VI. Colgate's goods are all right and the profit they allow *and maintain* is fair. Fair treatment from a manufacturer makes their announcements worth reading. I read them.

Summary: Twenty minutes gone in one morning reading ads. Five minutes profitably spent and fifteen minutes and much ink wasted.

Second Day

I. Samples of cigar pockets, in which to enclose cigars when selling them, from the Racine Paper Goods Company. These made a bulky package that indicated a waste of time. One glance, however, showed my name and address neatly printed on each pocket. This was interesting and worth looking into.

The quality was good. The price, terms, transportation cost to me and *all* particulars I would need or care to know were concisely stated in the letter accompanying samples. I was in doubt about nothing and needed to ask them no questions. The letter told it all and there could be no ground for misunderstanding.

Attached to the letter were twenty-four styles of printing to select from, and an order blank. Had my name not been printed on the pockets I would probably have given the proposition little attention. I decided to order a quantity as soon as I could use them.

Five minutes for the above.

II. "An Exclusive Agency Proposition That Draws Trades," and a hand pointing to 1, More Business; 2, Better Prices; 3, Better Profits; 4, Satisfied Customers; 5, Success, would have insured my looking inside the folder sent out by the Seamless Rubber Company even though I had not already taken the agency for their goods. *The exclusive sale of a profitable article of real merit* should be sought for by any retailer, and he will read a reasonable amount of advertising matter in regard to it.

According to the folder, "*One druggist discovered* that his business was largely built up as a result of selling goods no other druggist in town could handle." "Kantleek goods guaranteed for two years." This should be an inducement capable of satisfying any one and as long as the quality and guaranty hold and the *prices are maintained* I am willing to give time and attention to this or any other good thing. Five proofs of ads in many publications notify the agent to get ready for business and the non-agent that he is losing a good thing.

III. Belle Mead Sweets' Christmas notice. A single sheet neatly printed asking for the placing of Christmas order by November 20th and promising only fresh and not stored goods. It warns the retailer against placing his order extra early and getting stored goods. This is a notice to Belle Mead agents only.

Coming as it does from a house whose goods have always been satisfactory and whose treatment of the retailer could not be better, I am glad to read it and accept its statements at face value.

The value of advertising matter is increased many fold when backed up by honest treatment from the house sending it.

Five minutes for the Belle Mead notice and ten minutes for the Kantleek ad, and I feel more than ever like pushing those goods.

Summary: Twenty minutes this day with good matter and about one to dispose of several patent medicine ads that are not worth mentioning.

Third Day

I. A Package of samples for an asthma cure together with a letter and a 10 x 15 sign. One minute is wasted in looking it over and no time at all in throwing it away. I have neither the time nor the desire to foist upon my patrons countless new "patents," either with or without samples, *unless demanded by them.*

II. Sample sheets of very neat embossing done by a clever little device by Roovers Bros., Brooklyn. This is interesting, but the twice fifty-seven styles make it hardly possible for a small retail drug business to handle them with any satisfaction. In selling from the list there would be a distinct loss, as on one twenty-five-cent embosser there would be a margin of seven cents to pay for selling, writing order, stationery, stamp, and delivering. This might be satisfactory to the stationer but not to the druggist. Time, ten minutes.

Fourth Day

I. A letter from a music publisher with sheet containing bars of popular songs. Selling sheet music does not appeal to me at this time and I doubt if the average retail druggist can do it profitably, if all of the time required for it is considered. One minute.

II. A letter from a house selling dyes offering several kinds of advertising matter either with or without an order. This reminds me that I have some of their goods not moving very well. I will write for ad matter and perhaps both the manufacturer and myself will profit by it. Three minutes for this.

Fifth Day

I. A letter-size printed sheet from the Gillette Sales Company, stating amount of advertising being done by them and proof of ad to appear in twenty-eight different publications. As the Gillette Company *protects the price*, we will do our part. Five minutes.

II. A twenty-four-inch sheet with ten halftone reproductions of as many different window displays made by means of the "Oaken-Wood Window Fixture" plans. These are very interesting and enable one to make an excellent window display in a very short time. A money-maker and a time-saver combined. I need that.

Sixth Day

I. The "Yellow Label," a new and presumably periodical publication, by E. E. Dickinson Company, with cuts of their office and distillery, labors through four letter-size pages to tell the retailer of the superiority of their goods. As I am satisfied of this, after having sold the goods for many years, I do not wish to spend fifteen minutes reading about it.

II. Gaudily colored ads showing premiums offered by the William Wrigley Company for quantity orders. A half hour at least to read. The increased price asked to obtain the premiums would more than pay for them. I will buy my gum and furniture of their respective dealers.

III. A cut of a new style nursing bottle on the envelope containing letter and prices excited my interest.

The letter gave thirteen good features of the article, together with prices and argument in favor of its use. The fact that a baby could puncture the nipple without spilling the milk seemed a good point, and I decided to obtain a sample from the Dairy Nurser Department, Clarksburg, W. Va.

IV. An envelope full of circulars, with prices, etc., of wines and liquors. Bang! We have too much close at hand without going to Ohio and Indiana for it.

V. "Think of the other ninety-five" on the outside of an envelope containing offers, order blanks, advertisement proofs, etc., etc. Too many and too much to read. From the Paul Rieger Company, California, perfumers. Is doubtless a true statement. Not five of each one hundred persons use an appreciable amount of perfume, and with all the advertising done by this company I have yet to have a bona fide call for their goods.

Several children with the sample fever have written them, giving my name as a dealer. But this trade does not pay the rent.

Order blanks enclosed with advertising matter are suggestive, and also time-savers to the retailer. It is a "do it now" reminder. A letter that *looks* short is very apt to be read. The sight of a full-sized letter sheet filled with print or typewriting does not look inviting when many such are received each day.

I have, in fact, mentioned only about half of the ad matter received in six days.

If the manufacturer will name the article, state its use and good qualities concisely, giving price and terms and explain method of protecting price, the average druggist can quickly decide. Long drawn out descriptions and suggestions are apt to be thrown away.

About three quarters of the time the dealer spends on ad literature is given to worthless, or useless, matter. And yet he is benefited by a reasonable perusal of all that comes his way. In looking over it quickly or slowly I find one's judgment upon it is practically the same. And the druggist is necessarily becoming a keener business man.

Let the manufacturer furnish a good article, and *maintain a price that allows a reasonable profit*, and accord square treatment.

WINDOW DISPLAYS

Another type of "dealer help" which has grown very popular within the past few years is the putting out of window displays by the national advertiser. The dealer's window and its value to the national advertiser is a comparatively recent discovery, and some of the national advertisers have made very profitable use of this form of "dealer help." The dealer himself, in many cases, has shared in the profits thus secured.

One of the most successful of these national advertisers is the Victor Talking Machine Company, whose experience is thus described by Ellis Hansen, in charge of the window display work of the company:

* . . . A well-dressed show window may be compared with a friendly greeting to a prospective customer. Everybody looks into the window, either consciously or unconsciously, and retail dealers should be educated by manufacturers to realize how many friends a store gains through well-dressed and interesting window displays.

A dealer pays one half of his store rent for location and window space, and it was to aid Victor dealers in deriving all the possible benefits from their windows that the Victor Company inaugurated its window display department.

While the Victor Company is probably not alone in realizing the tremendous influence that good windows exert in stimulating trade, they, nevertheless, have had the courage of their convictions, and are maintaining a large and costly department for designing and building exclusive Victor trims, and exclusively demonstrating how this important method of retail advertising can be converted into a national advertising proposition of great magnitude.

About ten years ago, when I entered the music business as a window designer, I was instantly drawn toward the talking machine. The Victor appealed to me like a modern Aladdin's lamp, and offered to the designer a field as wide as the entire world of music, and the opportunity of arranging timely windows for any and all seasons.

Fortunately, my firm, Sherman, Clay & Co., of San Francisco, did not restrain me in regard to designing and planning these displays, and in a short time the window devoted to the Victor became the most popular of all our windows, and requests for photos came from everywhere.

Window Displays of the Victor Talking Machine

Even before I was called to Camden to take up the work for the Victor dealers in general, the Victor Company had for years advised their dealers to take proper care of their show windows, and to give window displays more attention, even offering prizes for the best Victor windows. They followed closely the window

Printers' Ink, January 19, 1911, p. 57.

advertising of Lyon & Healy, and of Sherman, Clay & Co., the window displays of these two stores proving to them that all Victor dealers should be educated into this method of advertising.

It was the original intention to have me travel around the country, build displays for each dealer upon whom I called, talk the value of window trimming, and to arouse sufficient enthusiasm in each dealer to make him realize the real value and importance of his window. With the assistance of an artist and a boy and in a very small room in one of the factory buildings, I designed six windows, photos of which I expected to leave with each dealer for their future guidance, after I had arranged one display for him.

Then, after the six windows were completed, we advanced to the idea of cataloguing these displays and offering to sell the material to our dealers at cost price. It took us several months to get the department ready, but during that time the idea of ready-made window displays was thoroughly exploited in the Victor house-organ, *The Voice of the Victor*, and when we issued our catalogue, success was instantaneous. The orders have rapidly increased each month, and at the present time we have a large force of assistants and helpers, and occupy the entire floor of one of the large Victor buildings.

These displays are sold at actual cost. Our dealers were quickly convinced that the very low price we asked was not an expense, but a first-class investment, and we now have the confidence of many hundred dealers throughout the country to the extent that they have signed our standing orders for all Victor displays issued during the next twelve months. We sell most of the windows for five dollars, but if they were made singly they could not be prepared for many times that amount, for we have in our employ some of the best artists and show-card writers to be found, and insist that these designers take all the time that their work requires.

What a Window Display Must Be

To design and manufacture window displays in quantities is by no means an easy task. In the first place, these displays must be striking. While most persons are fascinated by a pretty window, beauty alone is not enough to make a successful display. Each window must not only tell an interesting story, one that will be understood without too much mental effort, but it must, like all other advertising, create a new desire to possess the article displayed. The buying public is too busy to linger in front of a show window, but if your point is well illustrated, so that it can be understood at a glance, it will unconsciously create sufficient interest in most people to cause them to stop, and this is the first and main object of a show window.

On the other hand, these displays must be inexpensive. It would be unfair to the smaller dealers to design and manufacture expensive displays that only the larger stores could afford to buy.

Another hard problem is to prepare displays for shipment. When it is taken into consideration that we are not only shipping window displays to nearly every point in the United States, but to Europe, South America, Canada, Hawaiian Islands, and even to China and Japan, it will readily be seen that if the material is too bulky or too heavy the cost of transportation will be entirely out of proportion to the entire cost of the display. We issue these new displays *every month*, and great care is taken to make them as compact and as easy to assemble as possible.

A large show window, containing electric lights and everything else that goes to make up a modern shop window, is erected in our shop; we, therefore, see each new display just as it will appear in the Victor dealers' windows.

The success of the window display plan, however, depends largely on the co-operation of the dealers, many of whom have written us, offering valuable suggestions.

Nearly all dealers who originally bought our displays have bought again and again, and have shown a great deal of interest and patience in setting up our displays in windows of odd shapes. Our displays have been so simplified that it requires very little effort to put them together, but at first we underestimated the difficulties with which many of our dealers had to contend. . . .

Only a few months after we sent out our catalogue of the first six ready-made windows, the plan was introduced in Europe by the Gramophone Company, Ltd., and on my recent trip abroad I had the satisfaction of seeing some of these displays not only in England, Germany, and France, but in smaller countries like Norway and Denmark. In the United States several firms have taken up the idea, and one company is closely following out the plan inaugurated two years ago by the Victor Company. . . .

DEALER HELP THROUGH A SELLING SYSTEM

"Dealer help" has possibilities for development far beyond these more common forms of sales "boosting." In some cases the plans of "dealer help" go so far as to make them an actual basis of co-operation between the producer and the various factors in the selling system.

Getting the Dealer to Work into the Sales System

There is perhaps no better illustration of an entire distribution system based on "dealer help" than the selling system worked out for handling Sealshipt oysters. Nor is the interest of this illustration lessened by the fact that one serious defect in the system made it necessary to materially modify the original plan. This plan is thus described in its main features by Kirk S. Pickett:

*The Sealshipt Oyster System has about 35,000 dealers who act as agents for Sealshipt oysters. Although it is in the advantageous position of being in a certain sense a monopoly, its marked success in developing its market must be credited partly to its peculiarly efficient dealer work.

It says to the dealer: "You are only one of several dealers selling our oysters in your city. *But you are not in competition with one another.* You are co-operating with one another to develop more business for each of you. You are in *co-opetition*, not in competition. What competition there is, is of the kind that you all can fight to common advantage. The oyster sold from the wooden tub is your only competitor. Remember — co-opetition, not competition between Sealshipt dealers."

"Co-opetition" is a word the Sealshipt concern coined to convey its understanding of how the Sealshipt dealers should act toward one another. . . . .

The dealer looms large as a factor in the selling machinery of the Sealshipt oysters. He is the centre of the Sealshipt advertising campaign. Upon him depends the success of a vigorous consumer campaign in the magazines and the newspapers. . . . .

**Printers' Ink*, January 19, 1911, p. 57.

It was only a few years ago that a Wisconsin inventor worked out a plan of a small refrigerator box for shipping oysters under perfect sanitary conditions. It was looked upon as a great boon for the inland states, where good oysters had been hard to get because of the difficulties of transportation. L. C. Brooks made a business of shipping Sealshipt oysters from Norwalk, Conn. The demand has grown and the Sealshipt Company has been acquiring larger and larger sources of supply. Its beds, aggregating 140,000 acres, proved insufficient and it went over to Great South Bay and bought tens of thousands of acres of Blue Point beds. . . .

The Sealshipt Oyster System

The company is assuring its dealers that it is in position to supply all the orders which they may give. It rests with them to develop the demand in co-operation with the company's advertising and in "co-opetition" with the other dealers handling Sealshipt.

There is nothing that is mysterious about the procedure of this dominating concern. Its striking results may be ascribed to: first, the idea of a refrigerator container; second, to its manner of licensing the jobber and the dealer, and third, to its vigor in creating a consumer demand by advertising and by urging the dealer to extend his co-operation.

The refrigerator container is called a Sealshipticase. Without this the Sealshipt system would have no "talking point" and no point of distinction setting it apart from the concerns that sell oysters in wooden tubs.

Under the license the dealer agrees to sell the oysters only from the Sealshipticases and to observe hygienic conditions. He also agrees not to sell Sealshipt oysters below 25 per cent. over cost. He is free to increase this margin as much as he wishes.

Under the Sealshipt system there is no opportunity for the jobber to tamper with the stock. The pressed-steel container is sealed by the shipper on the coast and when the jobber receives the oysters he transfers the container to a dealer Sealshiptor without breaking the seal of the container. Seals are not furnished to jobbers. The retailer and no one else breaks the seal. The company guarantees that its oysters are secured from the beds and packed in containers before night and that they will be delivered to the dealer anywhere in the United States with a flavor unimpaired.

An Attempt to Make the Selling Steps Work together

The dealer agrees to keep his oysters exposed for sale only in the Sealshipticases, which are attractive cases of metal, designed to be an ornament to the store. He is urged to make window displays with the cases as a central feature. There seems to be no disposition to hold a club of fear over the dealer's head. Rather he is spurred on to renewed activities by having explained to him regularly through bulletins and booklets how Sealshipt dealers have increased their business from 100 to 300 per cent. a year.

The company has an "inspiration" booklet, kept revised up to date, entitled "The Sealshipt Oyster System. How It Links Shipper, Dealer, Consumer for the Benefit of All." It is packed full of facts about getting sales; it explains the system's plan of work; it contains a list of cities where Sealshipt jobbers operate; it outlines the extensive advertising plans.

Larger advertising the coming season is promised than ever before. Among the magazines on the list for continuous large copy are the *Delineator*, the *Woman's Home Companion*, *Good Housekeeping*, *National Food Magazine*, the *Saturday Evening Post* and the *Ladies' Home Journal.* Big newspaper space will appear in the larger cities of the United States and Canada. A few of the cities in which Sealshipt advertising will appear are St. Louis, Cincinnati, Detroit, Denver, Des Moines, St. Paul, Toronto, Minneapolis, Buffalo, Portland, Me., Portland, Ore., Manchester, Seattle, Montreal, Salt Lake City, Memphis, Louisville, Hartford, Worcester, Wheeling, Dallas, Ft. Worth, Atlanta, Milwaukee, Rochester, Omaha, San Francisco and Los Angeles.

The dealer's name is printed at the bottom of the ad. If there is more than one dealer, all the names are given.

In addition to this, advertising copy is furnished the dealer which he may run at his own expense. The importance of the dealer's identifying his store with the Sealshipt campaign is urged. If some of the ads are too large for one dealer to pay for, he is advised to club with the other dealers in his town and all share the expense.

This copy — magazine, newspaper or street car — is educational to a degree. The reader is made to understand why oysters, till the advent of the Sealshipt system, did not lend themselves to sanitary shipping inland. The novel features of the Sealshipt system are pointed out. Some one with a knack for writing copy that creates hunger — "appetite copy" it has been called — has had to do with this campaign. And the interesting thing is that this appetite is created for the Sealshipt variety of oyster and not for that sold otherwise. . . .

L. C. Brooks, who has been chiefly responsible for the growth of the Sealshipt business, writes *Printers' Ink* as follows:

"One of the principal changes that will take place in our campaign at the beginning of the new season in the fall of 1911 will be the handling of oysters in the shell, in a much larger way, as well as the sale of opened oysters, in which we are largely engaged at present. We think our method of price maintenance and co-operation with the dealer — the spirit and policy which we term 'co-opetition' — is a very vital part of the sales end of our business."*

EXPANDING THE FIELD OF DEALER HELP

The limits of "dealer help" are by no means reached by the development of a selling system in which each factor co-operates in the extension of sales. The idea of close co-operation between the various factors in the selling system is capable of very wide expansion. Even the small retailer to-day constantly faces this fact; his problems of internal organization may be individual, but when he buys and sells he is dealing with problems of distribution in which his work is only one link. His one safety is in knowing whether the part he plays is being played, not merely well, but in the best possible way. C. C. Casey, writing under the title of "Dealer Help Which Counts," suggests that the national advertiser is in a position to help the retailer put himself on a sounder commercial basis by assisting him in working out really effective methods of record keeping and cost accounting. In this Mr. Casey puts his finger on one of the most sensitive places in the problems of the present-day retailer.

*The sequel to this story is found in *Printers' Ink*, December 14, 1911, p. 18. A number of retailers abused the system by substituting, in the retail containers (Sealshipticases), oysters which were not up to the company's standard. Hence it was necessary to go one step further and seal the oysters in packages, to be opened only by the final consumer. The remainder of the system was left unchanged.

*A certain retailer in Indiana was prevailed upon by a big manufacturer, a national advertiser, to stock a line of goods he had not previously been interested in.

Where Dealer Help Failed

The manufacturer played strong on his national advertising, and promised to tie it up to the store with attractive window cards and a campaign in the newspapers of the little city, over the dealer's own name.

On the strength of these promises and expenditures, the dealer stocked very heavily, on long-time credit. The goods moved fairly well and everything seemed lovely for a while. But before the bills for the stock came due the dealer found himself financially embarrassed. Being unable to get further credit or to borrow from his bank, he went broke.

The manufacturer had aided this dealer to push the new line, had given the regular "dealer co-operation" at big expense, and had come out a heavy loser.

The dealer didn't know he was getting into such a tight place — they seldom do — but he had figured that the advertising would help him to overcome some pretty bad competition.

It wasn't window displays, free advertising, nor demonstrations, however, which this dealer needed most. What he needed was better methods of *knowing the condition* of his business.

If he had known several months earlier that he was getting into such a tight place he could have saved himself.

But he didn't keep any books, at least none worthy of the name, and didn't see the real storm till it broke over his head and "busted" him over night.

The manufacturer who sells through dealers is successful only in proportion to the success of his dealers.

Of course, a dealer handling many lines *could* sell a large quantity of one kind of goods and very little of any other kind. In this possible but not probable event the *one* manufacturer would profit until the sheriff sells out the dealer.

There is a dealer in Michigan who, until about two years ago, had just an ordinary retail grocery business. He wasn't really making any money; he wasn't really going ahead.

Like most retailers who are not successful, he had a lot of petty troubles in the way of bills, which annoyed him some, at times.

One day he began wondering if *all* retailers were hard up.

**Printers' Ink*, April 11, 1912, p. 17.

When a dealer gets to feeling *that* way he is in a fair way to learn something — if he is not a dead one.

This dealer looked about among retailers in Michigan, and soon came to the conclusion that *some* retailers were successful; that some of them were continually forging ahead — making money. When he found this out, he began asking himself *why* the successful ones *were* successful? What enabled them to reach into his territory and draw his trade away from him? As he investigated further, he found that the average retailer doesn't usually know so very much about his business; that he doesn't usually know, for *sure*, just where he stands; that the average retailer *runs his business by guess.*

How a Michigan Retailer Found Himself

He found, on the other hand, that the most successful retailers, the ones who took business away from him, had complete information on their sales, their purchases, and their expenses, by lines of goods, by departments, by clerks, etc., every day.

When he learned this he decided to eliminate *guesswork* from *his* business, and to provide himself with the information which the successful dealers provided themselves with.

He made an outline of all the information he knew of any successful retailer getting. Then he went to his books and tried to get the same information about *his* business.

But the information wasn't there. His bookkeeping system wouldn't give it to him, though he had thought his system was about "the real thing." *His* accounts didn't *account.*

Then he decided that he would have a bookkeeping system that *would* give him the information he needed. But he didn't know how to get a bookkeeping system. Of course, he knew that a public accountant could install one, but he had visions of enormous charges for the service.

One day he mentioned his problem to a salesman from a big Detroit wholesale house. The salesman liked the idea and promised to see if he couldn't get his house to help the dealer out.

It so happened that the manufacturer had just installed a number of machines in his accounting department and was about to lay off one of his bookkeepers. Instead of laying him off he was sent out to help the dealer open a set of books which would give him the information he wanted. The dealer insisted on a complete system. He wanted to know about all there was to know about his

Help from a Wholesale House

business, once in every twenty-four hours, including which clerk sold the most goods; how much profit he made on each clerk's sales; which lines of goods sold the easiest; how much he lost through each of a score of leaks, and a lot of other things.

They got the system in operation, at last, and the dealer had accounts that *did account.* But the system immediately plunged the dealer and his clerks into a mass of extra work that made them all work nights.

The new problem was solved by training a young woman to handle the bookkeeping with an adding machine as an assistant. The machine shortened the work and eliminated nearly all chances for mistakes.

Within three weeks the dealer was getting the information he wanted, and he was feeling the effects of that information upon his ability to make his business pay.

In one year *he increased the volume of his business 300 per cent.*

A few manufacturers suffered because he found that some lines of goods didn't pay at all. He threw these lines out absolutely and refused to carry them.

But, on the whole, all the manufacturers whose goods he carried profited by *his* success. He sold *more* of each of the lines he carried.

Manufacturers' goods are passing over his counter in greater volume every month. He has become a bigger and a better market for every manufacturer whose goods he handles. He has become a safer credit risk.

Recently he opened a second store, acquiring the stand of a "dead" retailer in an adjoining town.

If every retailer in the United States could be changed to-morrow from what this man *was* two or three years ago to what he *is* to-day, the selling power of the retail business in the United States would be doubled, at least.

But a *thousand* dealers, with good business ability and plenty of life, are sleeping soundly within one hour's ride of this *one* dealer who awoke.

There is something more the matter with the retail business than "incompetence" or "lack of capital." It is deeper, further back, more vital than that.

Mercantile agencies say more retail failures are due to "lack of capital" than to any other cause, while one failure in every five is credited to "incompetence," but ——

Attributing failures to either of those causes is like attributing a fire to the ruins it leaves.

I know a banana peddler, pushing a cart through the streets of St. Louis, who does a larger volume of business on a capital of $25 than thousands of dealers are doing on a capital of $5,000. *He turns his capital every day* at a good profit.

In Illinois there is a dealer who does a business of $225,000 a year on a $5,000 capital. There are 16,000 grocers in the United States with $5,000 capital who average less than $25,000 gross business.

The man who fails on $5,000 capital in four or five years would probably "blow up" in one or two years if he had $25,000 capital — if he used the same methods.

"Incompetence" is due almost entirely to lack of *information* — *not* to lack of ability.

Lack of information in the retail business can hardly be due to anything but poor bookkeeping methods — accounts that don't *account.*

Dealers are *not* incompetent as a class. Most of them are shrewd, sensible, able fellows.

Their trouble is that they don't really know the results of their efforts. They waste their energy. They work in a circle and never get anywhere — except into a rut.

Take the average retailer and provide him with a complete statement, every morning, of the previous day's business and you won't know his store in a year.

But if he doesn't know *to-day* how much goods he sold *yesterday*, and how much he has on hand, he isn't able to direct his energies.

Unscrupulous salesmen from unscrupulous houses come along, and — by the aid of extra discounts, threatened increases in prices, promises, etc.—load him to the guards with unsalable goods.

Who suffers? The dealer and his *real* friends.

A Chance for Real Help for Retailers

If manufacturers and wholesalers would give their dealers a real business service, they would get more co-operation from the dealer. He would push their goods with all his might — and he would be in a better position to push them intelligently.

Dealers do not need tailor-made window displays and hand-me-down selling plans half as much as they need bookkeeping co-operation and advice.

Many people, "bigger" than most dealers are supposed to be, have had full-sized bookkeeping problems that *they* couldn't solve.

Conditions surrounding the retail business make the bookkeeping problem easily one of the biggest problems the retailer has to deal with.

Nine tenths of them have proven themselves unable to solve the problem. They need help on that end of their business.

A few wholesalers and manufacturers are now aiding dealers to solve their bookkeeping problems.

Among these is the Simmons Hardware Company, of St. Louis. That company has saved many of its dealers from certain bankruptcy by aiding in the laying out of accounting systems which enable dealers to find out how they really stand.

W. D. Simmons, head of that company, recently told a story of how he snatched a hardware dealer from certain failure into a fair promise of success by sending a bookkeeper to work out a system of accounts. The company has had many such cases.

The dealer kept accounts, but the accounts didn't "account." It was like putting money into a gold brick — he put down part of the necessary figures, but they didn't give him any real information.

The Simmons bookkeeper analyzed the system and instructed a girl in the proper handling of simple double entry books which he opened for her. Soon the owner of the store was able to get information which enabled him to build a future into the plans of his business. If this were a novel, his letter of gratitude would make Simmons the hero.

Another customer of the same house allowed matters to go so far before he woke up that he was broke before he knew it.

This latter hardware man kept no accounts except the invoices, and those only until they were paid. He never really knew at any time how his business stood, and was a very much surprised man when his creditors closed in on him.

Being unable to produce a statement which would indicate ability to make good, he couldn't raise the needed funds on such short notice, and had to turn his business over to his creditors.

If you have ever seen a dealer snatched from certain failure into sure success by a better grasp on himself and his business, you won't doubt the loyalty-producing effect of this kind of dealer help.

It makes him stick and work. It makes him plan. It makes him see the value of the other dealer helps. It opens his eyes.

Wideawake dealers, with the full grasp of their business which complete records give, buy in smaller quantities, for that is the tendency of scientific buying, but they buy so often that they are a mighty profitable outlet.

A Service Department To Help Retailers

Why don't the manufacturers' associations, either as one national organization or as state or district organizations, maintain some kind of a service department to help the dealer get the inside facts about his own business which will help him sell more goods? He doesn't need information about the manufacturer's business and the manufacturer's goods half as much as about his own business.

Why don't manufacturing grocers, for instance, work out simple yet complete systems for grocery stores and urge the grocers to find out, as the Michigan dealer did, the direction in which they should apply their energies?

Why don't hardware manufacturers work out systems for the hardware dealer, and urge him to find out every night just where he stands?

Why don't manufacturers in each line of business help their particular dealers to put their particular businesses on a scientific basis?

If a manufacturer could increase his own sales 300 per cent. in each of the 200,000 grocery stores, by teaching the grocer scientific retailing, wouldn't it be worth while? If he only did it in 1,000 or 100 stores, wouldn't it *pay?*

The great chain-store organizations and the few really successful one-man stores have established beyond question that scientific management *pays* in the retail business.

The average United Cigar Store, for instance, does about *sixteen times* as much business as the *average* cigar store. *That is 1600 per cent. in favor of scientific retailing.*

The Value of Reliable Facts

If every retailer would provide himself with as much information about his sales, expenses, purchases, etc., as the United Cigar Stores people provide themselves with, there would be a wonderful awakening in the retail business.

The United Company is in a position to dictate to its thousand stores, and goes a little further than "suggesting" bookkeeper methods. If any United Store does not keep proper records, there is "something doing" from the home office.

Every United Store knows just where it stands, and has records to "prove" it. It must *pay*, for the United is said to have recently declared a dividend of *250 per cent.*

The dealer who knows the exact results of each day's efforts soon eliminates the unscientific methods, the inefficient clerks, the goods that won't sell, and *stops* the *leaks.*

He is soon able to direct his energies in the ways that make for his success — for the success of the manufacturers whose goods he handles.

In the last few months I have had the pleasure of seeing a great many letters from retailers who have tasted the delicious fruit of new success; who have seen and welcomed greater success ahead, made possible by a better grasp on their business.

I have seen them extend the hand of sincere business gratitude; the kind that makes them want to spend hours of their own time telling other men of what you have done for them.

There is nothing that inspires an ambitious man more than a new understanding of better ways of gaining the goal he seeks. It sharpens his mind and his energies. To get this understanding it is necessary for the dealer to keep complete records of every transaction of his business. No dealer can hope to remember everything.

Most dealers say they can't afford to keep the records they need. They don't *know* what they *need* — though, in their ignorance, they think they do.

That is why this method of dealer co-operation is not an Aladdin's lamp to be rubbed and, Presto! "the dealer forgets all his other lines to push *yours.*" Oh, no! The dealer problem is a real for-sure, full-sized problem.

Making dealers see the advantage of more facts in their business is a grown-up job for a full-sized man — for a *real advertising* man.

Some men, and bright men at that, who read this article will say it's tommyrot "because dealers do know their business." But let them go up against the retailer as some men I could mention have been and are going up against him, and they will change their mind.

I have seen the inside of a campaign which has made a thousand dealers *say* they *didn't* know — and *they* think they are as smart as the average. And they *are.*

It does cost a little money to keep books. But it costs the dealer more *not* to know the results of each day's efforts.

The Michigan dealer mentioned in this article thought he could not afford to keep books, at first. But the books he keeps are worth $10,000 a year to him in actual profits — the increased business and decreased expenses made possible by the information he gets amount to that much in profits.

The Mayfield Dairy Company, of England, requires each of its 742 stores not only to know where they stand, but to report the exact sales of each line of goods to the home office *every night.* It seems to pay *them* to keep records — the company last year paid *200 per cent.* on its capital stock.

Eventually every dealer will do, on his own account, what the Michigan dealer did. The time is coming when every retailer will have to be a *real* business man. . . .

REVIEW QUESTIONS — CHAPTER VI

1. What is meant by the term "regular" retailer as it is used in the text?

2. What are the "newer" types of retailer?

3. Why do the advertising problems differ for the two systems supplying these two outlets?

4. What does Mr. Louis consider the best way to get into the retail trade of the country? Do you agree with him?

5. What are some of the most common forms of dealer help?

6. What was it that made it necessary to change the Sealshipt system?

PROBLEM QUESTIONS — CHAPTER VI

1. What does Mr. Louis mean by a "properly balanced selling plan"?

2. What was wrong with the original Crisco plan? How was the trouble corrected? Was this the only way?

3. Can you find any common faults in the bad, and any

common merits in the good "dealer literature" described in Mr. Barnes's diary?

4. Do you think a system of fines and inspection could have been worked out to keep the dealer faithful to the Sealshipt system? What is to be said for and against this idea?

5. How would a manufacturer of washboards benefit by working out a really good system of cost keeping for hardware dealers as a form of "dealer helps"? Would the same answer fit a refrigerator maker?

CHAPTER VII

ADVERTISING PROBLEMS OF THE NEW TYPES OF RETAILER

HAVING thus discussed some phases of the place of the "old" or "regular" type of retailer in national advertising campaigns, let us turn to an examination of the advertising aspects of some of the various forms of retailer of more recent development. The department store, the chain store, mail-order retailer, and the co-operative commercial enterprises are of comparatively recent growth, and each of these as well as the various other types of concentrated or modified retailing method introduces new problems in relation to advertising of various forms.

In the case of each of these types of retailing we shall find ourselves obliged to work somewhat in the dark because of the almost total lack of compiled data covering their operations either in size or in character.

ADVERTISING AND THE DEPARTMENT STORE

To take up first the department store, we are confronted at the very outset with the fact that, whatever may be known by a few advanced merchants about the extent of department store business and its methods of operation, little of a reliable character ever has been published.

In the seventies there were three notable examples of what has come to be known as the department store; these being the Marshall Field store in Chicago, the Wanamaker store in Philadelphia, and the A. T. Stewart store in New York. Unfortunately, no statistical record has been kept of the growth of this type of store, nor are there any reliable figures showing in detail either the number of stores of this type now in existence, the volume of their business, or the methods of purchase which they adopt.

The Baffling Lack of Information

A list-preparing company in New York offers for sale a prepared list of 3,836 department stores, while a St. Louis addressing company offers to sell a list containing the names of 3,912 such concerns in the United States. From this it would appear that there are at least 3,800 stores in the United States which rank themselves as department stores, although, of course, by no means all of these are stores of any very great size.

No figures have been prepared showing the volume of business done by these stores as compared with the volume of business still done by their small competitors. It is estimated that in 100 leading cities the department store business amounts to more than $900,000,000 a year. In Chicago the department stores certainly do more than $100,000,000 worth of business, and the Marshall Field store is said to do an annual business of between $30,000,000 and $40,000,000. In New York it is perhaps a safe estimate that the department store business amounts in volume to nearly twice that of Chicago, while in Philadelphia the department store business certainly is three quarters as great as that of Chicago. These figures are simply estimates, however, and there is little which can be brought forward as evidence of their accuracy, and estimates prepared by half a dozen estimators probably would show exceedingly wide variation.

Entering the Retail Trade Through the Department Store

The case for the New York department store as a means of entrance into the retail markets of the country is well put in a series of articles on "Breaking Into the New York Market" written by W. R. Hotchkin, Advertising Director of Gimbel Brothers, New York, who was for ten years advertising director for John Wanamaker, New York. Mr. Hotchkin may have rather too large ideas of the proportion of the population of the country depending on the New York department stores for its knowledge of what is new, but he puts his case well. The following quotations are from Mr. Hotchkin's articles:

. . . . *Of course, there are many commodities that can be sold, and also many that *must* be sold, by advertising alone — before the customer starts for the store.

But many others — and especially new articles — require *demonstration* and much patient explanation, before they secure the foothold that brings people to a store to ask for them.

And no store can afford to stock up with goods that nobody asks for, and which it requires persistent expert effort to sell.

Of course all stores want to sell all the merchandise they can. They must have many manufacturers producing goods for them. They are always glad to have more manufacturers seeking their trade. They are eager to find *new things* that will sell well.

But a department store is not a philanthropic institution.

The buyer of a department store must see ready sale for all the merchandise he buys. No buyer who does not buy thus carefully can hope to hold his job. He is called a "buyer," but he must be, first of all, a *seller*, . . . and he must necessarily seek the lines of least resistance, and buy ready sellers.

The manufacturer must undertake the burden of introduction.

In these days of tremendous advertising the dealer is not impressed by the fact that the manufacturer is burning up hundreds of thousands of dollars in general advertising. The makers of well-known commodities are doing that every year.

But how shortsighted must be the manufacturer, after spending $100,000 for advertising his commodity, if he will not spend a few thousand more to make the whole investment pay.

I have no new plan to suggest to manufacturers; but I want to express my amazement that manufacturers and their advisers are continuously trying to avoid doing the one thing that experience of many years has proven to be the royal road to selling success.

Just recently there was brought to me a manufacturer who had a proposition whereby he desired to invest $2,000 in

**Printers' Ink*, October 12, 1911, p. 3.

samples to be given to our customers; but *he demanded* orders for $50,000 worth of his product, to be used in a year. Then he wanted big display space for his demonstration.

How One Manufacturer Wanted to Enter New York

His argument was that we should show some confidence in his product. That the sale would be easy, after what he was going to do for us. I listened to his story, and then I said:

"My dear man, you ask us to have $50,000 worth of confidence in a scheme in which you have none. You want us to believe in your commodity when you do not believe in it yourself. All the gamble must be ours, while you go out with a sure thing."

And yet this man was *a representative manufacturer*. I have talked to hundreds who expected practically the same guarantee from the store.

This man had a good commodity. We would have been glad to co-operate with him. We had the best manager in the country, in his line, to promote the proposition for us. I told him I was sure we could make the biggest success of the scheme that could be made anywhere; that we would go into it with enthusiasm and energy; that we would probably sell all he expected us to sell; that we would get him the desired publicity and introduction, at any rate.

But we refused to be bound by a silly contract, that was of no value to him, if the scheme was a success, and which would only compel us to sell a vast quantity of his goods at a loss, if it was a failure, and thereby ruin the whole market for him.

Contracts are usually boomerangs — as people learn who try to use them as weapons.

On the other hand:

Some years ago a young man invented an appliance for keeping women's clothing in good order at home. He had no capital, except enough money to get a few of the articles manufactured. He was working in a small store and gave up his position as soon as he found that he could secure space in the largest store in the city for the demonstration of his article. He did the demonstrating himself. The article found a ready sale. The store made no contract with him; they did not even buy his merchandise until it was sold. He placed the goods in the store on memorandum and sold them himself.

A Method Which Succeeded

But the space which the store supplied to him was so valuable that his business increased almost as rapidly as he could have the article produced. He also found that his location in this store, which was of national reputation, brought his article to the attention of dealers all over the country.

In three months' time this young man, without capital, had built up a business which might have required a year or more if he had used the methods of many manufacturers. He had only his two hands and a possible hundred dollars to begin with, yet he accepted all the responsibility, demanding nothing from the store but a small counter behind which to demonstrate his merchandise.

This young man had the whole secret of success. The man who has $100,000 capital may simply multiply this young man's possibilities.

The advertising campaign is most important to the man who has capital to invest; and the appropriation may be as small or as large as he is able to pay for. *But not less than 25 per cent. of his appropriation should be directly applied to demonstrating his merchandise.*

New York retail advertising is one of the strongest factors in creating a national reputation for any commodity. First, because of the enormous population, which within the twenty-five mile limit is probably one fifteenth of the entire population of the United States. Second, because there are continuously so many hundreds of thousands of visitors from all over the country who go through the larger New York stores. Third, because there are constantly in the city the representatives of the big stores all over the United States who are keen to learn about new things that are being introduced in New York stores. It requires only a moment's consideration for any manufacturer to realize the tremendous possibilities of New York City advertising. . . .

. . . . .*Many a manufacturer sees his big advertising appropriation going out, while his sales just barely keep the business going. Other manufacturers are quite satisfied with their returns, because they don't realize the possibilities of their commodity.

One very notable instance of the latter condition has come within my own experience during the past few weeks.

We were preparing the Gimbel September sale of housewares,

**Printers' Ink*, October 19, 1911, p. 12.

and we wanted to do something entirely different from what had been done before. Most of these sales are largely exploitations of cheap enameled kitchen wares. For years the writer has been an ardent advocate of aluminum ware, because of its bright, cleanly appearance, its light weight and durability, as well as for its sanitary and hygienic superiority over all other wares. Then, I wanted to get away from the exploiting of cheap wares.

We got in touch with the leading aluminum ware manufacturers of America; told them our plans, and they co-operated with us enthusiastically. They had been what they considered liberal general advertisers in magazines, and had their wares on sale in various stores in New York City, as well as throughout the United States. Business was usually practically up to the capacity of the factory, and they were apparently satisfied. When we began to talk quantities to them they thought our buyer had gone crazy; because our orders were for larger quantities than they had ever sold in all New York before. And we were planning it simply for one month's selling.

A Sale of Aluminum and Its Results

As a feature of the aluminum ware sale we planned a nest of three saucepans — in 1-qt., 3-pint, and 2-qt. sizes — and sold the three pieces at a combination price. I advised an order of 10,000 sets. The buyer finally got his figure up to 4,500 sets. The manufacturers thought even that quantity would last an entire year. They said this to the buyer, but he ordered the quantity notwithstanding. I was satisfied to have this quantity ready, but advised him to have the manufacturers prepared for telegraphic re-orders. After two days' selling the re-orders were telegraphed and new quantities hurried forward. By the middle of September the trade of New York City and throughout the country had been so stirred up over the success of the Gimbel aluminum ware sale that the factory was inundated with orders which could not be executed.

I have never seen the public so enthusiastic over any merchandise as they were over the opportunity to buy aluminum ware at a moderate reduction of price. Orders for these special saucepan sets were increased to an aggregate of 14,000 sets or 42,000 aluminum pans. And this in addition to all the other aluminum utensils that were sold.

Undoubtedly this event was the inauguration of a new era in the manufacture of aluminum ware in America. It not only stimulated the use of aluminum ware by housekeepers themselves, but it stirred up other stores of New York City and all over the country to the possibilities of these beautiful kitchen utensils.

This instance, it seems to me, amply demonstrates the value of making an aggressive demonstration in a large store in New York City, not only to stimulate the immediate sale of the article in question, but to create enthusiasm for it all over the country.

The one thing that the average manufacturer fails to realize is the enormous number of people that visit a big New York store every day — *a greater number than the entire adult population of any but the great cities of the country.*

Woolworth, the 5 and 10 cent store man, pays enormous prices for his store locations, because, as he says: "I want to set my traps where mice are plenty."

Smaller dealers pay seemingly extravagant rentals to open a shop near the big stores. Think how infinitely greater is the value of selling space *right in the heart of a great store!* . . .

Two matters are of primary importance in advertising a commodity. The first is usually well taken care of by advertising experts in agencies whose work is usually splendidly done. This is presenting the information to the public about the commodity, and bringing the commodity to the public attention.

Telling the Public Where To Go

The second feature is usually neglected. That is, telling the public where the article can be secured. Even the person who has become interested in an advertisement will not make the effort to travel all over the city to find an article advertised, when something else that will probably serve the purpose as well can be secured anywhere.

Further, it is most valuable to have the commodity introduced by one store exclusively. This is because a store always takes interest in a new thing which it alone is able to exploit. If several stores have the commodity on sale on equal terms none of them is willing to spend much money or make any great effort to promote it; for the reason that there is no special value to the store in doing so. The owner has nothing to offer which another store cannot give, and if he offers a low price any other store having the commodity on sale may readily cut the price and take all the value away from it.

There are many stores that apparently exist only to destroy the market value of certain commodities. They are always willing to sacrifice a manufacturer for one day's advertising glory for themselves.

Of course it is most desirable ultimately that a commodity should be sold by *all* stores; but the manufacturer who is wise will have patience to wait until his article is properly introduced by one good store before trying to sell it to others.

How to Enter the New York Market

My advice to a manufacturer seeking to get his article introduced in New York would be to select one store which seems to him to be best able to introduce his particular commodity. I would offer to put in my goods on memorandum, supply one or more demonstrators, according to the space the store could devote to the work. I would have printed matter prepared, in accordance with the policy and style of the store, having the advertising manager write it if possible, and, in any case, approve of it officially; and I would pay for any advertising of my commodity the store would do. I would very carefully instruct my demonstrators as to how the article should be presented, and I would consider it of such importance that I would myself be frequently present at the demonstration, and I would have my manager present frequently, because I would consider that nothing that was done in the promotion of the sale of my commodity was of any importance in comparison with the way in which it was introduced and sold to the New York public.

When manufacturers begin to realize these facts, and value space in a large store at its real importance, and also fully realize how small is the value to the storekeeper of their particular commodity in comparison with the many other important operations of his own, they will achieve earlier success and broader distribution, with a much smaller expenditure of money.

In the course of this series of articles Mr. Hotchkin takes up the much-disputed question of the attitude of the department stores toward trade-marked articles, and gives very ably the department stores' side of the equally often-discussed problem of placing the store name on articles of standard grade or type. In the concluding article of the series he indicates the limitations of some of the statements he has made:

* These articles, written from the viewpoint of one who has spent twenty-five years in the retail business, naturally do not coincide with many of the ideas of general advertisers.

But it must be remembered that I am not attempting to point out the only way, but rather one good way to "Break into the New York Market," with certain kinds of commodities.

Introduction Is Different from Permanent Sale

It should also be remembered that I have been asked to write on the subject of "Breaking into New York," which means the *introduction* of new commodities, and by no means implies that they are to be permanently sold under the same methods with which they have been introduced.

Having had so many experiences with new commodities, and knowing exactly how the big stores feel toward them, I have advised that, in most cases, one store should be selected for the introduction of many things.

Now, I am asked, "Is it *always* advisable for a manufacturer to tie up to one store?" and my reply is,

"Certainly not."

Each commodity has its own conditions to face, and each problem must be individually solved. If the maker of a new breakfast food has the capital for a big advertising campaign, perhaps he can get all the stores to stock up by making an exhibit of his plans. But, if I were a manufacturer, I would rather make some proposition to James Butler that would make all his stores exploit my commodity in an enthusiastic way.

Again, if I had a high-class food commodity, and could get Park & Tilford to let me exploit it over their name, and distribute it through their stores, I would gladly confine the article to them, for a liberal introductory period at least.

My attention has been called to the opinion that Holeproof Hosiery suffered from being confined to the stores of Samuel Brill, and that, being confined, it made it easy for imitators to come on the market.

The Problem of the Imitator

I will answer the last contention first. Broad distribution never interfered with the coming of a competitive article; for all good things, not protected by patent, quickly bring out imitators. I am sure that it was a fine thing for Holeproof Hosiery that it should be introduced to New York City by Samuel Brill. The endorsement of Samuel Brill, and the splendid advertising he did

**Printers' Ink*, November 23, 1911, p. 60.

for it, gave Holeproof Hosiery a strong and definite standing in New York City, and all over the continent.

If twenty stores had been able to sell Holeproof Hosiery, none of them would have been willing to exploit it as Samuel Brill did, because it would have been advertising a competitor as strongly as itself.

As to making a men's clothing store the permanent exclusive place, for an article of consumption by men, women and children—that is another proposition. A thousand customers a day make a magnificent clothing business; and fifty thousand would be the fair proportion for the big store.

This would seem to indicate the wisdom of seeking a broader distribution, after the work of introduction had been done, and the commodity had made a big reputation in the community. And also after the store had time to get value and credit for the effort it had put on the commodity.

What is good for hosiery is good for shoes, gloves, corsets, and similar articles of general manufacture. . . .

One vital requisite of advertising that sells goods, is to let people know where the article can be purchased. Most general advertising does not do this. That is why there is so much substitution. The advertiser thinks it is enough to say: "Sold in all good stores," when only a dozen sell it. It looks like clever flattery for the stores that sell his goods; but the person in whom the advertisement has aroused casual interest would often need a detective to locate the article in a week's time — and so advertising results go glimmering.

This is one strong reason why one store should be used for the introduction of an article, for the name of the store that sells the commodity is always in evidence.

Another point. The store advertises in its own columns: "The next time you are in Gimbel's let us demonstrate Apollo for you." The advertisement has aroused interest in the Apollo, but perhaps it was forgotten; but, the next time that person finds herself in Gimbel's, the thought comes: "What was it I wanted to see here the next time I came in? Oh, yes, the Apollo." And she goes up to hear it, and the matter is up to the salesman. The advertisement has served its whole purpose.

But, if the store's name had not been used, the instrument might never have been thought of again — at least not until another advertisement had been read.

The buying of the goods must be made easy for the person who reads the advertisement, and the chief point of all is where to buy them. Of course, after an article has become so well known as to be on general sale, this point assumes less importance.

CREATING DEPARTMENT STORE INDIVIDUALITY

The Local Advertising Problems of the Department Store

The advertising aspects of the department store in relation to national campaigns have been brought out in the articles by Mr. Hotchkin. One other phase of the department stores' work in advertising requires attention — that is its local work. This is a huge subject in itself and it cannot be more than mentioned here.

The small merchant depends upon his own individuality, and its expression through personal contact to tie his customers to his store. The department store must do the same thing on an immense scale and without the element of personal service. In other words, the department store is obliged to create individuality at wholesale. This is one of the most difficult problems of the department store. It is an apparently simple matter for a department store to "move goods," but real success in department store operation depends not merely on keeping goods moving, but involves the necessity of building up a large and increasing clientele which, together with the casual sales, may enable the store to secure the steady increase in business which is necessary for its success.

Some phases of this problem of creating department-store individuality, showing the intimate interrelation between the merchandising policy and the publicity methods of such a store, are described in an article by Robert Easton of the William D. McJunkin Advertising Agency of Chicago:

* In the largest cities there are three classes of department stores: (1) those which consciously cater to people that do not "have to count the pennies" — that want the best and are

Printers' Ink, August 18, 1910, p. 26.

able to pay for it; (2) those stores which aim at widespread popularity and strive to appeal to all sorts and conditions of men;(3) those which definitely aim to supply cheap goods for people that can afford no other.

Of course these classes shade into one another. There is no sharp dividing line. The "high-toned" store has a basement supplying the wants of the most thrifty-minded of patrons; and all-embracing, "popular" stores have an eye on the "fine" trade. In fact, the universal trend among department stores is always upward — toward better goods, higher-priced goods. But, to a certain extent, trade of the well-to-do gravitates naturally to the stylish, wide-aisled, well-serviced store, that of the poor to the "city's bargain centre," while plain, ordinary, neither-poor-nor-rich customers just as naturally turn to the store that is midway between these extremes.

But the individuality which department stores strive after has no reference to this natural classification which a shopper makes almost instinctively — certainly after one or two shopping trips around town. The individuality aimed at is that which characterizes a department store simply as a place to trade at, which will draw an increasing volume of trade and which will *render trade permanent.* This last consideration is of immense importance, for it is less expensive to cater to a permanent clientele than to the floating custom of the big city, which must be secured by prodigal advertising and incessant bargain-giving.

Individuality as a Selling Force

Individuality — if we remember that individuality denotes also *worthy* characteristics as well as *different* characteristics — is a selling force comparable only to that "good name in man or woman" which is "the immediate jewel of their soul." It is not exactly prestige; it is not a mere reputation for modishness; not simply a synonym for square-dealing, or efficient merchandising, or low-pricing. It is all of these, or any one of these, so impressed on a woman's mind that she hardly ever is tempted to shop anywhere else than at ——'s. This public knowledge of a store's individuality is oftenest, nowadays, built up by advertising. But it may be due in part, or even wholly, to efforts outside of advertising. Yet, however acquired, it is a vital and *economical* selling force.

The fact that strong, compelling individuality may be known otherwise than by advertising is illustrated by the case of

B. Altman & Co. The reputation of this store was made *before advertising*, not *after*. And note what an economic force it is. A plain announcement by this store — without verbiage, unadorned — will sell the goods as surely as an advertisement, twice or thrice its size and rendered attractive by all the arts of display, proceeding from some other store. This instance is quoted not because it is typical of the methods by which individuality is usually attained, but because it illustrates what an enviable possession it is and what a source of economy. In the majority of cases, however, where individuality is predicable of a department store it has been the product of advertising *backed by the goods and the service.*

The Store's "Atmosphere" as Its Trade-Mark

To the manufacturer the acquisition of a trade-mark is a simple matter, though, of course, the *value* of the trade-mark represents the sum of the manufacturer's activities, the excellence of his goods and the extent of their public acceptance. But individuality, which is the store's trade-mark, is a difficult, a complicated affair. No concrete, visible phrase or sign, though exclusively used by a store, begins to represent a store's individuality. Such phrase or sign may prove helpful, and much effort is directed to securing something catchy and impressive to serve as a store's slogan. But a moment's reflection will show that labeling a store as "The Store of Quality," "The Bargain Centre of Busyville," "The Store That Saves You Money," and so forth, goes but a little way toward creating the individuality which builds up permanent trade. But it is in the right direction and will help if only the slogan is chosen with reference to the real policy of the store, *as that policy is revealed in the store's service.*

It is worth repeating that a slogan is valuable only in so far as it accords with the nature of the store's service. For it is in *service* that the individuality of a store centres. Individuality is that group of impressions inseparably associated with a particular store in the minds of those who shop there. One shopper's mind may be more deeply impressed with one aspect of the service — another's with another. One may shop at ——'s because goods are promptly exchanged; another because the clerks are polite; another because one always finds what one wants; another because there is no misrepresentation of values; another because it is such an inviting place to trade at; another because the "best people" trade there. And so on. One of these elements, or others like them, or a mixture of such elements, constitutes individuality — the something distinctive and good which separates one store from its competitors.

Does advertising create individuality? Yes and no. Yes, in so far as advertising is the store's propaganda — the chief means by which the store makes its service known to new customers and makes old customers conscious of things that they may have only dimly felt and seen. No, in so far as advertising is utterly inefficient when it is not a perfect mirror of store service.

All department-store advertising is analyzable into two elements — news and missionary effort; news of what is happening in the store, sales, items, prices; missionary effort to make converts and establish the faith of the faithful. These two elements correspond roughly to the news and editorial columns of a newspaper. And just as in the newspaper the news is tinged (if not distorted) by the policy of the newspaper, so the sales-and-bargain news of the store is affected by the aims and methods of the store's management.

The Advertising and the Stock

It is simply ridiculous for the proprietor of a store to tell his advertising manager to "give" him advertising of such and such a character. The advertising can but "hold the mirror up to nature"— reveal the high or low aims, the firm or vacillating policy of the store management. A store with individuality may for a time be misrepresented by its advertising. A store without individuality may for a time delude the public through its advertising into the belief that it possesses individuality. By this it is not meant that conscious effort has no value in advertising, but, on the whole, advertising unconsciously tends to fit the store as a glove fits the hand. Misfit advertising is soon thrown into the discard — and sometimes succeeds first in throwing the *store* there.

In the broad view the efforts of the advertising manager are confined to the creation of harmony — harmony between the public announcement and the store's individuality. The scope of such efforts is wide enough for the most ambitious. It embraces, first, an appropriate display form for the advertising — an appearance which suggests the refinement, the dignity, the high standards or the hustling activity of the particular store. In this alone there is room enough for the exercise of the keenest ingenuity. It includes, second, a style and manner of address comporting with the policy and ideals of the store. It is concerned, third, with every particular statement regarding goods and prices that goes into an advertisement. When it is remembered that such statements have their source in a score or more of men and women managing the various departments, it is clear that the advertising manager is confronted with a variety of daily problems rendered extremely difficult through the necessity for reckoning the "personal equation." An advertising manager who achieves harmony in the broadest sense of the term deserves well of the store.

It is no depreciation of the value of the advertising manager to recognize the truth that the important factor in advertising is the "old man" — proprietor, general manager, merchandise man — whoever may be the active and real originator of the store's policy and the dictator of the lines on which business is conducted. The "old man" may be wholly incapable of handling the advertising problem — of attaining that harmony between service and announcement of service which is the very essence of good advertising. He may and does make daily blunders in insisting on personal preferences in a sphere in which he is not sure-headed through experience. But it is for him to decide when harmony is attained by the advertising manager.

The reason why there is much poor advertising of department stores is not that advertising talent is difficult to procure. It is due to the fact that so many department-store managers have nothing but a "hand-to-mouth" policy, no conception of true principles of merchandising, no ideal of public service, and obstinately cling to the superstition that advertising can work miracles, can achieve results entirely unrelated to what is going on "behind the scenes."

ADVERTISING ASPECTS OF THE CHAIN STORE

The chain-store movement is of even more recent origin than the department-store development in the United States, and is even more meagrely supplied with reliable data which are generally available. Many of the chain stores have worked out data for their own use, but these have not yet become public property.

The chain store, in brief, aims to secure all of the buying advantages of a large scale retailer (such as a department store), and to retain at the same time all of the selling advantages involved in the personal contact between the retailer and the consumer, as well as the advantages which may be secured by concentrating and departmentizing the common functions of the retail concerns. The way in which these two objects are attained by a chain store is well illustrated in the outline of the methods of operation of the United Cigar Stores as they are described by George J. Whelan, who has been the leading spirit in this organization since its inception.

The Aims of the Chain Store

. . . . . *We started in 1901 with one store in Syracuse, N. Y. We have to-day some thousand stores scattered over every section of the country except the South or Southeast.

The growth of this chain of retail stores is the record of a tendency in retail trade which was anticipated in some other lines and must be repeated in all lines until the whole machinery of distribution is readjusted to the demands of the times.

The change was as natural and inevitable as the change in production from hand-tool to power-machinery. The reorganization of production has been going on for years, but the reorganization of distribution is just beginning. Both processes are naturally attended by some unpleasant results, but this is not the fault of the machinery. It had to come because it is a higher economy.

The idea that we had back in Syracuse was a very simple one. The retail business at that time was falling to pieces. There were no retail cigar stores, or next to none. They were all going into the hotels, cafés and clubs on one hand and turning into news stands on the other.

There was no service to speak of, nothing done to attract business and keep it. The manufacturer and the consumer did all the work. The manufacturer put the cigars, cigarettes, and tobacco there and the consumer came and took them away. . . .

The application of the ideas we held to our business in Syra-

**Printers' Ink*, December 14, 1911, p. 3.

cuse revolutionized it. We opened up a second store in Elmira and tried the ideas out there. They worked out the same every time. We added other stores. Always the same story. By this time I was running the factory end and taking general charge of the business.

The United Cigar Store Methods

Before long we had forty stores in the chain and had spread into other states. The original conception had grown. It was now a large undertaking, too big for a small company. We moved our headquarters down to New York City and started negotiations with the American Tobacco Company for capital and trade connections. The deal hung fire for a year or two and then it went through. We reorganized the company on a larger scale, took over the twenty retail connections of the American company throughout the country and started on a new climb upward.

* . . . . We started out to give the consumer the *best we dared to give him*. Everything was aimed to please him — not as a philanthropy, but for business. We picked sites for our stores where the greatest number of consumers could find us; we made the stores attractive inside and out; we stocked them with the best goods we could buy at the lowest prices; we trained our clerks in courtesy and service; we devised window trims to catch the eye; we prepared advertising, distributed premiums, and worked special schemes. And then *on top of that* we provided a scheme by which these details should be taken care of automatically and automatically improved. We devised a system and *set a system to watch it.*

We do not have the kind of system that gets in the way and absorbs the attention of the heads of the business. Ours is a system that does away with unnecessary thinking and planning. Every detail that can be is systematized.

I can sit here in the office and ask how many boxes of "Sweet Caporal" cigarettes does such and such a store out in Seattle have in stock, or how many did he sell last month, or the corresponding month in 1910 or 1909, and in two minutes I can find out. I can get the information while the train of thought that prompted the question is fresh in my mind. I don't have to write out to Seattle or wire out. It is here.

And the information costs next to nothing to get. It comes out of the monthly audit and daily reports.

**Printers' Ink*, December 21, 1911, p. 26.

Our business is largely built on reports. We want reports for two reasons. First, for our own protection, to keep track of the stock and the sales in the many hundred stores, to trace leaks, prevent them, and, in general, train the clerks in our widely separated locations to habits of accuracy and honesty. Second, we want reports so as to help the sales by showing us the reason for every condition, good or bad, in the whole country. With that information we can immediately take steps to correct the bad condition or extend the good.

The Value of "Reports"

We have a system that shows us all that, and we have another system that immediately makes use of the material. It is elaborate and calls for a great many clerks and accountants, but the net result is simplicity, and it goes like clockwork.

It has made the work of every department head much easier. We have been able to turn from guesswork and office drudgery to clean-cut facts and figures. The time we used to spend on guessing and verifying and experimenting we can now put on sales development. And sales development means almost wholly a question of taking notice of the weak spots revealed by the reports and applying locally the methods which have proved of value in other places.

Our knowledge of all these things is a matter of certainty. We know that if certain things are done the result will be satisfactory and certain. The important thing for the officers to do is to see that these other things are done. I do not personally need to know a lot of details about the business. Practically the only thing I am doing in the company to-day is to take care of anything that comes up in the legal department, or to harmonize differences and keep things running smoothly. If two men have any differences they come to me to settle them. That is part of our policy and system. And before they hear my decision they must agree to be friends after that.

I don't want to know the details. I can trust others to attend to that. I want to see things broadly, and so I have arranged that every regular report, by the time it gets to me, is simplified to a *single figure*.

All of our reports are by percentages. I do not care whether a store costs $6,000 or $16,000 a year. All I want to know is what the percentage is on every dollar we take in. I look at Kansas City, for instance, and see that it costs us 8 per cent. rent. That is too high, so we find out how we can remedy it. We take an inventory of our business every day. We carry about $1,000,000 worth of stuff. It was $1,300,000 at the last figures. I have a book in which I can see at any moment just how the business stands. This book contains a list of heads, such as "gross sales," "rent," "miscellaneous wages," "cost of lighting stores," "miscellaneous expenses," "money spent in schemes over which the store has no control," such as special advertising campaign, etc.

Knowing Where the Business Stands

Every dollar that comes in must carry against it a charge. Two per cent., for example, is charged against every store for the advertising fund, and the men who think they can turn that 2 per cent. into a profit for themselves by not advertising are fooled; it is charged against them anyway.

So that is the first thing — exact knowledge as to where we stand every day of the year. I do not know whether we have carried our system any farther than some other big concerns, but I do know or believe that 95 per cent. of the retail shopkeepers do not know much about their business. I believe that fully 50 per cent. do not take an inventory once a year. We have formal inventories taken by men sent out from the home office twelve times a year, arranged at irregular and unexpected times, and we have daily reports of sales.

Yearly inventories wouldn't be of any use to us — or half-yearly or quarterly. Too much can happen in three months. We want to know what is wrong *before anybody else knows it.*

Here is where most business is wrong. Most retailers do not know what they are doing. Business men tell me about the amount of things in stores. They say people are hard up and do not buy. I do not believe that at all.

The trouble is that the average merchant is buying and selling on a wrong basis. He buys as long as his money lasts and then tries to sell his goods at a relatively large profit. If he has $3,000 in the bank he buys goods with it, and keeps his goods until he gets his profit or needs the money.

The Cigar Store's Selling Policy

I believe in doing a *lot of business on a small margin of profit.* If I were in the egg business, instead of doing as a lot of dealers do — buy eggs in June or July and wait to sell them at a high per cent. profit when the prices go way up — I would sell them as soon as I could at a 6 per cent. margin of profit.

I would make more money than the man who buys at 18 cents and waits until the price of eggs is 38 cents. I would be selling so many more eggs and I would be *building* a business. I would probably sell a hundred times as many eggs on the smaller margin of profit as the other fellow sells at a larger profit.

Now, in our own line: Suppose you can make a certain cigar from $35 a thousand up. When you get to above $35 the average manufacturer jumps to $50. Now we go $2 at a time or $10 at a time, according to the cigars, not merely to sell cheaply, but so as to make a quick turnover. That is the main thing.

Our trade is different from the department store, for instance, in that if the department store sells one thing very cheaply and loses on it, it makes it up on another line, whereas if we sell our goods at a loss we cannot make up on any other line.

Suppose we buy a job lot of cigars worth $100 for $50, they would have to be sold to bring $60. Quick repeating is better than slow profits.

The average drug store sells its own goods at a higher profit than it does patent medicines. It sells patent medicines at cost and makes 10 per cent. Then it puts up a remedy of its own and makes a big profit on it.

The United practice is just the opposite. We make *less money on private brands* than on public brands. Our private brands are of greater value than the public brand.

A package of cigarettes that we sell for 10 cents should represent a higher grade brand than a public brand sold at 10 cents. If the man happens to like the cigarette, he must come back to us because he can't get it at any other place.

Ninety per cent. of the dealers let other people's ideas run their business. Ninety per cent. of the dealers are governed by the people who trade with them. We run our business instead of letting other people do it.

An Average Day's Business

The business of the average retail cigar store is about $30 a day. Our retail business is about $150 a day. That is the difference between the two methods of doing business.

The result of the systematic way in which we tried to handle our business is that we began early to devise ways and means of utilizing the mass of information poured in by the reports.

We brought the heads of departments together in weekly conferences. These are no formal and perfunctory affairs with us. They are essential to the business. In the conference I have only one vote. I may propose suggestions, but they will not go through on that account.

I claim, for instance, that our customers do not cut the end of the cigar off right, but I have not been able to make the people in this office understand that. For six months I have been trying to get them to see that if the cigar were cut off in a V-shape instead of straight across it would taste better and be a better smoking cigar. I know that it is true, but I do not try to railroad it through because free discussion and independence of judgment is worth more to the business than the adoption of any one scheme.

I put one of these schemes up to our people and back it and get them to take it in hand. Then in a few days or a week, I take the opposite side. I am the first one to get after it. If I put a plan up for operating the business and then do not take an opposite end, they are apt to continue it for the sake of not hurting my feelings, although perhaps they do not think it a good scheme. If the men go against it I back it again until the possibilities are all threshed out.

The execution of all these ideas and suggestions is carried out by several departments, which in some cases are subsidiary companies, the United Stores Realty Company, for instance.

Entering New Territory

When we have determined to enter a city or territory, the realty company goes ahead and picks out the site or sites for stores. We look for the places where men most congregate. They generally are corners. Investigators carefully check off the traffic for days at a time in various parts of the city until we know absolutely the most desirable locations.

Sometimes we cannot get the locations at any reasonable rent, or at all. Then we take the nearest location and wait our time. It often turns out that the best thing we can do is to buy or lease the whole building. In this way we often get the site we want without rent, because the store space required is so small that the rent of the other tenants makes up the difference.

Our stores are compact. They are arranged on the principle of supplying the customer in the shortest possible time. Practically everything asked for is within the clerk's reach. Every inch of space beyond that is waste, and worse than waste — it is in the way.

After the site has been secured the furnishing department follows on and puts in the equipment, which is uniform in every store in the country.

After it goes the supply department, which automatically stocks the goods.

Then the sales department takes hold, assigns the men and, fits them into the system.

The window display department now gets under way, and last of all, the auditing department begins to check up.

All of the reports from all of these departments come into our headquarters, here in New York, are worked over by the auditing department of 250 persons and are boiled down to percentages that tell us at a glance how everything is going in every part of the field.

All these things are vital to the sales department. They lift the burden off it. A good deal of what in another business would be the wear and tear of selling is removed at one stroke from that department and distributed among other departments, where it becomes mere routine, always under control and always tending toward improvement.

For instance, if the goods are good and fair-priced, the store interior pleasing, the window trim attractive, the advertising sensible, and the clerks courteous, trade will gravitate our way naturally. The only way to make it move faster is to improve the goods, service, advertising, window trim, etc. It is not a matter of what some would call "salesmanship," except in so far as this is a matter of attention to details.

* With us the extension of territory offers no problem for the sales department to worry over. It is taken care of almost automatically. Our realty company's business is to know what territories, what cities, and what sites in the cities are desirable. It is its sole business to determine this, secure the sites, and of course manage the property bought or leased, in the best way.

One thing that lifts a big burden off the sales department and offers a tremendous inducement to the customers to buy is the premium department. This is one of the features of the business. We give away annually some $2,500,000 worth of

*December 28, 1911, p. 3.

merchandise, at retail prices, which are about double what they cost us.

When we started the premium plan we gave these certificates to people who paid us cash and did not give them to people who took our goods on credit. After a while we abolished the whole credit system and gave them to everybody. We found the premium idea was too valuable to put any limit on. We found this out before the customers did. If we did not force the clerk to force the consumer to take the certificate, not 50 per cent. of the certificates would be taken.

Taking the Loads off the Selling Force

Our clerks are instructed not to lay the certificates down on the case, but to put them in the customer's hands.

Our reason for insisting on this is a double one. In the first place, the premium is not really a gift, as it seems to be. It is something our patron really pays for, according to our analysis, although he would not get it if we did not put it in the plan. Instead of giving him the extra cent or two, we give him the certificate.

These pennies make up a million dollars or more annually, and through the greater purchasing power of this money in the mass we are enabled to buy the merchandise the consumer wants (or what is more true, that his women-folk want) at half the price he would have to pay for it elsewhere. . . .

Still another load is taken off the sales department by the organization of the window trimming. It is another of the methods of automatically adding selling power to the store. In the same way that the other elements of the business are handled, the planning of window display is centralized in the home office and goes on regularly and methodically.

And so on with the other features. Just so far and so fast as they can be systemized we do it, concentrating upon one thing after another and working each of them out to a finish.

Such a policy apparently does not leave much room for individual initiative, but it does just the same. We have standardized our methods, but it always remains to *lift the standard.* We have labored with our clerks, but there are still many who do not yet appreciate the importance of unfailing courtesy and cheerfulness.

We can increase the intelligence of the men by increasing their knowledge of the business. We try to improve their physical well-being by providing medical attention for them.

Even their feet are looked after, because a clerk with aching feet is not at his best and cannot do justice to his work. That is *our* business and we look after it.

But the great inducement a clerk has to do his best is that he is to a certain extent a partner in the business. Each head clerk receives a certain percentage of the receipts for his share of the business, and each clerk under him receives a salary based upon what he sells. His salary depends upon himself and he knows it. And the satisfactory way in which this works out is shown by the fact that a large proportion of our clerks stick to us. . . .

Coming back to the store — we do not sell outside our own stores and we have only one price. We do not believe in any price regulations or in any combinations with competitors.

On the other hand, we do not and cannot control trade-marked brands. Suppose we went to work and took a man's goods and wanted to sell them at six cents, when all the other dealers sold them at ten cents. We couldn't do it. We are afraid to do it. What we do is to take the same cigar and put on another name and sell it at a lower price.

We handle all the brands that sell, no matter who makes them. The American Tobacco Company might have preferred that we sell only its brands, but it could well have afforded to subsidize us to *display other goods*. Suppose it got 80 per cent. of the business, it could afford to have us display the opposition goods in its windows for the benefit it is in creating business. . . .

Some of our patrons who buy our cigars by the box, and some of our clerks who like to sell them that way, sometimes feel that the United is wrong in its policy of one price for a cigar, single or in quantity. The man who buys in quantity feels he ought to get a special quantity price, and perhaps thinks that we are taking advantage of him, and that our boasted service breaks down under that test.

Quantity Prices in the United Stores

As a matter of fact, that very one-price is a vindication of the service. The saving which the purchaser of a box would have effected is spread over the whole brand, and every smoker gets his share of it. And, as the man who buys two or three cigars at a time outnumbers the purchaser by the box fifty to one, it is not only justice but good business. Thus, in a large number of instances, the usual selling practice is the opposite of sound business and will not bear examination. The correction of just a few of these little errors in a business might be enough to change failure into success. It pays to take a lot of trouble where a customer is concerned.

One of our patrons, for instance, wrote us one day that he liked a certain brand of cigar but did not like the shape in which it was sold. He wanted to know if it were not possible to make it more in the shape of the panetela. This was the request of just one man out of millions of our patrons, but we did not consider that it was too trivial for us to consider. We had the cigar made up in the desired shape and notified our correspondent when and where he could obtain it. The effect of that action on the customer is not the only thing to be considered; there was the effect on the clerks and on the office.

Like all other retail merchants, we have sensational problems to meet. During the holiday season, for instance, our stores would be jammed during the last few days and we would miss many sales as well as afford an imperfect service, if we did not take some means to spread the interest over two or three weeks instead of allowing it to be concentrated on the last days. So we anticipated the Christmas rush by making unusual offers. We do not cut prices, but include other things in the price.

The Records of One Day's Business

Take the result of this for just one day, Saturday, December 11, last. On that day we did a record business in our thousand or so stores of $410,759, an increase of 23 per cent. over the same day last year. That is an increase of $125 in business for each store over last year.

The biggest business done by any store was $11,667 — by a store in New York City. The largest individual sale was $2,300, made by a salesman in the store at the head of Wall Street on Broadway, New York.

January and February are poor months for selling cigars. Smokers do not enjoy smoking out of doors then so much as in other months. They are also loaded up with cigars after Christmas. So we have to resort to schemes to keep up the average.

Last January, for example, to every purchaser of a pipe we gave one half the amount of his purchase in anything in the shop. Another time, we ran a pipe clean-up sale, which was very effective.

The special sales give us an opportunity to put news value into our advertising. Ordinarily the advertising has to be in the nature of a daily reminder — our name, shield, trade-mark and a few words in plain type, made to stick out from the page by the use of plenty of white space. When we have news to tell we use more words.

We believe the principles on which the United Cigar Stores are conducted are bound to prevail and, consequently, that business conducted on any other basis will have to reform or go out of existence. But we are very far from being a monopoly, fast as our chain is growing. There are 12,000 retail cigar stores in New York City and we have only 300 of them, and, though we do a very large proportionate share of the business, it is still only 25 or 30 per cent. of the whole. Outside of New York, of course, our share of the total business is very much less.

Moreover (and this is worth while considering), our methods have lifted the retail cigar business all along the line. When we began, our methods were revolutionary. To-day it is possible to find a great many independent stores which, perhaps, are just as attractive as ours. The whole tone is higher. You will often notice ladies accompanying their husbands into our cigar stores. That was an unheard of thing in the old days, and the change is something we take credit for.

This description of the methods and organization of the United Cigar Stores has been reproduced at length because this chain has gone as far as any in grasping the buying and selling possibilities of the chain-store idea.

Its significance to the advertising man lies chiefly in its suggestions of future possibilities. If a chain of grocery stores should do for the grocery business of St. Louis, for instance, what the United Cigar Stores have done for the cigar trade of a number of cities, and if the St. Louis success should be repeated in a half dozen cities, the business of advertising groceries in those places would be revolutionized in a very short time. And this is not altogether prophetic.

The chain-store idea is extending rapidly through the United States, being particularly successful in such lines as groceries and drugs, or similar lines where the unit of sale is small and where most of the products handled are for personal consumption. The extension of this movement is thus described by S. C. Lambert, who begins his discussion by quoting H. S. Collins, Vice-President of the United Cigar Stores Company:

The Spread of the Chain-Store Idea

* . . . . "The chain store in America is no man's invention," continues Mr. Collins. "It is an inevitable outgrowth of economic conditions. It was made possible by the development of the telegraph, the railroads, the mail, and all the other influences which have made the United States one community instead of half a hundred. A hundred years ago it would have been impracticable for any manufacturer to have a number of retail outlets scattered in various parts of the land. A proper control of them would have been frustrated by the segregating factors of distance, of lack of quick communication and of quick shipments.

"But note what took place when the territory of Great Britain became knit together into one trade unit. What we call chain stores sprang up there, and were in successful operation long before a truly national chain was possible in the vastly larger domain of the United States. Boots, Limited, has been operating over 500 drug stores in the United Kingdom. Sir Thomas Lipton has had 3,000 or so coffee stores. The Imperial Tobacco Company has been selling through retail outlets all over the United Kingdom for years. Germany can show similar examples.

"When the physical conditions were right for the chain stores in the United States they inevitably began to grow. The old methods of distribution and selling were inconvenient and unprofitable to the manufacturer or importer, and costly to the consumer. Speaking of the United States, we are able through our chain to dispose of goods with greater dispatch and less cost to us, and, therefore, to give the consumer fresher tobacco at lower prices. We save the intermediate cost of handling, and depend for our sales upon the volume of business. Being compelled to rely upon volume, we have had to develop a United sale spirit of efficiency and courtesy to secure this volume.

Printers' Ink, June 16, 1910, p. 3.

"While the United States was not the first to see the establishment of a chain of stores, I believe that in this country will be the greatest development of the idea. The rapid growth of population, accompanying an increasing solidarity of the fields of trade, gives me reason to anticipate a linking up of 'chains' in many other lines of merchandise." . . .

Mr. Lambert discussing the spread of the chain-store idea says:

The plans for a number of grocery and drug store chains are now familiar to many, and it is inconceivable that more will not follow. There are preparations on foot for a chain of stores as outlets for a line of ready-made clothes for men. Similar stores for lines of trade-marked suits for women are sure to come, for even now fashionable modistes selling gowns for women operate shops in half a dozen cities, and only lack capital for starting more branches.

Shoe manufacturers, like Regal, Hanan, Hanover, etc., have already plentifully demonstrated the strength of the store chain. Only sufficient capital and organization prevent many present chains from enlarging very much more. As the typewriter and sewing machine companies have learned, it takes a lot of money and a powerful, able organization to maintain a system of hundreds of branches; but not one of them but is certain that it is the only forceful method of distribution. To them the suggestion to turn their machines over to retailers on the present plan of the large volume of hardware, drugs and groceries, etc., is entirely impossible. They know the supreme importance of controlling their own outlets — and their wisdom is permeating rapidly into every sort of merchandising.

*Because the United Cigar Stores chain came into being full-blown, as it were, it has not had to face the difficulties confronting some other concerns which are now developing a similar system. Many manufacturers who some day will be operating a number of co-ordinate stores in various cities are now selling through special representatives or exclusive agencies. To take full advantage of the chain-store idea they must, one would hazard, gradually abandon the present system. And this means complications.

Printers' Ink, June 23, 1910, p. 16.

Huyler, the New York candy manufacturer, is in this stage of transition. He has been a national advertiser for years. He has established scores of exclusive agencies in order to realize the profits of his advertising. In the course of time the retail man handling Huyler's, along with other goods, has come to place a high value upon this line. He has often worked faithfully to build business for Huyler's; he has lent a hand, more or less willing, to place the goods in the neighborhood. The chain-store development he possibly regards as detrimental to the future of his exclusive agency business.

As for the company, it cannot at once abandon its agencies for special stores. The temporary relaxation of business and the drain upon finances incident to building quickly a complete chain forbid this. Growth into the new scheme of retailing, therefore, raises some very nice questions of policy.

Huyler's exclusive agencies are thoroughly alive to the branch-store trend. They have watched one store after another open to sell only Huyler's products. Some of them have been intelligent enough to ask what bearing Huyler's development of about two new stores a year will have upon their Huyler business. Inevitably they are wondering if they are going to be crowded off the boards as far as handling Huyler's is concerned.

The Huyler Store System

To meet such a state of mind the manufacturer has spread the news among them that he will not open a store in a neighborhood in which an agent now satisfactorily operates. It is well known in trade circles in New York that Huyler has refused to open a store opposite the Grand Central Station in New York, although more than once he has been offered an ideal place. His statement has been that he is well represented there by an agent who is heartily pushing candy sales, and that it is his policy not to sweep to one side a representative who for a period of years has efficiently built up business.

Judging from the stores that the Huyler Company has already opened in various cities, it seems to be the policy to open a chain store only in new parts of growing towns, where there is no special agency. One is bound to speculate whether the exclusive agency and the chain store, offshoots of the same concern, can indefinitely run along side by side. Perhaps the Huyler company will succeed in making these two methods of retailing dwell in peace and unimpaired value together in the same town. At any rate, not only the trade, but also other manufacturers facing similar conditions are keenly interested in watching to see how the endeavor turns out.

The Browning King Chain of Clothing Stores

Browning, King & Co., of New York and fifteen other cities, are a simon-pure example of a growth of a chain from a single store. Nowhere along the line has development been attended by exclusive agencies. This company manufactures men's clothes and sells them through its own stores, making its argument to the public on the basis of maker-to-user economy. One recent advertisement had a paragraph arguing that because the company was both a manufacturer and a retailer at once, it could furnish garments at a saving of from a quarter to a third. Consumers are also told of the buying ability of the house. With seventeen stores in fifteen cities it is able to secure good discounts on both materials and other items like insurance. It is roughly estimated that such discounts amount to a yearly total of $75,000 to $100,000 — representing that much net margin within which to meet competition on an equal basis.

The chain-store proposition has a peculiar merit in a business like that of clothing. The manufacturer is able to control his output almost absolutely; that means that as a retailer he is able to avoid being "short" or "long" on any line. Trade demands are carefully calculated in advance and orders placed accordingly. If a line "goes" more quickly than expected a special order is hurried through the shops on a special schedule. With both the field of manufacturing and retailing under its eye the company is able to trim its sails quickly. In this case the manufacturer does not unload upon the retailer, as sometimes happens to an independent retailer whose judgment in buying is formed from meagre facts in his narrow field.

Atlantic and Pacific Tea Co.

For a concern that is credited with being the first to operate a large chain of stores in this country, the Great Atlantic and Pacific Tea Company has been making very little noise. It began to expand in 1859 and has been growing rapidly, until to-day the number of stores is 360.

One of its officers expressed himself as follows: "The idea in the beginning was a bold one. It struck at the very foundation of the routine traffic of the middleman. We have never lost faith in the principle that the nearer the producer and the consumer can be brought together by avoiding all intermediate transfers, the better will it be for both producer and consumer. One hundred exchanges can add nothing to the real value of an article, although it may add many hundred per cent. to the price.

"We are growing at the rate of one store a week. Our customers comprise nearly 4,000,000 individuals. Our individual sales number 125,000,000 a year. We import our teas and coffees by the ship load; we buy the crops of an entire countryside."

The first thing that a manufacturer with chain-store ambitions is apt to ask himself is: "Where can I best open stores; and if I desire more than one in a city, how can I find out the best places?" Scientific analysis of this matter is now made.

Selecting Sites for Chain Stores

Except in the South the United Cigar Stores Company is operating stores in most of the large cities. If it decides to go into a new town, that town is selected upon the basis of population and general business health. George J. Whelan, president, has collected figures showing the cigar-buying ability of different centres. In his statement he says that the per capita buying power of New York is \$1.74 a year; Chicago, 63 cents; St. Louis, \$1.21; Rochester, 99 cents; Spokane, 60 cents; San Francisco, \$4.06; Milwaukee, 22 cents; Atlantic City, \$2.55.

These data are valuable in determining not only what town to enter, but also how much of the business the company is securing if it has a store in a town.

In selecting a new site, men are placed at corners or at mid-block stations, if no corner is available, to count the number of persons who pass in a day. A steady stream through the day is figured as better for a prospective store than a much larger crowd that takes the form of a noonday rush or a homeward bound jam. . . .

Thus far the drygoods business has shown little tendency to adopt the chain-store idea. It is argued in that trade that there are many factors which make a department-store form of organization more satisfactory than the chain-store form. Mr. Lambert seems to think he sees a drift toward chain stores even in drygoods.

*One finds himself in a curious maze of cross currents when he tries to ascertain whether or not there is a tendency to chain-store growth in the drygoods field. It is a conflict of interpretation of developments rather than any uncertainty in working out of drygoods selling policies.

The outside observer, after an examination of the leading facts in the retail drygoods business, would be inclined to assert without hesitation that evidences indicate a progress toward an extension of retail outlets. Most impressive is the rapid growth of the H. B. Claflin Company, of New York. This concern is the wholesale branch of the Associated Merchants Company, which is controlled in turn by the United Drygoods Company, with a capital of $51,000,000. But inasmuch as John Claflin, president of the H. B. Claflin Company, is a dominant factor in the Associated Merchants Company, the Claflin interests are generally considered as being in control of the system of drygoods stores that covers the East.

The Chain-Store Idea in the Drygoods Trade

Some men who are so well informed about drygoods that they are everywhere rated as authorities seem disposed to turn their heads away from the significance of the Claflin activities. Even the recent taking over of Lord & Taylor, and the more recent acquisition of the Tefft-Weller Company, with a capital of $3,000,000, by the H. B. Claflin Company, have not served to alter the opinion entertained by the authorities referred to that the drygoods business is, by reason of its peculiar nature, exempt from the chain-store plan.

Are these men so close to their proposition that they haven't a proper perspective of the situation? It is interesting to inquire whether the investigating layman is right in his idea that such is the case.

Those who maintain that there is and has been for two or three years a rapid branching out which is essentially an adoption of the chain-store plan have some convincing facts at hand. In the first place the H. B. Claflin interests control, besides Lord & Taylor and the Tefft-Weller companies, the following large retail establishments: The James McCreery Company, with Twenty-third and Thirty-fourth street stores; Stewart & Co., of Baltimore (formerly Posner Brothers); $300,000 of the $250,000 common stock of the C. G. Gunther's

---

Printers' Ink, July 21, 1910, p. 32.

Sons, furriers, New York; J. N. Adam & Co., of Buffalo; $2,400,000 of the $3,000,000 income bonds and 800 of the 1,000 shares of the O'Neill-Adams Company (formerly H. O'Neill & Co., and the Adams Drygoods Company); Hahne & Co., of Newark; the Powers Mercantile Company, of Minneapolis; the William Hengerer Company, of Buffalo, and the Stewart Drygoods Company, of Louisville.

Then, besides, there are the two great stores of Wanamaker in New York and Philadelphia; the Gimbel stores in Philadelphia, Milwaukee, and now New York; the May stores in St. Louis and Cleveland, and a number of other drygoods retail concerns which operate stores in their "home" town and two or three other places relatively near by — an interesting example of which is the Dives, Pomeroy & Stewart string of stores in Reading, Harrisburg, Altoona, Pottstown, Pa., Chattanooga, Tenn., etc.

It will not do to argue that these are not indications of a chain-store trend merely because they are not in all cases bound together with one and the same name, like the United Cigar Stores Company. They are controlled by the same minds and operated harmoniously to bring about the chief interests of their promoter. Through them may be marketed stocks bought perhaps at a bargain. In them may be working out the same policies of retail selling. The "Famous," of St. Louis, and the May Store, of Cleveland, are no less a unit because they bear different titles.

On the other hand, what is the argument of those who say that the chain-store system has no vital part to play in the selling of drygoods? The composite opinion of those men whose views are considered weighty is practically this: The retail drygoods business won't stand the planing down necessary to the chain-store operation. It is peculiarly a business in which personality is necessary. A store as large as the largest may be operating on, say, State Street, Chicago. A smaller establishment just above on the corner has a proprietor on the spot whose tastes are most discriminating, whose anticipations of feminine choice are unfailingly accurate, whose skill in the display of goods is refined and unfailingly tempting. By so impressing these personal qualifications upon his store he may easily pull much of the best trade away from his big competitor, whose operations are mechanically gauged from the distant home office and whose store service would perhaps lack the finishing satisfactory touch which the presence and oversight of the proprietor alone can give.

In a word, it is difficult to standardize the drygoods business. A store which may be brilliantly successful on Fifth Avenue, New York, would fizzle dismally on Washington Street, Boston. The two publics are radically different in tastes. The policy that built an envious success in New York would meet its Waterloo in the "Hub."

And so on through the country. No two cities are exactly similar in temperament and buying disposition. It is urged that a rigid system would be fatal if inaugurated in a chain of retail drygoods stores in Buffalo, St. Louis, Louisville and Minneapolis.

Why Chains of Drygoods Stores Have Troubles

One of the gentlemen who was most pronounced in his assertion that the chain-store plan was no more than a bogy, as far as drygoods were concerned, recalled the experience of a "merchant prince" of New York, who has since acquired an interest in two or three other large department stores. This man made his reputation in lower Sixth Avenue, New York. He had had a hand in founding a mammoth store in Chicago. He made up his mind to open an establishment for the "élite" in Chicago. He did so. His name was over the door. And, according to reports, this is what happened: A woman would shop through the older store in Chicago. She would wander over to the "élite" emporium, see the display, notice the name on the store, and say: "Oh, there is no use in going in here. It is Blank's store, and we have just been in his other one. Let's go over to Marshall Field's — he's got an entirely different line of goods."

The ambitious merchant had so closely identified his name with one grade of store service and merchandising that he was literally iron-bound when he attempted to soar to a higher retail condition.

And here was another "clincher" that was adduced by "the negative": "Do you think that a merchant from the lower Sixth Avenue is temperamentally able to operate in a way that would be most desirable on Fifth Avenue, New York, above Thirtieth Street? Do you think that he could bring himself to pay $10,000 a year to some Beau Brummel to stand about and do nothing except to put out a highly manicured hand to the lady who came from upper Fifth Avenue and greet her graciously? I believe that he would chew his moustache in his office a while, finally kick himself for maintaining such 'useless' flummery and discharge his faultless mannered and specklessly groomed reception man. He would abolish those refinements that would be necessary to give tone to his establishment. Think of a man like that trying to extend a chain over the country!"

The weakness of such an argument is instantly obvious when it is stated that the Claflin stores operate under their local management. When the Claflins acquire control the store policy that has been evolved in answer to peculiar requirements is in no wise changed. Lord & Taylor, it is announced, will be, so far as the store visitor can perceive, the Lord & Taylor of old. The Claflin influence will show only on the books in the back office. It is interesting to note that most of these stores have absolutely their own organization, even to the buyers. The two May stores have their separate buyers, as have the two Wanamaker shops. But who shall say that the Claflin stores are not chain stores, notwithstanding?

Chains of Music Stores

The chain-store idea in the music field is growing. The *Music Trades* referred to these articles in *Printers' Ink* and printed a surprising list of chan stores. It asserts that the chain system is developing rapidly. In instances the resultant advantages in buying, advertising, and shipping. The list which the *Music Trades* publishes is partly as follows:

The Æolian Company — New York, Chicago, St. Louis, Indianapolis, Dayton.

The Baldwin Company — San Francisco, Denver, Chicago, Aurora, Indianapolis, Muncie, Terre Haute, Louisville, Boston, Kansas City, St. Louis, Knoxville.

W. W. Kimball Company — Chicago, Minneapolis, St. Paul, Kansas City, Elgin, Freeport, Peoria, Quincy, Rockford, Springfield, Terre Haute, Detroit, Bellevue, Ia., Des Moines, Grand Rapids, Kalamazoo, Brainerd, Minn., Mankato, Aurora.

The Cable Company — Chicago, Richmond, Va., Jacksonville, Detroit, Atlanta, New Orleans, Bellevue, Ia., Calumet, Mich., Cadillac, Mich., Hancock, Mich., Menominee, Traverse City, Durham, N. C., Greensboro, N. C., Minneapolis, St. Paul, Charleston, Knoxville.

The John Church Company — New York, Cincinnati, Boston, Dallas, Chattanooga, Chicago.

The Mason & Hamlin Company — New York, Boston, Providence.

The Hallet & Davis Piano Company — Boston, Newark, New Bedford, Somerville, Toledo, Plainfield, N. J., Jacksonville, Fla., Paterson, N. J.

The Estey Company — New York, Philadelphia, Boston, St. Louis.

R. Wurlitzer Company — Cincinnati, New York, Chicago, Philadelphia, Columbus.

Starr Piano Company — Richmond, Ind., Cincinnati, Indianapolis, Cleveland, Los Angeles, Muncie, Hartford City, Dayton, O., Lorain, O., Middletown, O., Piqua, O., Springfield, O., Toledo, O.

The Eilers Music Company — San Francisco, Eureka, Oakland, San José, Stockton, Boise, Ida., Portland, Ore., Albany, Ore., Oregon City, Ore., The Dallas, Ore., Bellingham, Wash., Seattle, Spokane, Tacoma, Walla Walla.

The W. A. Leyhe Piano Company has opened nine Texas stores in about two years. The movement is rapidly progressing in other sections.

The Columbia Phonograph Company operates a number of stores in various cities; while the Victor Company, however, sells only through agents.

In addition there are about two hundred stores owned by thirty music companies in cities of medium size.

Some Other Important Chains

In a general way other advertisers have gone into the chain-store movement almost unconsciously. Local conditions compelled, perhaps, the opening of one store, and then others followed without scarcely any effort — just a seemingly inevitable drift of necessity. In such lines as stationery and office equipment, retail outlets have been so unsatisfactory that branch stores have been imperative. Yawman & Erbe have stores in New York, Chicago, Washington, Philadelphia, Boston, Pittsburgh, San Francisco, St. Louis, Cleveland, Los Angeles, Toronto, Winnipeg, Vancouver, Ottawa, Montreal. The Prince Furniture stores in Allentown, Rochester, Hazleton, etc., is an interesting development in an unexpected line of goods.

The Singer Sewing Machine Company always had chains of stores in cities throughout the country, and much of its independence and trade strength is due thereto. The Waterman Fountain Pen folk have been forced to establish some stores, and manufacturers with articles like Lion Brand collars and shirts, Crawford shoes, etc., have several stores to their credit.

The Washington Shirt Company, Chicago, has a number of stores. Through the firm of Weber & Heilbronner, New York, The Manhattan Shirt Company operates a chain of nine stores in that metropolis which sells only Manhattan shirts, etc.

Edgar A. Russell, formerly with the Multigraph Company, has started an unique enterprise called the Berkley Associated Stores of America, which is a co-operative catalogue buying house for retailers — an interesting subdivision of the syndicate selling idea.

So it would seem that the chain of stores movement has been swelling to proportions really unexpected in the past decade and is as yet only in its early stages of development. It may be watched with profound interest by every manufacturer, retailer, and jobber.

Combinations of Chain Stores

One other phase of the chain-store movement is suggested by the possibility of concentrating the ownership of various chains. Early in 1912 it was rumored that efforts were being made to consolidate a number of the largest grocery-store chains in various parts of the country. Commenting on this, *Printers' Ink* (May 2, 1912, p. 74) contained an editorial from which the following paragraphs are taken:

If the proposed merger of big grocery chain-store systems in the leading cities of the East should become a fact, it would be a very big fact, indeed. It would directly involve not only some 3,000 retail groceries, but indirectly influence and control possibly as many more, for whom the combine would buy and the extension of the system through the rest of the country would undoubtedly follow.

But the one point before all others that should interest national advertisers is the intention of the promoters to *push the private brands of the combine* in its stores, which, if successful, of course, means the *displacement of many advertised specialties.*

These promoters are David L. Remley and Jacob Maurer, proprietors of a chain-store system in St. Louis. They have been at work on the plans for months, and are said to be now sanguine of early success. The field of their activities is thus described by the *Journal of Commerce* of New York:

The principal branch stores of the company are: The Ginter Company, 6; Michael O'Keefe, 130; the O'Connor chain stores, 40, and E. E. Gray, 22. All of these are in Boston.

In New York there are the stores of James Butler, Inc., 200; Andrew Davey, 34; the Atlantic & Pacific Tea Company, 100; Park & Tilford, 9.

Brooklyn has two systems, those of Thomas Roulston, 83 stores, and H. C. Bohack, 18.

Wm. Butler has 140 stores in Philadelphia, and Thomas Hunter has 100. The Butler chain stores in Pittsburgh number 34.

In Washington there are four systems — the Sanitary Grocer Company, 33 stores; J. T. D. Pyles, 18; Great Atlantic & Pacific, 11, and the United Stores Company, 6.

H. G. Hill, who started the chain in St. Louis now owned by Maurer & Remley, has 31 retail groceries in Nashville and Birmingham, while Maurer-Remley own 29 here (St. Louis).

Duke C. Bowers, Memphis, has 37 stores; Rogers in Atlanta, Ga., has 28, and the Kroeger Grocer & Baking Company of Cincinnati has 85.

There are at least a dozen other systems in New York and other points whose stores combined number more than 300, including the Hazel Pure Food Company of Chicago.

Among the principal foreign establishments is that of Sir Thomas Lipton, England, with 3,000 branch retail stores, and a French chain operating about 600 stores.

Inquiries made by *Printers' Ink* of a number of the systems named elicited formal denials of any knowledge as to negotiations looking to amalgamation. There probably is, therefore, no reason to take the matter very seriously at this time, except as a straw, and perhaps only the ghost of a straw at that.

But whether or not the amalgamation is put through now there is one thing in the story that should not be overlooked. Things are happening faster in the retail field than they used to happen; mergers will have to come in time, just as they had to do at the producing end. It is evolution.

Three years ago President Whelan, of the United Cigar Stores, predicted that within *a half decade* the retail machinery of the country would be revolutionized. There were no pronounced signs at the time to justify the prediction, but Mr. Whelan had made a close study of retail conditions, and he sensed the coming changes before the majority of business men were aware of anything unusual going on.

Chain-store systems can hardly help following the common course of business. They will grow, compete with each other, and begin to combine. And in the course of competition they will exhaust every expedient to make and save profits. They will make the fullest use of the advantage given them by their large buying power in dealing with individual manufacturers, both those who advertise and those who do not.

Is it likely that they will long *respect the popular preference* for advertised and trade-marked brands? On the contrary, they have already announced their intention of pushing their own private brands, and that is natural and to be expected.

What are advertisers going to do about it? What can advertising do when the machinery of distribution is being taken away?

To combine and dictate prices to the chain stores or treat with them on the basis of some trade agreement might be feasible for a time, if the law permitted. It is hardly likely that such a condition would last. The chain stores would begin to acquire or build factories, and the manufacturers, in spite of themselves, be driven to establish chain stores, either as individuals or in combination.

Manufacturers, in fact, are nearly up against the stark logic of the situation: the battle for markets is going to be fought out in the retail store, and the competition of the next half-decade is going to be not so much between individual manufacturers as between manufacturers who are seeking retail outlets, and the retailers who are growing up into imperious competitors with retail outlets assured.

It is therefore apparent that the specialty manufacturers, in the grocery line at least, must sooner or later combine in some closer and more effective way than they have done or even contemplated. Harmonious relations with the jobbers, are important, but it looks as if there would be more important questions before many days. The new development would threaten the wholesalers even more than it would the manufacturer. It would probably drive the two together for the time being.

It is probable that the first effect on the part of the manufacturers to withstand the competition of the big chain systems would be to support the independent stores, and the co-operative chains that are certain to spring up, but that this would ultimately give way to something more like control. That is the only thing that would meet the centralized, systematized competition of the retail chain. Would it be done first by small manufacturers' chains competing among themselves, and then afterward combining, as the retail chains are doing?

Or would the manufacturers already organized in various organizations pursue some more conscious course, and anticipate the crisis by preparing for it? . . .

The mail-order business, as another form of large-scale retailing, deserves more attention than can be given to it here.

It is true that the mail-order houses which have been most successful have advertised but little through the ordinary channels. But, if we include their catalogues and other direct advertising by mail to their possible customers, we realize that their business is almost wholly built up on advertising. For a time the growth of the mail-order business was so rapid as to cause alarm to the jobber and the small wholesaler, but of recent years, while the growth has continued in the case of a few of the better organized mail-order houses, the great flock of less well-organized institutions, which threatened to take over a great part of that portion of the retail business of the country which could be done by mail, have become less conspicuous. It now seems probable that while the few big houses will grow normally and perhaps even phenomenally, the mail-order business has distinct limitations which will prevent this type of retailing from cutting much more heavily, than it already has done, into the retail business of the country as a whole.

The Mail-Order Business

A Chicago correspondent, writing to the New York *Journal of Commerce* on July 25, 1912, gave an interesting summary of some of the commercial aspects of the mail-order house, although he brought out only a very few of the points at which the mail-order business touches advertising. This correspondent brings out the fact that while there are some 300,000 country stores in the United States doing a business of nearly \$3,000,000,000, the largest of the mail-order houses has an annual business of approximately \$80,000,000. So that while these houses may be large in the absolute, they are relatively not as important as the volume of business of a few of them has led many to believe them to be.

One of the most important effects of the development of the mail-order house is the fact that their success has driven department stores and even wholesalers not only to do a larger mail business but to conduct their mail business much more satisfactorily than they ever did conduct it before.

ADVERTISING ASPECTS OF CO-OPERATIVE ENTERPRISES

Various Types of Co-operation

Co-operation between the successive steps in the distribution system is of very recent origin in this country, although it has been successfully employed in England and on the Continent for a number of years. It has assumed various forms in this country, some of the co-operative enterprises being between one set of selling factors, while other forms attempt to unite entirely different factors.

One of the largest and most noteworthy of these undertakings is the United Drug Company, which has as its main characteristic the ownership of a large part of the stock of the manufacturing company by the retailers, who serve as the outlet for the plant's products.

*Impressed with a co-operative movement which in 1903 embraced less than forty dealers, but now includes close to 5,000 retailers, *Printers' Ink* asked William C. Neilly, Advertising Manager of the United Drug Company, of Boston, Mass., to relate what were, to his mind, the more important details in connection with the development of his firm's system of marketing its goods.

His recital of the facts goes to show how business practice in any given line of trade may be revolutionized when once consumers learn the inwardness of unjust practices of which misleading advertising is the outward sign.

"The heyday of patent medicine advertising," said Mr. Neilly, "was in 1903. The space used was extravagant, and colossal were the claims which practically proposed to take dead bodies and put life into them!

"There was no check on the word 'cure.' Every preparation was heralded as a 'cure.' The people paid their money and frequently got nothing or worse than nothing.

"The demand for advertised nostrums was enormous. Druggists had no choice. They were forced to stock them and to sell them, or lose a big part of their business. It was a riot of fake advertising, but it carried the germ of opportunity. Keen eyes and ears perceived the inevitable reaction and the

Printers' Ink, March 21, 1912, p. 86.

opening for a big business which might be built up by square dealing.

"Soon the tide turned; resentment against nostrums set in so quickly and grew so rapidly that some manufacturers were forced into exceedingly critical positions.

The United Drug Company

"The United Drug Company's policy matured at this juncture. The projectors realized the great demand for *prepared* medicines, but it also recognized danger in the fact that standard preparations might be confused in the minds of the public with the tottering 'patent' medicines. The two classes were similar in their appeal to a large and legitimate field, but very dissimilar in intent, purpose, and effect.

"The word 'patent' implied secrecy and the buyer knew little or nothing concerning ingredients. The purchaser expected to buy on faith, was not expected to ask questions.

"The first plank in our platform was 'no secrets.'

"From the start the composition of our preparations was made an open book. The published formulary tells every ingredient. The text is in plain English and big type, so that the layman can know exactly what he is putting into his system. Step into one of our stores and ask the druggist what any Rexall preparation contains. He will hand you the printed formulary.

"The United Drug Company was one of the few concerns which did not have to revolutionize its formulas and its literature when the Pure Food and Drugs Act went into effect. Once an edition of several hundred thousand booklets was destroyed because a preparation had been advertised by the phrase 'Prevents colds.' One of our physicians caught this phrase and blue penciled it. The edition was burned up and a new one run off with the statement, 'tends to relieve colds.'

"Painstaking in regard to our preparations became a real asset to us. It impressed customers and led to popularity.

"The corporation of druggists, however, was required for our success. Something was needed to enlist the dealer's vital interest.

"To attain this vital interest and secure the successful carrying out of our plan, Louis K. Liggett, President of the United Drug Company, organized the campaign along lines which have been continued to the present day.

"He insisted upon the idea of confining the sale of our product to one druggist in a community. In each town we selected a reliable druggist and outlined the possibilities for a give-the-public-a-square-deal drug store in his section and told him what we hoped to accomplish through his co-operation. As a further inducement and to secure his permanent interest we offered him a stock interest in our company and a participation in its profits. At our first meeting forty druggists subscribed to the proposition.

"The features chiefly responsible for our success were the then radical policy of non-secret prescriptions in place of the frequently bogus patent nostrums.

"Next in importance was the feature of having one exclusive druggist in a community. He could stand behind the goods with his own reputation. He could recommend them as the product of a company and one which he personally backed up with a money investment. He could guarantee our products to customers as we guaranteed them to him, and print on every label this guarantee:

> The United Drug Company and the Rexall Stores selling this preparation guarantee it to give satisfaction; if it does not, go back to the store where you bought it and get your money. It belongs to you and we want you to have it.

"The confidence of the druggist was further strengthened by an agreement we made to close his agency and repurchase his stock at par value with interest any time our dealings were not satisfactory to him or his with us. If we should have good reason to retire a druggist from our organization, we could not act arbitrarily in the matter. Each state has a grievance committee composed of fifteen of our dealers. If we wanted a druggist to withdraw we would present our case to a committee which would hear both sides before acting. Cases like this are rare. Not a case was submitted last year.

"The self-government of our organization might be further illustrated. Our officers and directors are elected by the retail druggists and may be deposed at any time the stockholders shall elect to do so.

The Selling Policy of the United Drug Co.

"We have no quantity discounts. Under this policy druggists are not tempted to overstock on our goods. It insures frequent turnovers and freshness of the preparation — a most important feature in our class of merchandise.

"The druggist gets behind the goods with spirit and determination, and the sales increase not only the profits of his store but the dividends on his investment. From this simple plan has sprung a spirit of co-operation greater than we hoped for at the start. The 5,000 dealers are not competitors in any sense, consequently they feel free to tell everything in an annual stockholders' convention. They discuss, among special sales features, window displays, newspaper and booklet advertising, and all that makes for a better business. They go over the questions of handling of clerks, giving of special commissions, store arrangement, store fixtures. . . .

"We advertise prominently about ten products. The factory charges my department with them. The sales department adds its expenses. The general overhead for executive, administration, and accounting is charged to me. On top of all, I add my advertising expenses. It is up to me to sell this product and make the sales and profits cover all costs and expense, and leave something for dividends. There is no shifting of responsibility. Whatever does not go right with the ten advertised products becomes my fault and mine alone, The advertising manager is in full charge and control of the annual appropriation. Last year this amounted to $600,000.

How the United Drug. Co. Advertises

"We keep close tabs on every community and increase or decrease our advertising in each in proportion to the results. A record is kept of each town. It is charged with the cost of the goods shipped there and shows the profit involved. A substantial portion of the profit, usually all of it, in the first year, is applied for promoting sales in each community.

"Although our appropriation is planned a year in advance, it is revised every three months in harmony with the business done in each town and increased or decreased as each case may require. Our first year in any new field is a gamble. The first advertising campaign is gauged by our experience in similar towns in the same state, and usually our estimate is close. The ten products are now being advertised in about 3,700 newspapers.

"Beyond the ten advertised products, we have a large list of so-called 'tailers,' and special merchandise to take advantage of the business created by the advertised articles. Usually our advertising in national mediums is confined to a single product over a comparatively long time. Just now hair tonic is the thing hammered in the big weeklies and magazines.

"The wisdom of the unique features of our plan has been demonstrated, I think, and is a strong illustration of what the co-operative principles can achieve."

Co-operative Retail Control of Wholesale House

Another form of co-operation, which is found in various parts of the country, is that in which the retail concerns have joint control over the wholesale house. This is illustrated by the enterprise which was launched at the National Retail Grocers' Association in Oklahoma City, Okla., in the early part of 1912.

*One of the most significant signs of the changing trade conditions is found in the action of the National Retail Grocers' Association at its convention last week in Oklahoma City, Okla., in endorsing *co-operative wholesale grocery houses run by retailers*, and asking that manufacturers and jobbers favor them by putting them on the jobbing list.

The action derives a large part of its importance from the fact that it came on the heels of a lively report on the matter by the chairman of the trades relation committee, C. E. Beinert, who is also president of the Nebraska Federation of Retailers.

Mr. Beinert openly charged unfairness in trade, due to selling merchandise on the *quantity price* basis, and advocated that the national association and the various state associations become *co-operated buying exchanges* for their members. He argued that this would solve the problem of unfair buying conditions and at the same time would go far to solve and eliminate unnecessary expenses between producer and consumer.

The same subject came up frequently in the reports of the presidents of the different state associations.

A good deal of Mr. Beinert's report is worth quoting. It is of interest to manufacturers even outside of the grocery line, because it represents the way retailers look at some of these problems, and there is heard complaint now and then by manufacturers that it is difficult to understand just how the retailer views these matters and what grounds he has for these views.

It appears from Mr. Beinert's report and the convention's action that the retailer not only has views but that they are

**Printers' Ink*, May 2, 1912, p. 70.

strong views, and that he is going to insist on their being carried out, with the manufacturer's consent if possible, but if not, then anyway.

Mr. Beinert says in part:

I don't want you to lose sight of the fact that mail-order houses, large department stores, and chain stores, comprising the special interests in the retail trade, sell about 15 per cent. and the regular retailers about 85 per cent. of the merchandise sold. Who sells the quantity?

Yet there are many manufacturers who give the mail-order houses, chain and department stores the quantity prices and the regular retailers the long prices making their profits out of the 85 per cent. who sell the quantity, and giving, it to the 15 per cent. who do not sell the quantity, to kill off the 85 per cent. A simple case of killing the goose that lays the golden eggs.

A well-known nationally advertised brand of oats for which we are asked to pay 96½ cents per dozen is advertised by mail-order houses at 3 for 25 cents or 35 cents per dozen.

When the mail-order house receives an order for a dozen, they put in eleven packages of the advertised brand and one of their own brand, with a letter that usually reads:

"We have taken the liberty of including one package of our own brand of oats. If you do not find it equally good or better than the advertised brand it costs you nothing. If you do find it equally good, or better, kindly order it the next time. This oats we can sell you at ninety cents per dozen. This, our own brand, contains twenty ounces, the same as the advertised brand."

It is put up by the mail-order house out of the bulk oats sold them by the same company that sold them the advertised brand.

There is only one argument that corporations pay any serious attention to, and that is to show them where you can increase or decrease their profits.

We propose to show them, by the assistance of the jobbers, that their profits are made out of the regular retailers, and they will materially increase them by putting all retailers on the same basis.

If the jobbers refuse to assist us to get a square deal, and manufacturers will not see the expediency of giving us a square deal, then we must go over the heads of the jobbers, and as a means to an end *we must do our own jobbing.* That this can be done we have demonstrated to our own satisfaction in Nebraska.

We took up with a small cracker baking concern that promised to give us a square deal. We made them *one of the largest and most prosperous cracker bakeries in the country.* Nine tenths of the Nebraska retailers are patronizing it with a living profit assured themselves.

We are buying *salt* in carlots for our members on a co-operative basis, securing for them the very lowest market prices, in addition to the usual quantity discounts. On top of that the federation pays them a special discount of $5 per car, and there is enough left of the saving resulting from this co-operative buying to pay the expenses of handling through the secretary's office.

We have made contracts this year for the co-operative buying of *brooms,* wherein our federation gets 5 per cent. and the members get back 10 per cent. on all brooms they buy through the federation. If our estimates are correct, and we think they are, we will buy 25,000 dozen brooms for our members. At an average price of $4 per dozen we wiii turn back to our members $10,000, besides making $5,000 to finance our organization.

We are now preparing to make similar contracts for *corsets, blankets* and *rubber footwear.* The prices made us *enable us to compete with mail-order houses, department, and chain stores.*

We are going slow but sure. What we are doing in Nebraska can be done in every state in the United States, and these different states should get their inspiration from this, their national association.

We retailers have for some time unjustly carried the odium of responsibility for the high cost of living. There is no doubt in my mind that there is robbery between the producer and the consumer, but the retailer is absolutely not guilty.

Indirectly we retailers are to blame because we do not fight for our rights, and we will not get them until we do. We, as a national association, must cease being an auxiliary to the manufacturers' and jobbers' associations. Co-operation that gives everything to the other fellow does us no good. Let us stand firmly on our own bottom and fight for our just due.

OTHER FORMS OF CO-OPERATION AMONG RETAILERS

This organization goes one step further than the various buyer's exchanges or associations which have grown popular in the grocery trade of New York, Philadelphia, and other Eastern cities. In these associations the retailers aim to combine their buying capacity in order to secure jobbers' rates. What is really done is to set up a co-operative organization which virtually serves the purpose of a jobbing house for them.

Another form of co-operation is that illustrated by the United Store Association which designs to take over for a series of retail stores in various lines some of their common functions, performing them on a co-operative basis, and, presumably, more cheaply and more satisfactorily than they can be performed by the individual stores.

Still another form of co-operation, which already has been mentioned, is that in which the consumer shares in the profits of the retail concerns, gradually extending its operations backward from the retailer through successive steps of distribution or even into production. This form of co-operation, which is so well known in connection with various European enterprises and particularly with enterprises in Great Britain, has not gone very far in this country. It is in this field that we may look for very important developments within a comparatively few years. (See Chapter V for a discussion of consumer co-operation.)

The chain store, the mail-order house, and the co-operative enterprise have not yet shown just what position they are to occupy in the retail distribution system of the United States. As nearly as one can judge from present conditions and methods it seems probable that all three have only begun their growth, and it seems to be a safe forecast that at least the chain store and some forms of co-operative enterprise will very soon become extremely important competitors of the "regular" retailing system.

Present national advertising methods are aimed largely at the "regular" system, although some also have a place for the department store. But the chain store, and the co-operative enterprise call for new advertising methods. There are few of the present forms of appeal to the consumer, and there are few of the advertising methods developed for appeal to the selling organization which can be adapted to these two forms of "new" retailing. If they become a dominant, or even a very large part of the distribution system, present-day advertising will need an almost complete making over.

REVIEW QUESTIONS — CHAPTER VII

1. How many department stores are there in the United States?

2. What does Mr. Hotchkin advance as an argument for entering the retail trade via a New York department store?

3. How can a department store develop individuality?

4. What are the main features of the United Cigar Stores organization?

5. Why has the chain-store idea developed so slowly in the drygoods business?

6. What are some of the main types of co-operative enterprise now in operation in this country?

PROBLEM QUESTIONS — CHAPTER VII

1. Do you think Mr. Hotchkin's arguments in favor of the department store as a means of entering the retail trade are as sound as those of Mr. Louis's in Chapter VI in favor of entering via the country retailer? Does it make any difference what kind of goods are under discussion?

2. Do you think the chain-store form of organization has enough advantages over individual retailers to grow permanently at their expense?

3. If in twenty years one half of the drug business of the country should fall into the hands of six chain-store concerns how would it affect (1) Retail prices, (2) the wholesale drug business, (3) the manufacturers of drugs, (4) the remaining independent retailers?

4. How would advertising be affected by a similar general spread of the United Drug Company form of co-operation.

CHAPTER VIII

ADVERTISING AND THE WHOLESALER

IN EVERY important line of trade in the United States the work of the wholesaler (or jobber) is undergoing radical change. The two main causes for the disturbed conditions in the wholesaler's field are: (1) The increased number of large retailers and of combinations among retailers which are able to perform the jobber's functions for themselves; (2) the increased amount and activity of appeal by producers to consumers.

Department stores, chain stores, co-operative buying associations and all sorts of other enlargements of retail operations which make it possible to buy in large quantities are constantly trying to make their purchases from producers. This means not merely a great reduction in the volume of business conducted through the wholesaler, but it means that the loss is mainly from the most profitable portion of the wholesaler's trade. This direct buying frequently is referred to as "eliminating the jobber." The great volume of this direct business has made it appear that the wholesaler's elimination is feasible in many cases, and much is said about a "jobberless future." It is seldom made clear, however, that while there is a handful of small retailers left there will be work for wholesalers. Furthermore, those who deal "direct," do not often put much emphasis on the fact that, while the jobber may have been eliminated in their cases, the work which he formerly performed — storage, assembling, financing, etc.— has not been entirely eliminated. Much of it still remains and merely has been assumed by the two remaining parties to the distributive transaction — the producer and the retailer. Nor do the direct dealers dwell on the facts that the savings by jobber elimination sometimes are more apparent than real, and that such savings as are made seldom pass out of the hands of those whose assumption of the jobber's work has made this elimination possible.

The appeals to the ultimate consumer by means of national advertising, conducted by the producer, have weakened the jobber's ability to control the character of his trade. And thus the jobber's business is not only whittled away at its most profitable end by direct dealing, but such as is left for him is also taken out of his control to a greater or less degree. In defence the jobber puts his best selling efforts on brands or trade-marks which he has advertised widely on his own account, and which can be made to bring him trade which he can control. But in exploiting private brands the jobber becomes a competitor of his own clients. And we have the beginnings of the chaos already described. (See Chapter II.)

In addition to these two main causes of change in the jobber's work there are many others which apply to different lines of trade with particular force. For instance, in the case of the drygoods trade, the increased amount of ready-to-wear business is materially modifying the jobber's work. Ready-to-wear goods are not easily jobbed with regular drygoods lines. A "cutter-up" — or maker of ready-to-wear goods — cannot use the "regular" drygoods jobbing trade to good advantage, nor does the "regular" drygoods jobbing trade care to load up with many cutter-up accounts. One after another of the large Western drygoods jobbers has gone into this branch of manufacturing for himself, seeking better control over his lines, as well as the accompanying profits. In New York the multiplication of cutting establishments — taken with the growth of large retailers — has put most of the general jobbers out of business, and has created a host of "specialty" jobbers who handle a few allied lines, many of them being ready-to-wear lines.

Again, the decreased dependence on imported fabrics in any except the most expensive lines has had a direct effect on the drygoods jobbing business. Forty years ago the drygoods jobber was also, to a large extent, a drygoods importer and, consequently, was located at the coast with the entire country as his market. But with the increased percentage of drygoods business represented by the products of American mills, the national, general jobber has largely disappeared from the East while there has grown up in Chicago and St. Louis a new type of large manufacturing jobber serving the newer sections of the country. At the same time the small, local jobber has increased in importance. Somewhat similar conditions to these which are found in the drygoods business are found in other trades. In short, practically every line of business, selling goods to be finally consumed at retail, has at work in it influences making necessary a reorganization of the jobber's service.

In almost every trade, however, the two influences already referred to as being "main causes" are found.

These changes in the jobber's work have brought upon him an amount of ill-will which he does not entirely deserve. He, of all the features of the distribution system, is most often called upon to defend his existence. This result of the changing conditions in distribution has been intensified by the fact that the jobber normally has no good way of defending himself without completely breaking with his old patrons.

The work of the jobber in the modern retail distribution system is described in an unsigned article in *Printers' Ink*, which undertakes to divide the modern retail trade into classes, and show how the jobber, or other type of middlemen, serves the different classes of business. This article shows the bearing upon advertising of some of the changes which are in progress in the work of the modern jobber, and the bearing of advertising in turn upon them.

*It is costing more to sell goods every day, according to men prominent in the retail trade. W. R. Hotchkin, advertising di-

Printers' Ink, July 4, 1912, p. 12.

rector for Gimbel Brothers, New York, says that the average selling costs in department stores will run from $22\frac{1}{2}$ to 25 per cent. of the selling price; in some cases the selling cost is as high as $33\frac{1}{3}$ per cent. Those figures do not include a profit. They simply represent the cost of carrying the goods in stock, the advertising and the clerk hire necessary to pass them on to the customers, etc. The *Dry Goods Economist* is sponsor for the following table, which shows the gross profit each department head in a large Eastern store is required to show, the percentage in every case being figured on the selling price. It should be noted, however, that these gross profits do *not* include any discounts. Each department head is obliged to secure all possible discounts from bill prices *in addition to* the following profits:

Modern Business Costs

Blankets, 30%.
Candy, 35%.
Carpets and Rugs, 30%.
China and Glassware, 35%.
Corsets, $33\frac{1}{3}$%.
Dress Goods, 28%.
Fish and Meats, 18%.
Fruits and Vegetables, 25%.
Furniture and Bedding, $33\frac{1}{3}$%.
Gloves, 28%.
Groceries, 20%.
Handkerchiefs, 30%.
Hosiery and Knit Underwear (women's and children's), 30%.
Housefurnishings, $33\frac{1}{3}$%.
Infants' Wear, 30%.
Jewelry and Watches, 35%.
Laces, Embroideries, etc., $33\frac{1}{3}$%.
Leather Goods, 30%.
Linens, White Goods, etc., 25%.
Men's Furnishings, 30%.
Millinery, $33\frac{1}{3}$%.
Muslin Underwear, 25%.
Neckwear and Veilings, $33\frac{1}{3}$%.
Notions, $33\frac{1}{3}$%.
Perfumery and Druggists' Sundries, 25%.
Pictures, 35%.
Ribbons, 27%.
Sewing Machines, 27%.
Sheet Music, 25%.
Shoes, 27%.
Stationery and Books, $33\frac{1}{3}$%.
Sporting Goods, 27%.
Toys, $33\frac{1}{3}$%.

Trunks and Baby Carriages, 33⅓%.
Umbrellas, 30%.
Upholsteries, 33⅓%.
Wash Goods, Flannels and Linings, 23%.
Waists, 30%.

When it is considered that the department store probably does business cheaper than the average small retailer, it will be evident that the problem of securing adequate and economical distribution has a certain relationship to selling costs. Those profits are practically fixed at the figures given, or higher, for all goods which are handled through retail stores. Add to them a 15 to 25 per cent. profit for the jobber, the manufacturer's selling cost and the manufacturer's profit, and the cost of production looks pretty small as compared with what the consumer pays for the goods. It is small wonder that consumers growl about the high cost of living, and maintain that they are being robbed.

The popular interest just now is fixed upon prices, probably to a greater extent than ever before, and the manufacturer who can give equal quality for a lower price or better quality for the same price enjoys an advantage in proportion to the intensity of the popular sentiment. And about the only place the price can be profitbly shaved is in distribution cost. The retailer must have his profit, the manufacturer must have his; there is little chance for a saving there. But if it is possible to get the goods into the hands of the retailer at less expense, a smaller price to the consumer will suffice. It is a question which faces most manufacturers of new products: how to get the most effective distribution at least expense.

It is not possible, nor would it be useful, to go into the whole question of distribution in this space. There are, however, certain short cuts which may be followed with special kinds of goods.

Generally speaking there are three methods of distribution: (1) Jobber, (2) direct to dealer, and (3) direct to consumer.

Three Methods of Distribution

There are also three classes of goods: (1) new products, (2) similar goods for less money, and (3) better quality or larger quantity for the same money.

The new product usually requires demonstration. People must be taught what it is and what it will do, and that demonstration must be made to the consumer. The manufacturer with a jobber and a dealer between himself and the consumer has no surety that his goods are being properly presented.

To a less degree it is the same condition which confronted the makers of typewriters when the machines were first developed. Nobody knew what a typewriter was, definitely, neither did the great business public see any earthly reason why it should use machinery to write letters. So it was necessary to develop a force of men who talked typewriter exclusively, and talked to the man who was to use the typewriter. Jobbers and dealers were impossible, from the very nature of the goods. Thus it comes about that whereas the cost to manufacture a standard typewriter is somewhere around $20 (some standard machines cost as low as $18) the price to the consumer is $100. It looks as though it would be more economical to let the stationery jobbers handle the typewriter business, but at the time the typewriter was put on the market it was impossible to sell it that way. The most economical method of securing distribution, as the Irishman says, was the most expensive in that case.

There are a lot of novelties being sidetracked right along because the jobber-dealer combination does not sell them to the consumer. They need demonstration which the jobber with his 15 per cent. profit and the dealer with his 33⅓ cannot afford to give them. Hence when the consumers are sent by the manufactuer's advertising to their dealers they are unable to "find out" about the goods, and a good many sales are not made.

Direct Buying by Department Stores

The department stores throughout the country are furnishing a means of distribution of these goods which need demonstrating, because of their power to buy at first hand and to combine the jobber's profit and the dealer's. There are about 1,500 stores in the United States which regularly buy most of the manufactured lines they carry in this way, and some manufacturers have extended the system a good deal further than that. The department store which buys goods at, say, 60 per cent. discount, can afford to assign a saleswoman to demonstrate the goods to the exclusion of everything else. A list of a thousand department stores will cover the country pretty thoroughly, and will get the goods pretty well known.

This department-store system of direct buying, particularly in the textile field, is getting so common that there is a well-developed tendency on the part of jobbers to cover themselves. For example, Marshall Field & Company, besides their one big retail outlet, are leasing factories and preparing for the output of brands which they can control. The H. B. Claflin Company, on the other hand, is rapidly adding new retail outlets, by purchasing control of leading stores wherever possible. Of course this merely intensifies the situation and makes it more than ever imperative for the independent manufacturer to sell his goods first of all to the consumer by advertising and demonstrations.

Indeed, as S. R. Latshaw, manager of the textile department of the Curtis Publishing Company, recently said before the convention of knit goods manufacturers, "There is only one changeless factor — the ultimate consumer."

Of course it means more work — and in the beginning more expense — to sell a thousand department stores instead of a dozen or fifteen jobbers; that is, provided the jobbers will handle the goods at all. But it is a question of reaching the consumer, and nothing short of that will serve.

Using Direct Sale to Stir Up the Jobbers

Sometimes it is possible to stir up the jobbers to take an interest in the product by starting something with a few dealers in each territory — making it appear that the business is going direct to the retailer, and showing the jobber that the retailer will buy the goods.

A retailer in a small city in northern New York unwittingly showed a manufacturer of novelties how to work it. This particular manufacturer had been to a Syracuse jobber with a "catnip ball" — a wooden ball loaded with catnip for pussy's edification — and the jobber had turned the proposition down cold. A retail druggist in another city — a friend of the manufacturer — heard the story, and persuaded the manufacturer to sell him several gross of the balls at the jobber's price. For five days he bombarded the people with teasing newspaper ads about cats, and finally came out with an offer of a catnip ball for ten cents. Nobody else in town had any, and the hurry calls upon the Syracuse jobber met with a somewhat surprised, "Sorry, but we don't carry them." The jobber stocked catnip balls, though; he could hardly refuse when every dealer in town was inquiring about them.

Somewhat similar in effect is the system followed by the maker of a toilet preparation. Quarter-page ads in the drug papers offered one full-size package, retail price a dollar, free to every dealer who would fill out the coupon with his name and address. "For further supplies go to your jobber," the ad read. There were no strings to the offer, and no conditions which any dealer would not be perfectly willing to comply with.

Simply the name and address was necessary on the coupon, but those names and addresses could be used on the jobber with telling effect.

One of the objects of these plans to stir up dealer and consumer demand ahead of the jobber is to impress it upon the jobber's mind that these are the manufacturer's customers, not wholly his own. That has been one of the difficulties with jobber distribution which manufacturers have had to contend with — that the jobber controlled the trade of his territory, and could swing the greater part of it to some other brand unless the consumer advertising was simply irresistible. In that case he would lie down on the job and sell the goods only when the dealer demanded them. But when the jobber sees the demand being created in his own territory, so that he is constrained to come and ask for the line instead of having it offered to him on a silver platter, it makes a difference.

But all of these plans — and I might include several more, such as renting dealers' windows on the principal streets and giving demonstrations of the goods therein, hiring college students during vacation time to visit housewives and demonstrate cooking utensils, etc. — these plans are only for the start of the campaign. With the great majority of articles it is not possible to get along permanently without the jobber.

It sometimes looks like a good thing for a manufacturer to tie up by contract with a large mail-order house or two or three department stores. All his output is contracted for, and he doesn't have to worry about distribution or credits. He is sure of his money, and sure of a profit at the end of the year.

It looks good, but it isn't, because the manufacturer is competing with others on a basis of manufacturing cost alone. The moment somebody else can make the goods cheaper than he can, he loses the business — and is left with no selling organization and no reputation. It is necessary to begin all over again.

Why the Manufacturer Needs the Jobber

And another reason why the manufacturer needs the jobber is this: he doesn't know who his customers really are. He may think he will go direct to the retailers, but beyond a certain point that isn't practicable, because it costs too much to make small sales in widely scattered territory, and there are a lot of dealers who *could* carry the goods whom a manufacturer would never find if left to himself. For example, the Ingersoll Dollar

Watch is sold by more than 61,000 dealers. Most of them would probably be characterized off hand as "retail jewelers," yet no list of jewelers would contain anything like all of them a list of those who handle jewelry — of possible customers of a new manufacturer in the jewelry line — would include auto supply dealers, piano dealers, dealers in sewing-machine supplies, photographic goods, drygoods, groceries, furniture, plantation supplies, harness, soft drinks, meals, books, cigars, bicycles, stoves, picture-frames, window glass, and men's clothing. Without the jobber's salesman, who is familiar with a certain territory, it is almost impossible for a manufacturer of goods in common use to get anything like the maximum distribution for his product. He doesn't know who the dealers are, and it costs too much to find out. The 15 per cent. profit paid to the jobber will be much less than would be required to reach all those dealers direct.

But throughout the campaign it should be borne in mind that the consumer is in reality the only staple element, the only factor which may not change overnight. The jobber may conclude to push his own private brand among his trade; dealers may switch for goods on which there is a larger profit, but the consumer's preference, once determined, will go a long way toward preventing those very things.

A Wholesale Grocer's Defence of His Business

A grocery jobber's defence of the work which the wholesaler in his trade is performing is found in an address delivered by Arthur M. Wilson, President of the New England Wholesale Grocers' Association, before a gathering of wholesale grocers in Harrisburg, Pa., in June 1912, as it was reported in the New York *Journal of Commerce*. Mr. Wilson raises the interesting question as to who is the middleman and who is the producer under the present conditions of disorganization.

*Not long ago one of the most prominent manufacturers of proprietary goods came to me and said: "We have got

*Part of an address delivered by Arthur M. Wilson, President of the New England Wholesale Grocers' Association before a gathering of wholesale grocers in Harrisburg, Pa., in June, 1912. Reported by the New York *Journal of Commerce* — *Printers' Ink*, June 20, 1912, p. 70.

to do something to get our goods into a certain large retail store. He is a large distributor and we must have a part of his business. He will not buy through the jobber; I have tried to sell him and he says he will give me an order if I will ship direct."

I asked him to wait a moment, and I called for a slip from the bookkeeper and showed the manufacturer's agent where we had sold this same retailer, two days before, over $200 worth of his goods; also showed him that he was buying right along. "Now," I asked, "can you show me how you can increase your output by selling him direct? You have sold and are selling, me and the other jobbers and we are giving you a good business. Do you believe we will be as interested in your product if you step in and take away from us some of our best trade?" He, of course, was obliged to admit that it was better to do as he had been doing and depend upon the jobber.

But the real trouble comes from the fact that many agents would never have come to us and asked the question, but would have looked at the order as so much gained to-day; would have shipped the goods, leaving it for us to find out afterward. . . .

The Jobber and the Quantity Price

Another thing, if quantity is the object and the manufacturer thinks it is right for several retailers, or a chain of stores, to combine and buy, say, a carload — generally less — why should not the jobbers combine and buy, say, ten or twenty carloads, and ask Mr. Manufacturer for an extra 10 or 15 per cent.? The manufacturer does not want this, for he knows it is not for his best interest.

Now, if the manufacturer wants the jobber to distribute his products — and nearly all say they do — then let them play fair. Don't let "thief" be branded on his forehead because he tries to steal 10 per cent. of the jobber's trade. Not only that, but let him remember that the large stores and the chain of stores are not, as a rule, his best distributors; that the small retailer, with the small capital, works just as hard to distribute a package of his goods as his larger competitor's and is entitled to just as much pay per package.

It has been said that the middleman must go. Who is the middleman? We all agree the jobber is a necessity to gather together commodities from all points of the world, obtain them in their various seasons and hold them until such time as the retailer wants them for his customers, the consumers. The jobber's business is not so arranged that he can sell the consumer.

The retailer is certainly a necessity, for the average family could not live over twenty-four hours if the retailers were all to close their doors. Next come the manufacturer's agents. Are they the middlemen? I think they would show to you forcibly they are very much of a necessity. Then it would be the manufacturers; but how could we have the many articles which now seem absolutely necessary for our tables if we were to push them out?

The Cost of Direct Selling

There are very few manufacturers in this country who make a business of distributing all of their products direct to the retailer. There are but few who can do so for the one reason that it is too expensive. They realize that with the capital invested for the difference between the price to jobber and the price to retailer it would be impossible to handle their products. The jobber, as a rule, discounts his bills and the manufacturer gets his money back quickly to buy more raw material. The jobber also furnishes free storage and drayage, so that the manufacturer's product is well distributed all over the country, available on a moment's notice to supply the retail trade. If the manufacturer should attempt to furnish the retail trade direct he would not only have a large number of small accounts to look after, which would in itself increase his office force a hundredfold, but his risk of loss would be increased many times. Furthermore, he would be obliged to have warehouse charges in every city in the country, pay drayage and also be under the expense of having men in each place to look after, check in, and ship his goods.

When this can all be secured for 10 per cent., yet would cost the manufacturer doing it himself 15 per cent., why should he not say "Mr. Jobber, I want you to do this work for me; I will pay you a fair price and will not interfere with your customers." Some, we admit, do say this and carry out their arrangement faithfully; others say it, but the moment we are off our guard and they have an opportunity to sell a large retailer or combination of retailers whom they feel will pay their bills promptly they take advantage of it and fall back upon the old cry of "quantity order — we must have distribution — we could not afford to let it pass, for you could not have sold them and they would have had some other fellow's goods."

From these excerpts in defence of the jobber it will be seen that the jobber himself has become tacitly to recognize that he is on the defensive. There seems to be no denying the fact that, if the jobber were still conducting his trade as it was conducted thirty years ago, the problems of modern distribution of manufactured merchandise would be very much simpler than they are. It is a very serious question, however, whether the old methods, if they were followed by any considerable portion of the jobbing trade without modification, would make it possible for the jobber to earn a living profit.

It being clearly the case that the jobber still has much work to do, even though direct purchasing and other new methods may have cut off some of his trade, the jobber contends that he is justified in adopting methods of conducting his business which will enable him to avoid the necessity of carrying on his work at a loss.

These methods which the jobber has adopted for saving his profits from annihilation have drawn upon him bitter attacks from every side. The three defensive methods of the jobber which we wish to discuss are: (1), the undertaking of manufacturing by the jobber on his own account; (2), the development of trade-marks or private brands which the jobber owns and puts upon goods produced for him by others, and, (3), direct appeal to the consumer in competition with the appeals being made to the consumer by the manufacturer.

"SUBSTITUTION" BY THE JOBBER

The following article expresses a commonly accepted view of the commercial effects of these defensive efforts of the jobber. This article appears anonymously, the author being said to be "The Advertising Manager of a Well-known Drug Specialty."

*The writer has been very much interested in the articles now running in *Printers' Ink* regarding the past, present and future of the middleman — the jobber.

The first article, written by the advertising manager of the firm of Francis H. Leggett & Co., wholesale grocers, indicates pretty clearly how valuable the jobber *might be* if he confined his activities to actual jobbing or distributing. In spite of the fact that the jobber is an apparently necessary factor in economical merchandising, it is a matter of much concern to the wholesale trade in general that few manufacturers, particularly of advertised trade-marked goods, now confine their sales exclusively to the jobber.

In the drug line, for example, there is a growing tendency among manufacturers of advertised specialties to sell the "cream of the retail trade" direct. The largest and most influential retail druggists buy almost everything "direct" and in most cases get the manufacturer's very best wholesale discounts. As this policy becomes more and more general, the jobber's field is being restricted more and more to the smaller dealer — the dealer whose capital and output does not make it possible for him to buy the quantities necessary to obtain "wholesale discounts."

It is this condition of affairs which is giving the wholesale trade the most worry, and it is this condition of affairs which is responsible for the general reduction in profits of the wholesalers, many of whom, "seeing the handwriting on the wall," are taking up specialties themselves as manufacturers. For example, we have Eskay's Food, Calox Tooth Powder, Riveris Talcum Powder, Pebeco Tooth Paste, Steero Bouillon Cubes, etc., etc., all made, marketed and advertised by prominent "wholesale druggists."

Why Jobbers Manufacture

Manufacturers assert that the jobber has only himself to blame for his loss of the most desirable part of his business as a distributor. *The jobber has taught the retailer how to substitute successfully*, and the jobber is more directly responsible for substitution than all other causes combined.

When an advertised article became sufficiently successful, the first thing the jobber did was to offer the retailer something else to take its place, usually under the jobber's label. The jobber's salesmen, to get business, told the retailer that his

Printers' Ink, August 25, 1910, p. 38.

product was "just as good as" or "just the same as" and gave the retailer a big margin of profit to push these goods. The retailer was interested and in many cases substitution in his store dated from the day *the jobber taught him how to do it.* From this beginning came the substitution evil and from the teaching of the jobber the retailer soon learned how easy it was to buy goods from a manufacturer under his own label so the jobber is now getting cut off from a considerable portion of that class of trade.

In the meantime, the manufacturer of the advertised specialty began to wake up to the fact that the jobber was doing him more harm than good and that while the jobber was filling all orders, calling for the advertised specialty, his salesmen were in reality working against the interests of the advertiser by pushing competitive goods under the jobber's own label. Who, then, is to blame if the manufacturer of an advertised specialty feels that his interests can best be served by going to the "worth while" retail trade direct and giving them all the profit there is in his article. In giving the retailer the profit formerly allowed the jobber, the manufacturer is going a long way toward preventing the substitution the jobber has encouraged. The additional profit, represented by the wholesale discount, makes the retailer more friendly to the product in question and under such circumstances the dealer can hardly afford to be antagonistic or to attempt substitution.

The position of the jobber to-day would be entirely different if he had acted merely as a distributor of those goods which his trade demanded; manufacturers would still be glad to take advantage of the economies which such service makes possible. But manufacturers who invest heavily in advertising and succeed in popularizing a trade-marked specialty must protect their business, and under present conditions the economy of distribution offered by the jobber is too often more than offset by his willingness to push an "own label" product in direct competition with the advertised article.

If the jobber is "doomed," as many seem to think, who can doubt that *he* is to blame?

THE PRIVATE BRAND WAR

Around the private brand wages one of the most violent struggles in the jobbers' war for existence. The pros and cons of this method of exploiting sales are discussed in the following article by P. R. Barney and in the letters which it drew forth from jobbers and others:

*In summing up his views on the important question of private brands, the advertising manager of one of the most widely advertised breakfast foods recently remarked epigrammatically: "If I had been in Mark Twain's place and owned his reputation, would I have been writing books and letting some other fellow put them out into the market as his own? I guess not! The private brand involves the same principle."

It is not difficult to appreciate what he meant after a little study of the situation.

A certain manufacturer of fine raincoats has long had dealings with a certain department store. He much prefers not to attach private labels to his product, believing that the latter should, for many reasons, bear his own trade-marked and widely advertised brand name

Retailers' Private Brands

This department store, however, has invariably stipulated that the raincoats it sold *must* have its own label attached to them, refusing to accept them otherwise. The manufacturer has been compelled to capitulate to this demand, rather than lose the business, which is considerable. And, having made this exception once, during the early days of his struggle for recognition, it is now not easy for him to turn tables and refuse to sell this store any more privately labeled goods.

But, in the meantime, what is happening? The manufacturer has been supplying the big store with the wherewithal to build up a reputation for what is, in reality, a *rival brand* of goods to his own regular brand. The reputation for quality which this manufacturer's goods can build up for any brand name which might be attached to them can now, at any time, be saddled at will by the big store on to the goods of any other raincoat manufacturer by the mere sewing of the store's private label to the collars of the latter.

But the department store, on the other hand, happens to be in the manufacturing business itself, in another line, putting out a widely advertised, trade-marked brand of hosiery. And, for reasons best known to itself, it steadily refuses to do for

Printers' Ink, August 4, 1910, p. 8.

others what it expects others to do for it. In other words, it will not put out its hosiery under private-brand names. "The sock is on the other foot" *then.* The store's views on the question of private brands are completely revolutionized, all of which reminds one of the old adage: "The devil was sick, the devil a monk would be; the devil was well, the devil a monk was he."

Probably few, if any, products are *really* labeled as private brands because manufacturers *prefer* it. They may *assert* that they do business thus because they like it best. They may even hypnotize themselves into *believing* conscientiously they like it best. But the fact remains that private labels are, in the main, put on goods which are the result of overproduction, or which are of second or third quality; or they are put on goods which have not a sufficient financial backing to accord them proper advertising. In the first two instances the goods are generally the product of manufacturers who have well-established advertised brands, and who are too shortsighted to see that by so doing they are cutting off their own noses. In the third and last instance the manufacturer usually puts out *nothing but* private brands. In his case, it cannot be denied that he hopes his product will sell on the basis of one or a number of comparisons with the *real leader* in its field,which is invariably advertised. Such a manufacturer is, in a sense, a business pirate, appropriating, as his own, reputations which neither his effort nor his money was instrumental in producing. Vowing strenuously that he doesn't believe in advertising, he is nevertheless industriously hanging on to the tail of the kite that keeps *him* up, by advertising.

The manufacturer of private brands, almost without exception, uses this classic argument, to the effect that his method of selling saves the cost of advertising, "the tolls of the battle in the columns of the press, which must be added to the cost of the goods," as one such manufacturer has put it. Naturally this kind of reasoning utterly throws to the wind the incontrovertible fact that the saving manufacturing cost per unit between a maximum sale of a thousand on an unadvertised brand and of a maximum sale of a million on an advertised brand is, without a doubt, far greater than the cost of advertising.

But, aside from all this, how does the manufacturer of private brands fare?

Says V. B. Brown, an official of the Wabash Baking Powder Company, one of the largest canning concerns putting out private brands: "Don't understand us as being opposed to advertising. We are heartily in favor of it, only we believe in the satellite rather than the system. That is, we believe in giving the retailer the initiative to build up his trade on his own brand of goods, rather than in creating a brand for our own goods among his trade and compelling him to join the system. His conscience never troubles him, because he has saved the consumer some money. A merchant, by handling his private brand of goods, gets the benefit of the advertising offered by it, whereas it is of no advantage to him to supply a demand among his trade that has been created outside of his own efforts. *The influence of the dealer is more valuable than the columns of the press.*"

The canner who takes his position on the side of the private brand, as above stated, seems to forget that he is thereby placing himself at the mercy of every retailer with whom he may do business. The retailer's every whimsical exaction as to price must be met, from time to time. He can never be certain but that he will find his retailers leaving him, taking their private labels with them, and going to other and cheaper manufacturers who may have inferior private brands. The consumers won't know of the change, however, and will keep on buying and being cheated, as if nothing had occurred. And *then* what of the dealer's conscience and the consumer's money?

The above relates largely to retail dealers' own private brands. When it comes to jobbers' private brands, the objections roll up even faster.

Jobbers' Private Brands

Extensive consumer advertising, without a doubt, is a more practical guarantee of quality than anything else. The contrast as to quality between the standard advertised brands and the unadvertised *retailers'* brands may be great, but the contrast as to quality between the standard advertised brands and the unadvertised *jobbers'* private brands is far more glaring. Jobbers are not manufacturers. They have no money invested in manufacturing plants. Their business success is not dependent entirely upon the success or failure of one or another brand, as is the case with the manufacturers. The *manufacturers'* whole business success depends upon maintaining the quality of their output; their everything is staked upon it. Not so with the *jobber*. If the jobber loses money because of the poor quality of his private brand of corn, he can make it up, and more, on his private brand of flour.

The New England Association of Manufacturers' Representatives recently issued a treatise condemning the private brand evil of which the following is a part:

Wholesalers will seldom, if ever, pay more for their brand than for the standard brands. Generally they expect to buy cheaper. The quality is, therefore, adjusted to meet the price.

If manufacturers had any inferior goods to work off, would they not be more likely to sell them under grocers' brands than under their own?

Retailers frequently buy goods by sample the first lot, but, when wholesalers change their quality or source of supply, they never notify the trade. The quality, therefore, may be excellent this year, but poor next. Manufacturers spending large sums in advertising and pushing their goods cannot afford to trifle with the quality and thus injure their reputation and trade.

Legitimate manufacturers appreciate the value and necessity of turning out a fine article under their own label and realize that it does not make much difference what is put under a wholesaler's brand, provided it passes the buyer's approval as to price.

Official reports show that few manufacturers' brands are among the goods found adulterated by boards of health, while wholesalers' brands so condemned are many.

Many wholesalers are dropping private brands since the passage of the pure food laws, while others are restricting such brands to the state limits so as not to clash with the national law.

The *National Food Magazine* recently offered an editorial on this very important topic, which read in part as follows:

"This 'private brand' man manufacturing goods to sell within the state of manufacture is in the business, not to make a reputation, but to make money and to make it rapidly. Hence his scheme is to doctor and dose the foods in ways possible to cheapen the cost of production. He employs the cheapest help; he buys the raw products at the lowest price; he even buys the decomposed and cast-off products of legitimate factories and by chemical preservatives and coloring makes them into foods sold to the consumer as pure, wholesome comestibles.

"Inasmuch as jobbers' private brands are not advertised to the consumers, it falls to the lot of the retailers to do all the hard work of introducing them. And then any one of a number of different questions as to quality, price, credit, or discounts may make it highly advantageous to change to some other jobber's private brand, which means begin the introductory work all over again.

"But possibly nothing more eloquent illustrates the unwisdom of private brands than the ever-increasing number of reputable manufacturers who are joining the ranks of those who refuse to put out private brands. Among the canners alone, they number the Van Camp Packing Company, Indianapolis; the California Fruit Canners' Association, San Francisco; W. R. Roach, Hart, Mich.; Strasbaugh, Silver & Co., Aberdeen, Md., and the H. J. Heinz Company, Pittsburgh. And what is true in the canning industry may be foreseen in any number of other lines."

This article drew out a number of letters for and against the private brand. The following were printed as typical of the main arguments on either side

*A. C. Hammesfahr, the Western representative of *Collier's* in Chicago, states his beliefs as follows:

Editor of Printers' Ink:

The article in the August 4th issue of *Printers' Ink* entitled "The Private Brand Pitfall," interested me very much, especially the paragraph quoting A. B. Brown, of the Wabash Baking Powder Company. Having had retail experience in a business where baking powder was sold, I may be qualified to give some information that may be of interest.

The big percentage of our customers were from the great middle class, although much of our goods attracted the better class. I remember one time that we put in quite a stock of our private brand baking powder — by that I mean baking powder with our own label on it. A twenty-five cent package was over twice as large as the same priced box of Royal.

**Printers' Ink*, August 25, 1910, p. 41.

It looked good to us, but when I tell you that at the end of a year we had only sold about a dozen boxes you will realize that private brand had no attractions for us after that.

At that time I didn't know much about advertising, but I learned it was mighty good business to handle goods that people knew and required almost no effort to sell. When we were carrying hundreds of different articles it didn't pay to take the time to push a private brand.

This same condition prevailed in connection with bottled and canned goods. Several times we bought pickles, catsup, etc., from local people. The consumer, however, usually came to the store asking for Van Camp's and Snider's Beans, Heinz's and Snider's Catsups, and so on down the line in connection with practically everything that we handled.

The Place of the Private Brand

I believe, however, that private brands can be used very effectively in many of the poor districts in the big cities like Chicago because there are so many people in these sections who do not know the different articles by name on account of lack of education and also because quantity is the important factor with them. A. C. HAMMESFAHR.

On the other hand, S. W. Roth, editor of *The Retailers' Journal* and *The Wholesale Grocer*, Chicago, elucidates his beliefs on the private brand question in part as follows:

Editor of *Printers' Ink:*

In his consideration of the question of private brands, P. R. Barney, in the August 4th issue of *Printers' Ink*, predicates his whole line of reasoning upon theories that are plausible enough, but which do not work out in practice.

When a wholesale grocer has a private brand packed by a manufacturer, he, and not the manufacturer, is responsible for the success of that brand.

He does not hire an inferior manufacturer to put up fine goods, any more than a publisher would hire a poor man to do good editorial work. The result of the product in either case depends upon the man who is having the work produced. It is his judgment, his energy, his direction, his capital that enters into the success of the product created.

In a slightly different sense, the same thing is true of the manufacturer. He does not plant, pick and pack the tomatoes that go into the can bearing his brand. Neither does he conduct the advertising campaign or sales force necessary to put value in his brand, commensurate with the quality of the goods. He hires good help to do this work. Still he is the manufacturer because he is the directing force.

Mr. Barney supposes that packers with a reputation for packing fine goods for others are entitled to the reputation that resides in the brand. He ought to know that the identical quality may be put up by other packers without in any way affecting the brand value. It is the brand the consumer wants, because the precise quality for which the brand stands is known.

The manufacturing wholesale grocer, who has his private "brand," is just as jealous of the reputation of that brand as any specialty manufacturer is of the brand he has created. The jobber has his ideal, and if he hires a manufacturer to put up his goods, he insists on having them put up *his* way. If one manufacturer does not satisfy him he turns to one who will. Whatever value he finally creates in his brand name comes to the wholesale grocer, as a result of his efforts. The manufacturer is simply his hired man, albeit he may be a good one.

Fair Play is the Solution of the Trouble

Mr. Barney's notion that a manufacturer packs his best goods under his own brand, and puts what is left into the jobber's packages, is not worth considering any further than to call attention to the fact that such a relationship between the manufacturer and the jobber is not possible. Of the hundreds of packers of vegetables and fruits in this country, those who put up goods under their own brand may be counted on the fingers of one man's hands.

The manufacturer spends thousands of dollars promoting his brand among customers. Having covered the entire country with his consumer and retail grocer advertisements, he cannot afford to create the machinery necessary to take advantage of this advertising. It would mean a sales force, a distributing force, and a collection force in each important city of the country. All of this force would be devoted to the business of handling one item.

The wholesale grocers in every section of the country maintain such forces, and they are able to do so effectively, because they are handling goods of great variety. Their territory may be circumscribed with respect to certain lines of goods, but it is thoroughly covered. This machinery which the wholesale grocer has created is valuable to the manufacturer who promotes the sale of his goods to the consumer all over the country, and he naturally takes advantage of it.

The specialty man would like to have the jobber push his brand. The jobber feels he cannot afford to do this. His own brands have become a necessity, and in his own special territory he is bound to push these. His aim is to associate his brand name with goods of high quality, so that the consumer becoming accustomed to the name will buy anything under that brand name with the full assurance that the goods will be satisfactory.

The jobber does not confine his brand name to one brand of goods. He carries a long line under one brand, and when a retail grocer creates a good trade for such goods, the jobber feels that he has made a customer who will not only carry his "brands," but will buy bulk goods from him as well. This is one of the prime objects of jobbers' private brands.

Another is that, once his brands become established in his particular territory, he is not at the mercy of a salesman, as he would be without private brands. The salesman may go to another firm, but he cannot take his trade with him, because the retailer feels he must have the house brands, for which a demand has been established.

The jobber does not advertise his private brands to the consumer by means of general consumer advertising, as the manufacturer of a single item does. If he did, much of his advertising would be wasted. The jobber's method is to advertise to the retailer through the grocery papers, to circularize his particular territory, and to promote sales through his traveling salesmen. In short, the methods of both manufacturer and jobber differ, of necessity, because of the nature of their business organizations.

Finally, the manufacturer, with his special brand, and the jobber, with his private brand, will dwell in peace if they play fair with each other. Each has his rights in business equity, and each has the means of protecting himself from the unfairness of the other. The private brands, however, are here to stay. There will be more before there are less, and we may be certain that the quality of the jobber's private brands will continue to improve.

S. W. Roth.

From the manufacturer's standpoint the great trouble with the private brand, of course, is the fact that the producer loses control over his distribution to a degree almost exactly proportionate to the success of the jobber's private brand exploiting campaign. One of the most ingenious methods ever employed by a manufacturer in redeeming the control of his product from a chain of private brand outlets is found in the case of the General Roofing Company. This concern took on one contract after another to supply roofing to jobbers for sale under a private brand until it found that, while it was producing enormous quantities of roofing, the sale of it was practically all under trade-marks owned by jobbers. The clever method by which they put a blanket plan of trade-mark control over their entire output is told in the following story, written by Frank T. Hill:

How a Roofing Manufacturer Planned to Reclaim His Business

. . . *The company had been making roofing for a good many years, and had built up three separate factories with an output of roofing materials of large dimensions. This had been done by trade-paper advertising and direct work on dealer and jobber. The bulk of the output went to the consumer under jobbers' private brands.

Now, when it was proposed to advertise direct to the consumer and tell him some plain truths about roofing, the question naturally arose, "What roofing are we going to advertise?" Obviously, to go to the consumer with a new brand of roofing or simply to push the General Roofing's trade-mark — a polite, military gentleman with his hat in his hand — would be to start competing with the company's own customers. The jobbers who were selling the company's goods under their own brands could be depended upon to object, more forcibly than delicately. They could hardly be expected to favor an educational campaign which, while undeniably telling the truth about roofing as they saw it, yet directed the consumer's attention toward some other brand.

To go to the consumer with a new brand of roofing meant,

***Printers' Ink*, February 29, 1912, p. 100.

simply and brutally, to sacrifice a large portion of the company's business. Not to go to the consumer meant that the roofing concerns which *were* doing so would make off with a comfortable slice of it. It looked for a while as though it was Hobson's choice, and that the loss would have to be pocketed in the end.

The General Roofing concern was right in the position in which a great many manufacturers of private brand goods find themselves. There was plenty of consumer good-will attached to the company's *products*, yet mighty little, if any, to the *company's own trade-mark*. The consumer knew this brand or that brand which belonged to this or that jobber, but he didn't know anything about the manufacturer of the goods. Each individual jobber could buy somewhere else and still keep his brand and the good will adhering to it. Consumer advertising which could take advantage of the good will already belonging to the several brands would be a success. Advertising which sacrificed this good will at the start would have a long row to hoe, if it didn't fall down completely.

A way was finally found not only to reach the consumer effectively, but also to get the benefit of what prestige had already been attained by the jobbers' brands.

The first step was to coin a name which could be applied to all roofing of the company's manufacture, no matter under what brand it had been previously sold. The words "certified" and "guaranteed" were combined so as to form the name "Certain-teed." A label was designed with this word featured prominently — leaving off the manufacturer's name, however — which was called the "Certain-teed label." When this label was affixed to a roll of roofing, either a jobber's brand or the manufacturer's own mill brand, it provided something to advertise which would not conflict with any existing arrangements. The company did not advertise General roofing, or any jobbers' brand of roofing, but "Certain-teed Roofing," which is the same thing, with a difference.

The Certain-teed label was not given the jobbers or retailers to paste on the stock they had on hand. This prevented it from "accidentally" getting on roofing material made by some other manufacturer. Each salesman was given a supply of the labels with instructions to personally paste them on any of the "General's" rolls of roofing which he found in the jobbers' or dealers' hands.

Beginning the first of the year, this label was pasted on each roll shipped from each mill. It stood for the manufacturer's responsibility, the quality of the goods, a guarantee of the process of manufacture: While the jobber's private label stood for the service the jobber renders to the retailer-price, quick delivery, extension of credit, etc.

The second step in the campaign was to mail to every jobber in the country — whether or not he handled the General's Roofing — a large illustrated, descriptive circular, and enclosed with it a similar circular directed to the dealer and a booklet for the consumer. The consumer's booklet was bound in the middle of a large circular to the dealer.

In the jobber's circular it was explained that here was a campaign that was entirely different from anything that had ever been attempted before. In it the "Certain-teed" label was reproduced and the jobber was thoroughly impressed with the fact that this campaign was carried on entirely for his benefit. His attention was called particularly to the circular enclosed, which was being sent to the dealer, also the consumer's booklet.

Roofing with Two Sets of Brands

In this circular and through the salesman the jobber was impressed with the fact that this Certain-teed label, *in addition to his own private brand*, would standardize the roofing and give to his private brand an added value both in the eyes of the dealer and consumer; that the Certain-teed label was constructed in such a way that the identity of his private brand would not be lost nor interfered with in any way.

In the circular to the dealer twelve of the advertisements to the consumer were reproduced and the keynote to this circular was, "How the 'General' will help you sell more roofing." The Certain-teed label was featured very prominently, and by illustration and copy the dealer was given a good reason why he should buy from the jobber instead of sending orders direct to the mill.

The campaign to the consumer in the farm publications and mail-order papers was explained in detail. The dealer was told that the "General" was with him in his fight against mail-order competition; that it was intended to fight fire with fire, and the "General's" advertisements would appear in the same publications that the mail-order houses were using to sell roofing; that in each and every advertisement the consumer would be advised to buy roofing from his local dealer.

The Certain-teed label was featured, and in many ways the prospective customer was shown how and where he could use Certain-teed roofing, in rolls or shingles. After this came an illustrated article entitled, "Let us take a picture trip through one of the 'General's' mills."

This part of the copy was devoted to good, strong reasons why the "General" made a better roofing at a lower price, rather than to a technical description of how ready roofing is manufactured. On the pages that followed this were illustrated the different grades of the "General's" brands, and it was explained that this same grade was being sold throughout the country bearing jobbers' private brands, in addition to the Certain-teed label.

In the closing copy the prospective customer was urged to buy Certain-teed roofing from his local dealer, and gave a number of good, strong, substantial reasons why he should do so.

In the advertisements in farm papers the Certain-teed label and the booklet were featured very prominently; in addition to this the copy was to carry with it a plan of education along two lines, namely, to show that the various tests often applied to roofing were "nonsensical rot," and also, by illustration and copy, to point out to the man living in the small town as well as the farmer a hundred different ways in which he could use Certain-teed roofing which he had never before thought of.

The copy, which was placed by the Mahin Advertising Company, ran from full page down to three inches single column. In the larger advertisements a coupon was used to make it easy and convenient for prospective customers to send for the booklet, which was offered free. In the smaller advertisements the booklet was illustrated. In each advertisement the trade-mark figure of the "General" appears and the Certain-teed label — in many instances the Certain-teed label being shown on a roll of roofing.

Six of the best salesmen — two from each mill — were formed into a "Flying Squadron." These men travel under a roving commission, covering the country from one end to the other, and work with jobbers and dealers at each point where the trade-promotion manager, James C. Woodley, feels they can be used to the best possible advantage.

The efforts of the sales force are also being supplemented by a vigorous educational campaign to the dealer and jobber in the trade papers.

If the campaign, which has started well, proves a success, it will go far toward solving a perplexing problem, and will show *one* way at least whereby a manufacturer need not sacrifice trade already secure by "going over its head" to the consumer.

WHEN THE JOBBER APPEALS TO THE CONSUMER

The results which the jobber can accomplish when he actually undertakes to aggressively push any line need no demonstration. But the case of the development of the American business in "Steero" as told by Charles W. Hurd may be useful in suggesting methods of doing this kind of work. This case also shows that, so far as ingenuity and skill in exploiting and marketing goods are concerned, the wholesale distributor may be on a footing quite as sound as the producer of the goods:

*The unusually rapid distribution of "Steero" Bouillon Cubes is chiefly explained by the very fortunate connection which the manufacturers, the American Kitchen Products Company, have with a leading jobbing firm in the drug line, Schieffelin & Co., of New York. If it had not been for this, all of the excellent magazine copy which has been put out with sampling offer attached, all of the demonstrations which have been made, all of the well-built dealer and consumer literature, and other work on the trade would have fallen far short of the present results. With the close co-operation of this jobber, and in consequence of its reputation, a thoroughly national distribution has been secured for this food novelty in less than three years and the manufacturers are now ready to proceed to the next step of intensification.

"Steero" has for many years enjoyed a large sale abroad, particularly in Germany, where it originated. Carl W. Rademacher, the original manufacturer of bouillon cubes, who made a large fortune from them, came here in 1907 to introduce them, and spent two years in a comparatively vain attempt to make headway. In 1909 his American rights and properties were taken over by the American Kitchen Products Company, of which Henry S. Livingston, secretary of Schieffelin & Co., is also secretary, and the rest of the story is plain.

Printers' Ink, January 25, 1912, p. 24.

"Steero" bouillon cubes are "distributed and guaranteed" by Schieffelin & Co. This operates to great advantage not only in the drug line, but in the grocery, delicatessen, retail liquor and candy store lines, to all of which "Steero" goes, for use in the home, at the soda fountain, bar, and on outings.

The connection with Schieffelin & Co., is not permitted to work to the disadvantage of other jobbers in the drug line. All orders taken in any way are turned over to the dealer's jobber. But the Schieffelin national selling machinery and influence were put squarely behind the "Steero" proposition and it has helped as hardly anything else could. The "Steero" people have been able to turn over all the responsibility for taking care of the drug trade to the jobber and have only found it necessary to detail the grocery, delicatessen, and candy stores, which they are doing at the present time.

"Steero" Exploited by a Jobbing House

With a national distribution assured in a short time, though not perfected, through the jobbers, the American Kitchen Products Company began to advertise. It went first into the woman's magazines and the weeklies, taking small space in the beginning, generally thirty and sixty lines.

"Steero," being the original bouillon cube in this country, the task that fell to the original copy was to educate the public to the use of the cubes. Bouillon had previously been sold in bottles, from which it had to be measured out in a spoon for use. "Steero" cubes promised an advance over this. All that was necessary to do was to drop a cube in a cup and pour boiling water over it. It was the acme of simplicity.

So the early copy pointed this out in picture and print. The cup was shown with the cube in it, dissolving under a stream of hot water issuing from the spout of a kettle. Sometimes larger space was taken to show the operation in a series: The package, the cube, the fingers dropping the cube into the cup, and the stream of boiling water dissolving the cube.

Having explained the method of use (with the valued assistance of a number of competitors) the copy next proceeded to explain the variety of uses. While necessarily retaining the cup and boiling water idea, last year's advertising copy painted in human interest backgrounds: How "Steero" is served at afternoon teas, how it cheers after a long walk, how used by automobilists, by yachting parties, how served at soda fountains in drug and candy stores and how given to children; all these various uses are pictured in an interesting way with wording to match.

At the same time that this style of copy was being developed, another need developed. Competition having arisen along this same line, it became necessary to identify the name more closely with the product. This was done in part by incorporating the package in the advertisement and in part by picturing the bouillon served in a cubical cup. It may be possible to get names like "Steero," or paraphrase the slogan, "a cube makes a cup," or assimilate the package, but a patented cup cannot be reproduced, and the "Steero" people, for this purpose, have taken out a patent on the cubical cup. They have ordered a large lot of these cups from Germany and will put them out to drug stores and candy stores for serving "Steero."

All of the advertising carries an invitation to send for free samples. With these samples there go back to the inquirer a letter asking her to order from her grocer or druggist and a descriptive folder. The inquiry is then sent to the dealer. The free samples distributed in this way have developed a demand in very quick time.

The Jobber's Choice of Mediums

The original magazine list has been largely increased since 1909. In addition to the woman's magazines and the weeklies of large circulation, the advertising has gone into many general magazines and class publications, as those for children, for outdoor enthusiasts, yachtsmen, actors and actresses, etc.

At the same time that the list has grown, there has been an increase of space. "Steero" has grown from thirty lines to a page, even a page at times in the *Ladies' Home Journal* and the *Woman's Home Companion*.

The newspapers have not yet been utilized as a medium, except in one recent instance, for the reason that the perfection of a general distribution has been first sought. Now that this has been practically accomplished, the development of local territories may be expected.

The sole exception when "Steero" advertising has gone into the newspapers was during the two cold snaps in January. On these occasions small double column ads were run in some of the New York papers to inform the metropolitan public that "Zero weather is 'Steero' weather."

In New York City, street-car cards are displayed in several of the surface lines and more will be taken on later. The cube idea has been worked out in a somewhat humorous way in some of these.

The dealer and consumer literature in support of this advertising campaign is unusually good. It is not elaborate so far as typography and paper go; the elaborateness is rather in the direction specializing the interest of each line of trade. There is a folder for the drug line, another for the confection store, another for the retail liquor dealer, another for the grocer, and still another for the consumer, the latter both for mailing and for store distribution by the dealer. The folders are small and tell the whole story with picture and description in a minute or two. That is what makes them valuable.

The usual dealer helps have been furnished in the shape of handsome hangers for store and window. No special attention has been given window display until recently, no pressing, necessity having previously been felt for it.

The time has now arrived, however, when more intensive work is advisable, and for this purpose several distinctive pieces of window display material have been prepared, one set of moving pictures, another of folding window cards, and another, a large cube.

One of the greatest helps to the advertising and selling campaign has come from the demonstrations. These are given in the grocery departments of the great department stores, in groceries and in drug stores. Often there are as many as fifty of these going on at once, in cities all the way across the continent. Samples and literature are given out at the same time.

Sometimes it pays to work a "stunt." A good "stunt" probably always pays. At any rate, the "Steero" people are working an ingenious "stunt" and it is very effective in getting attention and provoking interest. The name "Steero" comes, of course, from the word "steer." So the "Steero" people took a couple of what, in the back country, are called "likely beef critters," hitched them up to an old-fashioned cart, put on this a mammoth facsimile of the "Steero" bouillon cube and sent this outfit traveling through the country to give away free samples and literature from house to house. As slowly as it moves, and limited as its "circulation" is, it nevertheless has proved a very profitable advertising medium, with results easily traceable to it.

THE JOBBER'S RELATIONS WITH THE MANUFACTURER

One other phase of the jobbers' operations which is no less important than any of those already mentioned, is the whole group of problems involved in the jobbers' relations to the manufacturer whom he still continues to serve. It is perfectly clear that all of these defensive methods adopted by the jobber bring him into direct competition with the producer, so that if he still continues to serve the manufacturer or producer he is put in the rather embarrassing position of competing with his employer. This introduces a new problem — the preservation of genial and profitable relations between these two factors in the distribution system which have been thrown into somewhat strained relations.

An opinion of the jobbers' methods of meeting these new difficulties in the grocery trade is expressed in the following terms by a manufacturer. This manufacturer is not named in the article quoted, but the text shows him to be a manufacturer of a package grocery product selling at a fixed price.

. . . . *When a manufacturer, therefore, has created a product, linked it with his name, introduced both to the public, and then places the distribution of that product in the hands of the jobber, it would seem that the function of that jobber should be to loyally attend to its distribution and to demand and receive in return a fair recompense. If a manufacturer fails to pay the jobber a reasonable profit, that jobber ought to have the same right that any unpaid servant has, "to quit and go elsewhere." We do not think that a manufacturer ought, in fairness, to require a jobber to consent to an *exclusive* contract. We have never objected to having a jobber sell other brands than our own, so long as he did it fairly and allowed the law of competition to take its course. But when the jobber is fairly treated (as profits go) and deliberately creates and pushes, as his own, a rival brand, we think he not only displays poor loyalty, but, in the very nature of things, destroys his own value to the manufacturer as a safe and trustworthy distributor.

Printers' Ink, September 22, 1910, p. 29.

"In determining the adequacy of profit, I think it fair that the jobber should take into consideration the relative salability of goods. It is figured broad and large that it costs 7 per cent. for a jobber to do business, and the average jobber's profit on specialties is about 10 per cent. If an article is heavily advertised, and, therefore, sells with little effort and commands large sales, a jobber could well afford to handle those goods at a smaller percentage than he could unadvertised goods which are difficult to sell, and which move so slowly that his capital remains dead and locked up unprofitably.

In response to your third question as to what jobbers are doing to get in wrong with manufacturers and retailers, let me reply that some of them are doing almost everything imaginable, though most of them appear to be acting pretty decently. Personally, I am disposed to think that the jobber's shortcomings are not born of "pure cussedness," but rather from shortsighted conceptions on one side and under the lash of strenuous competition on the other. He is pretty apt to grasp the "nimble sixpence" without much regard to its ultimate effect upon healthy trade conditions.

Loyalty is a Matter of Profits

From the standpoint of the manufacturer — take ourselves, for instance — the profit to the jobber on our goods, figured on his cost, is 12 per cent. If some private brand manufacturer demonstrates to him that he can make 20 per cent. on an imitation, he is quite likely to forget loyalty to us; forget that a support of our policy would conduce to his own ultimate welfare; forget that our goods sell easily because of advertising, whereas his own would require much effort; forget that the advertised goods would turn over oftener and make a greater profit in the course of the year. He sees only the extra percentage in the private brand. He totally fails to recognize any moral phase of the question of his own obligation to the principle of reciprocity as a broad constructive force. Similar logic determines his attitude, in many instances, to similar competitive articles which he carries in stock. To his mind, too often, "the goods that pay a profit are those which pay an *immediate* profit, on paper, without regard to the ultimate effect."

From the standpoint of the retailer the jobber's chief malefaction lies in his willingness to sell certain large buyers whom the retailer regards as consumers. Too often the jobber thinks that "everything that comes to his net is fish," and he would as soon take orders from the hotel, boarding-house, steamship line, mining camp, and institution as from the retailer. I think this constitutes the sorest spot in the chafed relation of jobber and retailer. . . .

One Weakness in the Position of the Manufacturing Jobber

The manufacturing jobber is in a somewhat weak position since he occupies a position of comparatively inconsequential minority as compared with the entire jobbing equipment. For instance, in Chicago there are probably seventy-five jobbers, and yet we have only been obliged to cut off two of them for unfair competition. New York has about forty, yet, when we cut off the two biggest ones for unfair trading, the business was entirely absorbed and an increase of 21 per cent. made through the extra efforts of the other thirty-eight.

"It would, therefore, appear that the competitive jobber can easily be dispensed with by the manufacturer who has the courage to drop him as a reliance. Even suppose, in a certain big city, that *all* the jobbers were to rebel against a manufacturer's protective measures. Within the confines of a single city it would be very simple for that manufacturer to meet the situation by conducting his *own* jobbing house for that territory — or several manufacturers in co-operation — and depend upon the local jobbers to take care of outside territory.

Of course, when a jobber is cut off by a manufacturer he can always get plenty of imitation goods, whose manufacturers are ready to jump into the gap, but no jobber of any standing likes to refuse orders on the plea that he is unable to get the goods the retailer wants. It seems to us, therefore, that the manufacturer has the upper hand, and there is considerable evidence that reputable manufacturers are disposed to take advantage of it in checking the unfair competition of the manufacturing jobber.

You ask how we meet the reported objection that the grocery man cannot get a living margin of profit on advertised brands. My answer is "by giving him a profit and then compelling him to keep it." Goods sold on our schedule pay the jobber 12 per cent. and the retailer almost 30 per cent., which is ample. We very rarely have complaints of small profits, especially because the goods turn over so quickly as to make an aggregate profit that is very acceptable. The argument that advertising cuts down profits is not borne out in our experience, because our cost of advertising amounts to only five eights of a cent per package on the average.

You ask what is to be the outcome of certain tendencies in the distribution field. This is as much a puzzle to us as to you. In some thickly congested sections the chain-store system will probably thrive, and, of course, beget more and more buying exchanges in retaliation. Such buyers seeking preferment would naturally push the brands that they can buy on a jobbing basis, but so long as a manufacturer maintains his advertising and demand, we hardly think they will be able to altogether get along without the goods.

Buying exchanges and chain stores do not altogether eliminate the jobbers in making their purchases, and they never can and never will. The extent of their preferences will be on a comparatively few lines, and the claim that such big systems as Butler's, and the A. & P., or the Acme Tea Company of Philadelphia are "Great Temples of Economy" is not true, as applied to the *entire* stock a grocer ought to carry, nor will it ever be true. We have been able to keep up our volume even in their territory, though we recognize we lose a large part of the distributive power.

If the manufacturer accepts as an established fact the usefulness of the jobber in the distribution of all or part of his products, the question is soon forced home upon him, how he is to make the jobber work the market at something like its real capacity. Manufacturers through national advertising have had a taste of what results can be secured from intelligent product-pushing, and they are inclined to insist that any jobber handling their goods shall render to them as aggressive distribution service as they believe they could secure if they were to undertake to distribute the goods on their own account. The following story tells how one manufacturer induced reluctant jobbers of his district to take hold of his goods and push them with genuine enthusiasm:

*Texas jobbers of groceries have resisted stoutly the efforts of manufacturers to enlist or force their co-operation in dis-

**System*, April, 1911, p. 412.

tributing trade-marked goods. The margin of profit on foods nationally advertised is, of course, smaller than on the package lines which wholesalers can buy unbranded or market under their own names: to exploit these and keep trade-marked articles in the background has been the policy of many of the strongest houses in the Lone Star State.

To meet this condition and secure general distribution at a stroke, the sales manager of a large food company recently planned and executed a campaign which carried both jobbers and retailers by storm and placed enough of the house's specialties to supply the state with breakfasts for a good many months.

Forcing the Jobber by a Retailer Campaign

For its launching he selected the week when the jobbers were meeting in state convention at Dallas. From various selling districts in the South and Middle West, he drafted thirty-eight energetic road men and ordered them to report to his assistant manager at Dallas on the Sunday preceding the convention. For their accommodation he took almost an entire floor of the best hotel and prevailed on the manager to provide a huge round table in the dining-room, labeled "For Pee-Kay salesmen.' "Pee-Kay" isn't the name. The title the placard bore is known to very nearly every man and woman who sells or eats breakfast foods in the United States.

Before the assistant manager led his company in for Sunday evening dinner, the big table and the reserved fifth floor had stirred the curiosity of every guest in the hotel. Many of the latter were wholesale grocers already on the ground: not one of these who was acquainted with the assistant manager — he had in the past labored vainly with most of them — but stopped to shake hands and ask the meaning of the assembly. To all the manager explained the company's purpose to call on every retail grocer in Texas during the coming week and back up their selling efforts by advertisements in the newspapers. Half a dozen of the most influential he asked up to the fifth floor to address the salesmen at their evening meeting.

Acceptance of this invitation was inevitable. The boldness of the concerted attack, the number and vigor of the men who were to execute it made some measure of success a certainty. The jobbers realized the value of making an impression on these young men, by whom orders might be turned in their direction or otherwise. They climbed — such as were asked — into the

"Pee-Kay" band wagon and promised their co-operation. They approved the advertisements the assistant manager exhibited and handed around in proofs upstairs. If a demand could be created for "Pee-Kay" flakes and oats and biscuits in Texas, they were there to supply it. And the assistant manager, as the enthusiastic meeting drew to a close, sized up his thirty-eight men and promised the demand would be created. The salesmen had caught the spirit of the invasion game, a fight and a frolic as well as hard work lay ahead of them.

Ten of the men assigned to the most distant territories — the assistant manager had laid out routes for each during his weeks of preparation — were scheduled to leave on early trains Monday morning. These the other twenty-eight conducted to their trains after breakfast in a joyous procession that stirred up the town, attracted the interest of the newspapers and informed arriving grocers that "Pee-Kay" salesmen were "on the job."

To the newspapers, on a dull Monday morning, the parade and the plan behind it was a feature not to be overlooked. Any Texan's pride would respond to the fact that it took thirty-eight star salesmen to cover his big state; so they proceeded to touch it. The grocers' convention was important, but the "Pee-Kay" invasion and its purpose were given almost as much attention in the afternoon editions. Marked copies of these, the assistant sales manager and the salesman assigned to Dallas, mailed — in wrappers previously prepared for just such use — to all wholesalers and retailers and every newspaper in Texas the same evening. Meanwhile, in dwindling processions the salesmen had marched down to the trains which would land them on their respective firing lines next morning.

The demonstration made its impression on the jobbers, on the retailers, on the newspapers of the state — the majority, because of the novelty and the sale of the advertising, noticed the campaign in some way — on buyers of breakfast foods and on the salesmen themselves. It illustrated capitally the virtue of concentration, organization and publicity. Thirty-eight salesmen might work a month unnoticed in half the space Texas fills; give them a flying start, however, the sense of concerted effort, the stimulus of competition, and the consciousness of the public eye, though only for a moment, and they become a force whose efficiency is quite beyond ordinary measure. At least, this was true in "Pee-Kay" experience.

Ten days sufficed to sell 90 per cent. of the retail grocers of the state. Then, perforce, the jobbers fell into line. While consumers, reading the newspaper advertisements with some notion that special doings were afoot, brought a touch of personal interest and curiosity to the matter and clinched the whole thing by demanding and buying "Pee-Kay" products. So successful, indeed, was the campaign that it will be repeated at intervals when slack seasons in well exploited territories release salesmen for new "flying squadrons," to work backward fields.

WHEN MANUFACTURERS APPEAL TO THE CONSUMER

Consumer Education To Solve Private Brand Troubles

Appeal to the consumer by the manufacturer, in order to compel the jobber to be more active in pushing the goods or to forestall the jobber in any attempt to substitute his own brands for the manufacturer's product, is the most common of the methods of getting the jobber into line. A particularly successful case of this kind was the experience of the Hunt Brothers Co., of San Francisco, Cal., fruit canners. J. H. Hunt, President of the company, tells the story as follows:

*We entered upon our campaign to consumers only a little more than two years ago. This campaign of education was necessary because of the fact that the methods of canning fruits in this state were such as to require some strenuous publicity to let the public know how they might procure desirable canned fruit without running the risk of being disappointed by buying private label goods which were invariably recommended and sold as the best, when, as a matter of fact, the goods were of varying qualities — from fair down to disgustingly poor.

We knew that the consuming public wanted a better quality of canned fruits and felt that they would respond if they could be assured of getting the right quality.

The first year of our campaign was very slow and uphill work, our chief difficulty being that we could not seem to get the retail distribution. Our goods necessarily were higher in price to the trade than the cheaply packed goods that were

Printers' Ink, May 9, 1912, p. 8.

so freely offered and in such general distribution throughout the country under jobber's private label. It was hard to convince retailers that they could afford to pay a little more for even better goods that must retail at the same price as the brands they were carrying.

The majority of jobbers who took on our line did it with apparent intention to sidetrack it and prevent its getting into the hands of a competitor. Instead of giving us the support they promised and gaining for us retail distribution, most of them did whatever they could to prevent distribution, apparently preferring to carry the goods as dead stock in their warehouses rather than permit them to get on the retailer's shelves.

All this time our consumer advertising was going on and the constant complaint was that our goods could not be found in the retail stores.

The Appeal to the Consumer

We then concluded to send out our own specialty men to work the retail trade along with the salesmen of the jobbers who were acting as our distributors in the various markets. The retailers responded quickly and willingly, and we were agreeably surprised to find that instead of their unwillingness to pay the difference in price, they were not only willing, but glad to do so once they were shown the difference in the quality of the goods.

Our success during the past year, or second year of our campaign, has been wonderfully satisfactory and we attribute it to the educational campaign carried on with consumers and their ready response as soon as the goods began to make their appearance in the retail stores.

We have felt the need of some kind of dealer literature, but our appropriation being somewhat small for a national campaign, and being so very green in the business of advertising, we have gotten along with only our consumer advertising, coupled with the work of our specialty men with the dealers.

I might say that our only idea when we started in of what advertising might accomplish was gained through our connection with the advertising of Hawaiian Pineapple, which was almost entirely consumer advertising, and, like our fruit campaign, one of education. The success of that campaign was so remarkable that we concluded to enter upon a similar campaign of education on California Canned Fruits, and while, as above stated, our success is not only assured, but very satisfactory at the present time, we nevertheless had a very different situation to overcome, viz., that of private brand.

The merchandising condition which our advertising was designed to overcome was simply that of reaching the consumer with an honest, good quality, making it almost necessary to break down the barracks of the private-brand goods, a large majority of which were not only disappointing in quality, but had the labels claiming the goods to be much better than they actually were.

Our experience has been that wherever we have succeeded in reaching the consumer we are winning out handsomely, proving conclusively that our contentions were correct that the consumers are not looking for cheaper goods, but for better value.

The best dealer work in our case has been, while expensive, the *opening of the cans and showing the dealer* the comparative quality, side by side with the goods he was carrying.

ANOTHER MANUFACTURER'S APPEAL TO CONSUMERS

Arthur H. Scott, sales manager of the Scott Paper Company, of Philadelphia, is convinced that consumer advertising is a final and conclusive answer to private-brand control. The following case shows how his company used this weapon. It has some striking points of contrast with either the Hunt case or the General Roofing case already cited.

The Manufacturer's Chance of Escape

*Just because a manufacturer has been making private-brand goods for a number of years is no reason for his going on sinking his identity to the end of time. I grant you that the apparent title to the goods, as far as the public is concerned, rests with the jobber who owns the brand. I grant you that the same jobber can take the business clean away from that manufacturer whenever he gets ready to have his goods made by somebody else. I grant you all you care to maintain about the wastefulness of manufacturing a line of goods, putting your thought and your energy into them, and allowing them to go to the consumer under somebody else's colors. But I maintain that it isn't necessary to keep it up any longer than it seems profitable.

**Printers' Ink*, June 30, 1912, p. 30.

Three years ago this company was manufacturing approximately three hundred different articles, representing the accumulation of thirty years of doing business through the private-brand jobbers. Each year the jobbers' claims grew more insistent; price concessions, more elaborate labels and packages, special styles were demanded in ever-increasing ratio. Not one of the jobbers was tied to us. If we did not accede to their demands they would buy elsewhere — and the expense of putting up four or five varieties of a product in three hundred different forms was getting burdensome. We made up our minds that, if it were possible to persuade the consumer to ask for Scottissue or Sanitissue when paper towels or toilet paper were wanted we could easily reduce the number of styles and do as much or more business. As a matter of fact where we were handling three hundred articles we are now handling only five, and one year after we made the change our business had increased 40 per cent.

Direct Sale was Necessary

Of course, right at the start, the cutting off of the private-brand trade represented a big saving at the production end of the business but from the selling end it looked shaky. It meant cutting out the jobber entirely, and selling direct to the dealers ourselves. The jobbers who had built up a fancy trade in private-brand toilet paper, fixing the prices to suit themselves, were hardly to be expected to push the same paper under a manufacturer's trade-mark with the price advertised to the consumer. And there wasn't any use of continuing the private-brand papers and trying to market our own trade-marked papers besides. So the jobber had to go. We made up our minds that we would sell direct to the retail trade, and push the product off the dealer's shelves by advertising to the consumer.

Toilet paper is an article in which competition in price is remarkably keen, and there were plenty of other papers which were quite satisfactory. Therefore it was necessary to make something else the leader, create an "atmosphere" which would lead people to prefer Scott products, and let the product come in sort of incidentally.

The sort of atmosphere to be created came in for the hardest thought. We made up our minds to feature the Scottissue towel as the leader.

Just about that time there was a lot of talk going around, in the advertising columns and elsewhere, about "sanitation."

Some concerns selling through the drug stores were harping a good deal upon the antiseptic properties of their goods. We believed that there was considerable interest stirred up in sanitation, but we thought that where there was one person interested in sanitation there were a dozen interested in plain, every-day cleanliness.

Then, too, the arguments for goods as being sanitary or antiseptic tend to arouse prejudice on the part of the medical profession, because comparatively few products are really antiseptic as sold in the average drug store. Every surgeon knows how necessary it is to guard against dust, for example, if articles are to be kept in a sterile condition. So the advertising of goods with those precise terms is likely to give rise to an impression of false claims, while to say that the goods are clean can offend no one.

It was this semi-professional atmosphere which we endeavored to get — to surround the goods of our manufacture with the atmosphere of healthful cleanliness.

Getting a Semi-Professional Atmosphere

We made a good deal of the various uses of the paper towel, such as for shaving, for polishing windows, for removing superfluous fat from foods cooked in grease, removing moisture from photographic prints, etc. In each connection the cleanliness of the towel was emphasized, and we were careful to include the statement that the towels were snow-white.

We have used comparatively small space in the magazines in the belief that small space in many mediums would pay us better than large space in a few. Towels and toilet paper are articles which everybody uses every day, but they are not of supreme importance. Hence it seemed in better taste, and in line with the atmospheric appeal we were trying to make, to keep the advertising down where it would not be too conspicuous, yet would be seen.

Each year, during the automobile season, we have carried on a sort of sampling campaign, though the samples are not always free. We prepare "tourist packages" containing six paper towels, a paper comb, a drinking cup, a cake of soap, and a washcloth. The latter is separately wrapped in an envelope which carries an advertising message — which is not out of place as it would be in a magaazine page. These tourist packages are distributed through the local dealer, who buys them at cost to us. Sometimes he

The Use of Sampling

distributes them without charge; sometimes he gets a nominal price for them — depending upon the recipient in some cases. These sample packages are intended for use at country hotels where toilet facilities are often inadequate. They have been of great value in getting people to ask for our goods.

In each regular package of goods which we put out we include a little booklet in the form of a novelette, which sums up the various uses of the product, and carries the sanitary argument a little further than can be done in magazine space. The last few pages in the book are devoted to advertisements of the various lines, together with an offer of the tourist packages in quantity for automobilists. Some opinions of physicians regarding the germ-carrying properties of common fabric towels are included.

When the Jobbers Were Abandoned

When we discontinued selling through jobbers we divided the country into thirty sections. Each section is the headquarters of a salesman, and also a distributing point for the goods. We have trained our sales force to talk the goods to a dealer as if they were selling specialties to consumers. Each salesman is filled so full of the arguments for the use of our products that he cannot help enthusing the dealer. Once a year we have a salesmen's convention at the factory, and the men are thoroughly posted on the advertising plans, together with every new sales argument.

The results in two years have exceeded our expectations. The first year showed a gain of 40 per cent., and we have been going steadily on ever since.

So the private-brand situation is not hopeless by a long ways. Of course the cost of doing business is somewhat higher when it is necessary to maintain one's distributing points — I am speaking of the average manufacturer — and it is necessary to spend a good deal more time and energy training a sales force large enough and competent enough to represent the goods. But much of this is offset by the added enthusiasm which the dealer gains through contact with a man who is interested in the particular line of goods — not, like the jobber's salesman, spreading his interest thin over a multitude of things.

And later on, if the business grows to such a volume that it is no longer possible to handle one's distribution in this way, the jobbers will welcome the line with open arms. A big, going business, with the retailers in their territories demanding the goods, is worth paying attention to, and no jobber worthy of the name is going to cut off his nose to spite his face.

A MANUFACTURER WHO DEFENDS THE JOBBER

One Manufacturer Who Believes in the Jobber

Amid all the quarreling with the jobber it is refreshing to find now and then a producer who really uses the jobber to perform his proper function and treats him accordingly. The Kellogg Toasted Corn Flake Company is the classic instance of a grocery specialty manufacturer who insists that the jobber still performs a service and that he is worthy of his hire. Andrew Ross, the vice-president and sales manager of this company, delivered an address before the Central Division of the Associated Advertising Clubs of America, in Toledo, on June 14, 1912. From this address the following paragraphs are taken:

*Our company has very pronounced ideas of what constitutes a square deal to the grocery trade, with which it is closely identified. There are those who differ with us. I could name the representatives of half a dozen of the biggest interests in the trade who would seriously assert that we don't begin to know what a square deal means, let alone knowing enough to talk about it. The only consolation is that these men are greatly outvoted.

It seems peculiar that the square deal in business should strike men as a peculiar policy, and yet such actually seems to be the case. As far as I can learn it always has been the case. When we adopted the policies which now control the business of our company and decided to submit every business problem to the square-deal test and to hew closely to the line, the plan was derided as being impractical and visionary; but we are getting away with it, and with this policy firmly established in every feature of our business we have built up as substantial an institution as any man's heart could desire.

Our conception of the square deal is this: That our first and most vital purpose is to give to the consumer, the people for whom we make the goods, the best food we can produce,

**Printers' Ink*, July 18, 1912, p. 120.

at the smallest price we can profitably accept. That the jobber and retailer, who distribute our goods to the consumer, must be paid an equitable price for their services, and that every jobber is entitled to the same treatment as every other jobber and every retailer to the same consideration as every other retailer. This does not seem to be a peculiar doctrine, but it is, and it has cost us a peck of trouble to establish it. . . .

I can say frankly that I consider the national advertising is one of the greatest of all influences, if not the greatest, in the development and encouragement of the square deal in business. There are several reasons for this. In the first place, national advertising has bridged the chasm which has existed in the years past between the manufacturer and the consumer. The manufacturer now meets his customer face to face and talks to him, becomes intimately acquainted with him, studies his needs and requirements, and values above all things his friendship and confidence. He knows that this confidence is his greatest asset. Without it his advertising would soon become unprofitable and his business would fail. He must give the consumer all he has a right to require. More than that, he must even measure up to the consumer's fondest expectations, and to do this he must watch closely the two main points of his business — production and distribution. He must employ the best attainable products, the most skilled workmen and the most modern and perfect processes. In short, he must do everything possible to make a product which cannot fail to satisfy the customer.

Problems of distribution vary with different businesses. In the grocery business there are some 350,000 retailers and there are some 2,500 jobbers. No manufacturer, it may be safely said, can profitably deal with the 350,000 retailers in the grocery trade direct. The administration expense of carrying this terrific number of accounts on his books, the loss in bad debts and the cost of the army of salesmen and collectors that would be required would treble or quadruple his cost of doing business and add consequently to the burden of the consumer.

Giving the Jobber a "Square Deal"

I don't know how it may be in other lines, but in the grocery trade this talk of eliminating the jobber is all plain rot. There is considerable talk in the trade of what is called the "trinity of trade," the manufacturer-to-jobber-to-retailer chain of distribution. We believe in it, and we believe in the jobber and the retailer as distributors; and because we believe in the jobber we do not sell our goods over his head to preferred retailers. We need him as a distributor and so we give him all our distribution — 100 per cent. of it. There are a great many retail stores, particularly chain stores, in the country, to which we could profitably sell direct. I use the word "profitably" in a limited sense. But when the manufacturer has sold every one of these big stores direct he will find that 90 per cent. of his distribution is still through jobbers to the great army of small retailers. We don't believe in depending on the jobbers for 90 per cent. of our distribution and then taking 10 per cent. of their very best trade away from them. One cardinal point of our conception of a square deal in the grocery trade, then, is 100 per cent. distribution through jobbers.

But this thing of the square deal is not a jug-handled affair. There are two sides to it. If the jobber wants us to play fair with him we have a right to expect that he shall play fair with us. If he asks the manufacturer of a trade-marked, advertised brand to entrust 100 per cent. of the distribution to him the manufacturer of that trade-marked, advertised brand has the right to expect that the jobber will entrust 100 per cent. of the manufacturing of that trade-marked brand to him. We have no quarrel with honest, straightforward competition with other manufacturers, but when the jobber goes into the business of distributing his own private brand of corn flakes, thus competing with the very interest which economically he is supposed to serve, then we certainly have a right to a loud and sustained protest.

We have made that protest. We have made it very vigorously and we have gotten by with it. We do not sell a single case of Kellogg's Toasted Corn Flakes to any jobber marketing a private brand of corn flakes. There are just an even dozen of them off our books. Some of them are the biggest jobbers in the United States. We miss their business and we hope they miss ours, but in spite of it all we have to-day what we consider virtually a perfect distribution and we are getting and giving a square deal.

We believe in treating every jobber or every retailer exactly alike, and accordingly every jobber pays the same price and makes the same profit on our goods as does every other jobber.

The same is true in the retail trade. We believe in equal rights to all and special privileges to none and have in our business no free deals, no quantity prices, no rebates. Free deals and rebates are illegal in the railroad business and people get arrested for giving them if they are found out. I believe they are just as great an evil in any other line of business, only they haven't been legislated against. The free deal is solely a loading device. Its one purpose is to load up the dealer with as large an order as the traffic will stand. With a perishable product, such as a flake food, it seems to us that even if the free deal were not wrong in principle it would be a peculiarly fatal policy to adopt. We bend every effort in our business toward procuring the most normal distribution and avoiding any overstock. To this end we have no storage at our factory. Every case of goods we make goes direct into the cars. We consider it vital to our interests to get our goods into the hands of the consumer in the shortest possible space of time. Think, then, of the effect of a merchandising practice the sole purpose of which is to load up the retailer with as many goods as he can be induced to buy — goods which must stand on his shelves for weeks and months before they are disposed of, if in fact they are ever sold at all.

Free Deals and Fixed Prices

The free deal or the quantity price places a vast advantage in the hands of the big store with increased buying power over its small competitor. In this way it is a builder of monopolies and an enemy of the small dealer. It is an encouragement for price cutting and invariably has a demoralizing influence.

We consider that it is not only the right but the duty of the manufacturer of an advertised, trade-marked article to protect the selling price of his goods. He is responsible for attending to the best possible distribution of his product to the consumer. His distributors, the wholesale and retail merchants, cannot be expected to give his product the attention which it should receive unless they are fairly paid for their services. With a non-protected price article price cutting is inevitable; and, price cutting being contagious, a sudden epidemic of it is likely to be fatal to almost any business. And when the business of manufacturing and distributing a desirable article succumbs to it, the manufacturer, the dealer, and the consumer are all losers.

These are only a few of the cardinal points of the square deal in merchandising, as we see it. It spells better service for the consumer and it means the salvation of the small dealer — the little store on the corner. . . .

THE JOBBER AND PRICE MAINTENANCE

Price Maintenance and the Jobber

As suggested in this account of the policy of the Kellogg Toasted Corn Flake Company, we find that the problem of getting the jobber to maintain prices is one of the most serious troubles in the whole distribution system. The following excerpts from letters received by a producer who undertook to secure the opinion of various jobbers in the hardware trade on the question of price maintenance suggest the main features of this problem in the jobber's work and relations:

*We suppose that the jobber has as many friends as anybody else; otherwise he would not be able to stay in business and prosper.

Neither the jobber nor his friends, however, seem particularly anxious to rush into print in his defence when he is assailed; consequently we hear all sorts of things about the wickedness and uselessness of the jobber without hearing much of the other side of the case.

The jobber is regularly accused of pretty nearly everything from the high cost of living to bad crops and an unusually hard winter, and every few weeks somebody jumps into the ring with the proposition that all jobbers be eliminated.

In business nothing can persist indefinitely unless it fills a useful purpose and does its work well; hence the fact that the jobber increases and flourishes in the land is scientific evidence, at least, of the fact that he is needed.

Jobbers are accused, among other crimes, of failing to keep their promises in the matter of price maintenance and cutting prices recklessly whenever they see fit.

There has recently come to our attention the result of one investigation as to price cutting by jobbers which is interesting and which may be typical.

John Simmons Company, of New York City, are manufacturers of the Baldwin Acetylene Lamp, a lamp for miners,

**Advertising and Selling,* May, 1912, p. 140.

engineers, etc. These lamps are handled by jobbers in all parts of the country, and the following letter recently sent out by the Simmons Company explains the situation with which they found themselves confronted:

Ever since the jobbers have been handling the Baldwin Lamp we have insisted on the maintenance of the resale discount of 25 per cent., but every few months an epidemic of price cutting breaks out, first in one section and then in another. Sometimes it will break out in the same section two or three times, until the conclusion has been forced upon us that the jobbers are satisfied with a smaller profit than we supposed they needed in order to successfully carry on a profitable business.

We find that some of the jobbers are satisfied to take orders for, say, half a gross or more at $8.50 a dozen, and it occurs to us that it might be advisable to rearrange the resale prices on the No. 31, 32 and 33 lamps to $9 a dozen on less than half gross and $8.50 on half gross or over. Of course, there would be no change in our jobbing prices for the very good reason that we cannot afford to reduce our prices and still continue our advertising, and if we did lower prices it would only result in further cutting by some jobbers.

If the jobbing trade are satisfied with that profit on half gross orders, we do not see why we should object to their giving the difference to their customer, but unless it is the concensus of opinion of the jobbing trade that the $8.50 price would be satisfactory, we propose to hold to the present resale price of $9, and, in order to fulfil our promise to maintain that price, we will be compelled to withdraw the jobbers' discount from the jobbers who persist in cutting prices.

We dislike having to take such an arbitrary stand in the matter, but it seems that some jobbers will persist in selling goods without carefully analyzing their cost of doing business.

Kindly let us have your views on the advisability of a revision of the resale price.

Yours very truly,
John Simmons Co.

Replies from over four fifths of the jobbers to whom this letter was sent were received promptly. They were practically unanimous in their objection to the change in price suggested in the letter from the Simmons Company to them, and in their denial of having cut prices or being in favor of that practice.

These responses developed the interesting fact that the price cutting of which the Simmons Company complained was evidently due to false rumors started by so-called shrewd buyers. The way it worked out was this: When one jobber's representative called upon one of the "shrewd" buyers and offered Baldwin's lamps at the usual price, he was informed that they had been offered by another jobber at a lower price.

This statement was false but was accepted at its face value and duly reported back to the jobber by the traveler. Naturally the jobber said that if his competitors were offering these lamps at the stated cut price, that price would have to be met, and in this manner these little epidemics of price cutting bobbed up from time to time and in various places, much to the annoyance and discomfort of the John Simmons Company.

It is highly probable that this situation often develops in other lines of trade.

There is no way to prevent a liar from lying, but the protection of the jobber and of the manufacturer whose goods he carries seems to make it imperative that instances of price cutting be traced as soon as they are discovered, and that the real cause of the cuts be made known and the practice stopped.

Some of the responses received by the Simmons Company are quite interesting. We give below extracts from a few of the large number which we have been permitted to examine:

From a Western jobber, Chicago:

In our own experience we are almost convinced that most of the price cutting brought to our attention was due to shrewd buying on the part of the merchant, or, possibly even to misrepresentation.

From Strevell-Paterson Hardware Company, Salt Lake City:

As you know, we have written you several times in reference to prices being made our customers at less than \$9. We have never been able to find out just how low this price has been, but we know it is at least \$8.50, and it is a question whether it is not lower than that. We have absolutely refused, up to the present time, to make any better price than \$9. The result has been that our business has been dropping off very noticeably on Baldwin lamps. It is now a question of what we had better do regarding this, as this trade should belong to Salt Lake and we naturally are anxious for it.

From Wolff-Lane Hardware Company, Pittsburgh:

There is one thing sure, and that is if you deviate from your present established prices and give us the privilege of selling these lamps at \$8.50 in six dozen lots, it simply means that some one will go out and sell them at \$8.50 in dozen lots. As long as some of the jobbers will use your lamp as a vehicle for getting other business, just so long will these cut prices be cast around.

We have found one very good way of meeting this question of cutting prices and that is, when any of our men report to us that their customers can buy Baldwin lamps at less than \$9, we ask them to ascertain who is selling them at less than \$9, but we have never yet been able to find any tangible evidence of this having been done.

From C. H. Miller Hardware Company, Huntingdon, Pa.:

We do not think that $9 per dozen is too high a price, but the price has not been maintained.

If you can adopt some way by which you can hold the jobbers to the price of $9 we think it would be very much indeed to your advantage, and you can depend upon our hearty co-operation.

Kane & Keyser Hardware Company, Belington, W. Va.:

Past experience would lead us to believe that if you permitted jobbers to make price of $8.50 per dozen on six dozen lots or more, that they would take on a customer who would for one time buy six dozen in order to get this price; then perhaps he might persuade his jobber to sell him smaller lots at the same price, and, if this jobber refused to do so, perhaps he would tell some other jobber's salesman that he was buying from Mr. A. at $8.50 per dozen, and he would expect the same price from any one else; so that the price would be kept down to $8.50 per dozen.

From Simmons Hardware Company, St. Louis:

We are unable to conceive the idea of a jobber who is willing to sell Miners' Lamps at $8.50 based on the costs that you charge us. This company is not willing to sell the goods at $8.50 based on the present cost and request that you maintain the price of $9, and see that the other jobbers maintain it.

House-Hasson Hardware Company, Knoxville, Tenn.:

We find that the great trouble resulting from resale prices is that the manufacturer will allow some two or three jobbers to cut the price, still trying to have the smaller jobbers maintain it. We would suggest that instead of your reducing your resale price to $8.50 per dozen that the parties who have been guilty of selling lamps for less than $9 per dozen, that you advance your price to them to $8.50 F. O. B. factory, and if they continue to sell at $8.50 from stock would suggest that you charge them $9.50.

We think if you would ask the Colts Pat. Fire Arms Mfg. Company regarding restricted or resale prices that they would advise you that there is only one way to have these maintained, and that is when any jobber violates it to discontinue selling him. While we are now handling several lines which are sold on resale price, but we must say that we find the Colts Pat. Fire Arms people about the only concern we know of that are having the resale prices maintained, we could mention several manufacturers who pretend to have resale price but it is all a joke, as they allow some of the largest jobbers to do just as they please.

REVIEW QUESTIONS — CHAPTER VIII

1. What changes in distribution are causing a reorganization of the wholesale trades?

2. Why is the wholesaler so often on the defensive?

3. What are the three main methods of distribution for retail goods?

4. How does direct buying by retailers affect the manufacturer?

5. How does Mr. Wilson say the cost of direct selling compares with the cost of selling through the jobber?

6. How did the General Roofing Company reclaim its trade from private-brand control?

PROBLEM QUESTIONS — CHAPTER VIII

1. What measures has the jobber adopted in defence of his existence? Was he justified from: (1) His own standpoint, (2) The manufacturer's point of view, (3) The standpoint of the final consumer?

2. What are the main arguments for and against the "private brand"? As a consumer have you any preference for a manufacturer's brand as against a jobber's? Granting equality of product would you prefer Armour's bouillon cubes, or "Steero"?

3. Mr. Roth in his letter declares that all will be well if the manufacturers and private branders will "play fair with each other." What does this involve? Is it possible?

4. Would the General Roofing Company's plan apply in the case of a fruit canner?

CHAPTER IX

THE MANUFACTURER AND HIS ADVERTISING PROBLEMS

THE theme about which this compilation of experience records has been made is the interrelation between advertising and distribution. Step by step we have attempted to show by illustrations some of the ways in which the consumer and the various parts of the distribution system have been affected by the achievement of various advertisers.

We now come to the most complicated group of problems in the whole series — the problems of the producer of the goods. In many cases, in fact in all cases where the maker's identity is not lost, the producer is the originator of the advertising activity, if it is at all wide in scope. And in this case he necessarily remains at the centre of the advertising plan throughout its execution. But whether the advertising originates with him or with some factor in the distribution system lying between him and the consumer (as in the case of private brands previously discussed) his problems are affected by it and must be adjusted to it.

The manufacturer who controls his distribution has three separate fields of activity: buying his raw materials, manufacturing his product, and selling the goods which he produces. If, therefore, we accept advertising as one of the most powerful factors for influencing the size and kind of consumption, it obviously has a direct bearing on all three of these branches of the manufacturer's activity.

RELATION OF ADVERTISING TO PRODUCTION PROBLEMS

Looking over the list of really successful manufacturers' campaigns, we find that it is coming to be more and more generally recognized that advertising plans yield most satisfactory returns when they are drawn up with a clear conception of their place as an integral part of the manufacturer's entire policy and are not made merely an adjunct of the distribution efforts. In other words, the great campaigns are those in which advertising has been considered in its relations to the product, the market, and the distribution system.

The following cases, described by Lynn G. Wright, Managing Editor of *Printers' Ink*, make clear the interrelation between advertising and production problems.

Adjusting Sales and Production

J. M. Brock, sales manager of the William Crane Company, of New York, makers of gas burners and gas supplies of various kinds, voiced the sentiment of others when he said that the problem of adjusting sales to factory capacity was very serious.

"When the factory begins to fall behind I lose the value of my men, who are kept at home. I lose the value of my advertising. I purposely write advertising so as not to pull inquiries, and unavoidably one becomes listless in following up inquiries. I thus lose some of the good-will of dealers whose orders cannot be filled even within three months."

Mr. Brock believes that there never can be an exact adjustment of selling efforts to factory production. It is possible only approximately to make the estimates of factory production jibe with the estimates of sales. The factory superintendent naturally desires to get the most possible out of his force and inevitably tends to push production. Selling what he makes is a function which belongs to another world. Similarly, the sales manager, with a full corps of salesmen and with a heavy appropriation for advertising, goes the farthest possible in developing demand. It requires a strong executive to adjust the two branches.

One sales manager seriously suggested that in every organization the man responsible for selling the goods be given a voice in factory control. It is all very well, he said, that the selling department make out a detailed report to the chief of the concern, to match another coming from the factory superin-

---

**Printers' Ink*, December 22, 1910, p. 59.

tendent. He said that it was a defect common to most business organizations, that orders cannot be filled promptly. He called this defect maladjustment, as avoidable as it is regrettable. He said that, often, certain advertising campaigns and certain mediums of advertising find themselves in bad odor in a president's office, when the trouble lies with the president himself, who had not perfected his machine.

The Method of the N. K. Fairbank Co.

The manner in which the N. K. Fairbank Company has solved the question is complicated, yet it is said to be a real solution. This is merely the ordinary system of estimates of future making and selling carried out to the very farthest degree. Just how the sales department secures the data is made clear in a letter which J. D. Lewis, general sales manager, sent early in the year to his sales staff. It follows:

To Our Sales Staff:

We have four months more of this fiscal year — 1909–1910 — in which to reach the shipping estimates (there will be less than four months when you read this). We must reach these shipping estimates for the reason that our advertising and sales expenditures of this fiscal year are based upon the pledges for this year's shipments that you and I have made.

As the result of the definite promise by the Sales Department that our shipments during this fiscal year would reach certain figures, certain appropriations were made for saleswork (including the salaries and sales expenses of our selling staff), and for advertising, sampling, house-to-house work, and various other mediums of publicity. These appropriations were much larger than any made previously in the history of our business, owing to the greater amount of business that the Sales Department felt satisfied could be secured.

These expenditures were based upon the general or total estimates made by myself. My estimates were based upon the estimates of our territorial managers; their estimates were based upon those of their general salesmen; those of the general salesmen on the shipment of previous years, together with the knowledge of our greatly increased advertising of this year and their confidence in our being able, with the superiority and high standing of our various products, to secure for these a continuous growth.

You know, or soon will know, the eight months' shipments of your territory. Then, you can figure exactly the shipments required for the last four months of this fiscal year in order to reach your estimates. Much can be accomplished during these last four months. They have invariably proved the most extensive of any year since this firm has been in business, and you will agree with me that our advertising copy, etc., have been unusually attractive and strong in character. We have made them so by a more concentrated sales effort, due to our realizing just what must be done in a given time. The time we have is *four months*. Speaking of our business, generally, this time should be sufficient, and it will be, if no part of it is wasted. We have enough time, you and I, to plan and conduct a most thorough campaign. We must plan what amount still needed to reach your shipping estimates for 1909–1910 must be secured during May; what during June, July, and August.

Keep closely posted in reference to your shipments of *all our products. Do not slight any. Make every day of May, June, July, and August count* in gradually reducing the amount that it is now necessary to secure in order for you to reach our estimates for the year. Last year was the biggest year in the history of our business. There is every reason why 1909–10 should be much larger, and *you* have predicted that it will be, and we are relying upon *you* to do your share in making it a "banner" year for every product. The company has fulfilled its part of the contract — it is "up to you" to make good your pledges.

J. W. Lewis,
General Sales Manager.

. . . . The Sherwin-Williams Company has worked out a system, adaptable to the paint business, which the general manager of the company describes as follows in a statement:

The Sherwin-Williams Co. Plan

In a general way I will say that our sales campaigns are, of course, largely affected by the producing capacity of our factories but during the past few years our sales organization has kept ahead of the factory output all the time. In other words, we have been crowding our factories to the limit in order to take care of orders from the sales department.

We have a factory output report which comes to my desk each week, and which gives me exact information as to what we are doing at our various factories. In addition to this we have a general stock-keeper, whose duty it is to keep me informed of the exact status of our stock or raw materials as well as our stock of manufactured goods, not only in our factories, but also in all of our branch houses. The general stock-keeper receives from every warehouse and every factory each month what is known as an overstock report, and on this report is listed all stocks of goods that are over and above our regular stock limits and which are, therefore, evidently slow sellers. These reports are consolidated and passed through to my office, and our sales and advertising committee immediately takes action on this overstock report by inaugurating a campaign to make the slow sellers quick sellers.

We have a system of daily and weekly sales reports from all of our various branch offices and these reports are consolidated at headquarters, and are used as a basis for increasing or diminishing factory output. For instance, if these sales reports indicate a very rapidly increasing volume of business as compared with the same period last year, we immediately notify the factory, and they make provision for the unusual demand that is sure to be made upon them.

We have, of course, our weekly and monthly sales accurately charted for several years, and when this present year's line is drawn on the chart its fluctuations are closely watched, and the necessary information passed along to the factory, so that there can be the closest kind of co-operation.

As Mr. Greene recently explained in an article written for *Printers' Ink*, the advertising department has representatives upon our sales committee, and they are in close touch with all of our efforts to increase our volume of business and secure the requisite turnover.

Adrian D. Joyce,
General Manager.

Not only does the manufacturing policy and the selling plan influence the advertising campaign and its place in the policy of the concern but there are many parts of the production processes which can be made directly useful in creating personal atmosphere for the goods, in connection with the appeal to the consumer. This atmosphere, or air of individuality, may in some cases be pushed so far as to become a definite part of the whole policy of the company. The following cases of this are thus described by A. Rowden King:

The Atmosphere of the Plant as an Advertising Feature

*The advertising manager who in these days reckons without his factory is handicapped. Not only is the factory capable of suggesting advertising copy with a broad appeal, but a close interrelationship between advertising heads and factory heads is quite as necessary as between advertising heads and sales heads, if the highest possible efficiency is to be had.

If it is a chief aim of good advertising to impress the public with an idea of stability, it can be done in no better way than by publishing pictures or descriptions of the manufacturer's factory equipment. There the factory stands, a most tangible and conclusive proof of the advertiser's ability to cope with demand. Reams of words would fail to carry so well an understanding of the manufacturer's earnestness to build trade and to keep it. Every reader of normal psychology must feel that here is a concern anchored to one spot by the weight of capital invested in national equipment. Suspicions of irresponsibility, of "fly-by-night" policies, are allayed before they are born. A reader feels by instinct that a company thus committed to keeping a plant operating has a product which it honestly believes will continue to be purchased on its merits for a long period to come. Thus an advertiser wins respect and establishes character — a long step toward selling success.

The J. B. Williams Soap Company, South Glastonbury, Conn., claims the individual distinction of being the only firm to make a permanent advertising talking-point out of the fact that its factory is situated in the country, the inference

Printers' Ink, September 15, 1910, p. 30.

being that in the country the air is purer and conditions are better generally for the workers and for the products in the making. Whether these facts are necessarily so or not, they are doubtless full of human interest and have had their appeal.

The same general argument of factory cleanliness has been made a foundation of the advertising of a number of food products companies. The Franco-American Food Company, Jersey City, offers an excellent example of this. The H. J. Heinz Company, Pittsburgh, has used it to a considerable extent. The Shredded Wheat Company, Niagara Falls, has trained its advertising searchlight upon its "factory with a thousand windows." The Postum Company, Battle Creek, Mich., has been second to none, perhaps, in the emphasis put upon the factory and the urgency with which it has invited the public to "reason." . . .

The Anheuser-Busch Company, St. Louis, is another example. It built up its reputation by leaps and bounds at the time of the St. Louis Exposition by its hospitality at the factory backed up with appropriate advertising.

The immensity of factories and factory outputs is always a matter of human interest. The Gillette Safety Razor Company recently ran a whole advertising campaign emphasizing the fact that six big factories are required to turn out output enough to supply the demand. The Hamilton, Brown Shoe Company, St. Louis, is now advertising the fact that, if its factories and warehouses were placed side by side, they would extend a half mile along a street. The Weston Electric Company, Newark, has persisted in emphasizing the immensity of its factories, depicting them, among other things, in silhouette, against the skyline. Other instances of the same thing will be recalled to mind with little trouble.

Certainly the factory is the only part of the internal organization in which the public can be expected to have any vital interest. Certainly a description of the bookkeeping or other similar departments, no matter how well written, could not be expected to arouse a spark of enthusiasm. The public has a natural curiosity to look behind the scenes at the factories where the products it uses are made, especially if that "look" does not require much time and inconvenience and means no soiling of clothes. Machines become almost human when their quantitative capacities and qualitative intricacies are described by experts.

It is a thing too often overlooked but nevertheless true that it can be made a matter of great mutual advantage for advertising and factory heads to get together and talk over the past and the future. A growing number of the wise advertising managers are making a practice of having stated hours of conference with their factory heads, at which particular attention is given to the advertising plans of the immediate future.

The Need of Conferences

Advertising managers sometimes get in the habit of looking upon themselves as superior to any suggestions from their confrères in the manufacturing line of their business. But factory heads are clear-headed men, as a rule, and not infrequently they are able to make advertising suggestions of great practical value. Or, if not, it is of the utmost importance that these factory heads should be acquainted in detail with the consumer demand which is likely to develop within the succeeding few months, due to advertising. This may all seem self-evident and yet it is a truth which is by no means universally recognized.

Particularly in the case of specialty businesses, periodical trips of inspection through the factories, under the guidance of the superintendents, may often prove of the highest suggestive value to the advertising manager.

The advertising manager of such a specialty firm tells a story which involves a valuable instance of this sort of thing. One day, on his trip through the factory with the manager, he came to a machine which was turning out strips of gummed paper a hundred feet long. These strips were rolled up into compact space like bandages. The factory manager called the advertising man's attention to them and said "he'd bet he couldn't guess what the strips were used for." It was mystifying. It was then explained that school authorities in a great Middle West city had found these strips of gummed paper of great value when it became necessary to seal up rooms for fumigation purposes.

But there lay a fine opportunity for good copy, with keen human interest behind it, an opportunity, which was timely in view of the fact that new talking points had been particularly scarce and that the fear of being compelled to make colorless repetitions to rehash former copy, had seized the ad man. The gummed paper made the basis of a fine new ad brimming over with vitality which pulled.

The Waterman Factory and Its Advertising Uses

An excellent example of factory advertising has been furnished within a fortnight by the L. E. Waterman Company, New York, which opened a new factory September 10th. There can be little question but that much advertising value was got out of the new factory. The advertising has been well rounded and thorough.

The foundation of all this Waterman factory advertising was a full-page "reader" ad which appeared on the page preceding editorial matter in the September 11th issue of *The Monthly Magazine Section*, a component part of the Sunday issues of six big newspapers in as many cities. This "reader" was brimful of human interest. It was headed: "A Million a Year — The record of one factory in one of the largest industries in America."

"To hook up" with this advertising, the Waterman dealers in the six big cities referred to were supplied with window cards advising the public to read the story "A Million a Year" in the next Sunday's issue of the local paper. The same advice was contained in smaller ads placed in these same six newspapers some days in advance of the "reader." Reference to the same article was also incorporated in a quarter-page ad run last week in the *Saturday Evening Post.* A double centre spread was run in *Leslie's Weeekly.*

But the fun didn't end here. F. P. Seymour, the Waterman advertising manager, further rounded out his factory advertising campaign with a page ad in colors in the September 11th issue of the *Associated Sunday Magazines*, and the *Illustrated Sunday Magazine*, in which particular emphasis was put upon the opening of the factory, the immensity of the Waterman business, and the number and intricacy of the operations required to turn out each pen.

Furthermore, local advertising was done in practically all the New York papers contemporaneously with the opening of the new factory, far more display advertising being indulged in, as a matter of fact, than in connection with the opening of the colossal Pennsylvania Railroad's new terminal in New York the same week. Special advertising of this sort was also done in Baltimore newspapers, they being notably untouched by the Sunday magazine lists.

To cap the climax and link up the whole, the Waterman Company invited some 2,000 guests, including many agents and dealers, to attend the formal opening on the tenth, when a luncheon was served and a careful inspection of the big building was in order.

Mr. Seymour is an enthusiastic believer in the advertising possibilities of close contact with the factory. He makes a practice of having periodical talks with W. I. Ferris, the Waterman factory head. He informs the latter exactly what he is planning in the matter of immediate advertising, and Mr. Ferris, on his part, being so close in touch with the output conditions and thus with the consumer demand is frequently able to make suggestions of the greatest value. . . .

USING THE SALES OFFICE BRAINS IN COPY WRITING

How the National Cash Register Company Wrote a Two-hundred-and-fifty-word Advertisement

The National Cash Register Company, of Dayton, Ohio, is one of the most advanced companies in the United States in the matter of adjusting its advertising appeals to the various factors of production and distribution. A very interesting series of articles on the advertising policy of the company appeared in *Printers' Ink* during September, 1911, written by Mr. E. D. Gibbs, who was for over ten years advertising director and trainer of salesmen for the National Cash Register Company. These articles make the interrelation between departments admirably clear, but they are too long to reproduce in full. In the course of one of these articles Mr. Gibbs relates one incident which throws an interesting light on the methods of the company in using the best brains of its production and selling forces in the solution of its advertising problems:

*Some six months or so ago a piece of printed matter was prepared to go out to nearly a million prospective purchasers. In size it was about 8 by 12 inches. It was in colors and the space left for type admitted of the use of about two hundred and fifty words if set up in fairly good sized type.

When the proofs of the illustrations were ready Mr. Patterson had them sent to him in New York, where he was studying some sales problems in connection with Mr. Deeds, the vice-

Printers' Ink, September 14, 1911, p. 3.

president of the company, and Mr. Watson, the sales manager. The present advertising manager, Mr. Olwell, was not then with the company, otherwise he would have been present. Mr. Patterson called an advertising meeting of the officers, and as I was in New York at the time he invited me to be present. What happened will seem strange to some readers of these articles. *We devoted two days to writing those two hundred and fifty words.*

How does that seem to you men who dash things off in a hurry? What would an agency say to a copy-writer who took two days to write a two-hundred-and-fifty-word advertisement? Yet that is what we did. And the reason can best be given in Mr. Patterson's own words. Said he: "We are going to talk to nearly one million prospective purchasers in this one small piece of printed matter. Whatever we say must be right to the point, understandable, and as convincing as it is in our power to make it. There is nothing more important confronting us at this moment than the writing of this advertisement. It is costing us many thousands of dollars to print and mail. It must tell our story so that the merchant will be impressed and encouraged to write in to us. It is because of the importance of this matter that I have called this meeting of the heads of our company to prepare the reading matter."

I looked around at the men in the room and tried to figure in my own mind what their time was worth per day. I don't know what salary the president pays himself, but I have a very good idea of what the others receive, knowing, as I do, how important is their work, and I arrived at a figure which, to say the least, was rather startling.

"Clearly," thought I, "this is the most expensive staff of copy-writers ever assembled in one place, and all to write a two-hundred-and-fifty-word advertisement. Talk about thousand-dollar-a-week writers, they were not in it!"

"Now, then," continued Mr. Patterson, "let us take a blackboard and write down the object of this advertising, what we expect to accomplish, what message we wish to convey, the class of people we are trying to reach, and the character of the advertisement itself." This he proceeded to do.

"First," said he, "the message must be a short one. It must be telegraphic. Our prospective customers are busy people. They have an almost endless amount of detail to attend to. We must send them a telegram."

In the meantime he put down on the blackboard the various thoughts as they occurred to him. . . .

Then he called for suggestions, and each man in the room, including myself, gave an idea of what to say.

It is not worth while going into an explanation of this particular advertisement, nor of what the final choice of two hundred and fifty words consisted. The point I wish to dwell upon is that the president, the vice-president, and sales manager of a $10,000,000 company gave up *two days* to the writing of *one circular*.

There you have a reason for the success of the N. C. R.-*thoroughness*. As they say, "Trifles make perfection and perfection is no trifle."

Important as is the lesson conveyed by the above explanation, the results secured by that one piece of printed matter are worth studying. The question is: Was it all worth while? Did the advertising make good? *It did.* The company never had better returns from any printed matter sent out. So you see it paid.

Mr. Patterson has often made this statement: "There are two things to which I must devote the greater part of my time — the first is advertising, the second selling. If we advertise properly we pave the way for our agents. If we have a thoroughly trained selling force — the men can sell our goods in good times or bad. The important things to do, therefore, are to improve our advertising and improve our sales force. If we get the orders we can easily manufacture the product and make the proper records, but first we must get the orders."

MARKET PROBLEMS — STARTING A NEW PRODUCT

The advertising problems involved in launching a new product are extremely difficult. They involve first establishing the success of the new product, and then protecting it from the sharp competition which is one of the inevitable results of this success.

Introducing a New Product

A manufacturer of a new product, therefore, is obliged to choose his selling plan, develop a corresponding selling staff, create his demand, and prepare for competition, all at the same time. Each of these obviously has its bearing on the adoption and development of the manufacturer's policy in all his various lines of activity. An interesting case of new product problems is to be found in connection with the development of market for vacuum cleaners as described by Roy B. Simpson, who is now advertising manager of the Roberts, Johnson & Rand Shoe Company, of St. Louis, and who formerly was interested in exploiting vacuum cleaners:

*[EDITORIAL NOTE: — *Any business man who is willing to take the time to think and analyze can get a valuable lesson out of the vicissitudes which have beset the vacuum cleaner industry. To establish on a sound financial basis a class of goods for which no previous demand has existed requires the most delicate manipulation, an extra-conservative merchandising policy, and a very liberal margin of profit. The typewriter, the piano-player, the talking machine all had hard sledding at the start. Why? Because out of every dollar spent in promotion ninety cents must go toward creating a demand for that general type of article and only twenty cents are left to bring the demand home to your particular factory. If you start as a manufacturer of clothing or canned goods, your problem is simply that of capturing a part of the floating demand. You do not have to argue that it is a good thing to be clothed or to eat food. People are bound to buy hosiery and crackers — it is simply a question of which brand they will buy.*

But let a new idea like a vacuum cleaner be launched, and a lot of men dash into it as they would into a bonanza gold field. Instead of nuggets lying around on the surface, killing work is necessary to unearth them. In their efforts to try to make the thing go the different manufacturers vie with each other in cutting prices, not even knowing that they are getting far beyond the danger line. Advertising is resorted to as though it were a miracle-worker. It is asked to accomplish the impossible and blamed when it fails to overcome unsound merchandising policies. If the article itself possesses sufficient merit and vitality, the industry will eventually right itself when the rainbow-chasers have been eliminated.

Mr. Simpson was advertising manager of a concern making

***Printers' Ink*, July 18, 1912, p. 34.

a vacuum cleaner during the "boom" days. He gives an inside view of what may be expected when men rush into a brand new industry without having counted the cost and then try to save themselves by doing business on an impossible price basis coupled with extravagant claims. For obvious reasons, the names given in the following article are fictitious but only the names.]

Three years ago the portable vacuum cleaner business looked so promising that it bid fair to eclipse all other specialties used in home and office. Any mechanical device bearing the name vacuum cleaner was easy to sell. A joint of stove-pipe, with a cleaning nozzle on one end and a plunger handle in the other end, brought ten dollars. It was a cinch to finance any vacuum cleaner scheme, but there have been so many lamentable failures that the investor now takes an extra grip on his pocket-book when vacuum cleaners are mentioned.

That this business has had a fearful set-back no well-informed man will deny. This condition is due to patent litigation, misrepresentation, and unfair competition. Several large and highly prosperous concerns have passed through a period of storm and only time and careful management can repair the damage.

The portable vacuum cleaner is here to stay — there is no doubt about that. It is a necessity, it makes the home sweeter and cleaner. It eliminates disease dangers and helps people to live longer. Nothing can kill it, but why is it that you do not see the vacuum cleaner advertised to the same extent as three years ago?

Let's see how this industry was created and what made it sick.

About five years ago there arose a need for a small portable machine at a reasonable price. The intelligent housewife had had a taste of vacuum cleaning by the large wagon machines, but, because of the excessive cost of the service, only the rich could enjoy it.

The Peerless was the first portable machine in the field. It was a large, cumbersome affair, operated by a fan. The price of this device ranged from $265 upward. The advertising was strong and the sales plan fundamentally sound. This machine was offered as a labor-saving device. It was sold chiefly to people of wealth.

A year later the Nonpareil was developed and placed on the market at a price of $20 for the hand-operated machine and $60 for electrical equipment. Within a year agents had been appointed in nearly a thousand towns and cities.

The third portable machine of note was the Hygienic. This machine sold for $125, with a complete equipment of tools. It is of the highest efficiency possible in a portable cleaner and is sold under an unlimited guaranty.

When Competition Grew Sharp

Shortly after the appearance of the Hygienic appeared the Little Wonder, almost the exact duplicate of the Hygienic. The Little Wonder is made in several sizes, at $65 to $135.

The fifth notable success was the Home Helper Suction Sweeper. This is a small machine, weighing about ten pounds and employing a rapidly revolving fan as its cleaning agent.

There were numerous other devices at prices ranging from $5 upward, but all of them, save one, were short-lived. The one exception, the Domestic, was sold at $8.50.

Here we have five concerns, which in a short time obtained a tremendous distribution. Their profits were large and during 1910 it is estimated that they spent close to $1,000,000 for advertising in the popular weekly publications, standard magazines, and other media, but much of this advertising has disappeared.

As one who is in the thick of the fight, I can frankly discuss the reasons why these great advertising propositions were killed. I have no hesitation in giving the reasons, believing that the several promoters now admit their errors. These were errors of judgment in placing too much confidence in the claims of over-enthusiastic inventors. As a rule the several concerns mentioned are headed by men of high character and integrity.

The Nonpareil cleaner probably had a larger sale during the first three years than any of the five we have named and the business would be alive and prosperous to-day but for the grevious error in publishing the names and addresses of all of its agents in double-page spreads. Within twenty-four hours after the appearance of this large advertisement competitors were assailing the sales organization with a view to breaking it up. They succeeded. Within a few months this concern went out of existence.

The Hygienic is a high-grade machine. Theoretically and practically, it meets all requirements of cleaning in the home.

The Hygienic people fought its competitors fairly and met the fierce patent litigation honorably. The first advertisement played up the hygienic idea very strongly. This was a new thought and it met with a response so great that it brought a large volume of immediate use orders, and guaranteed contracts aggregating over a half million dollars.

A New Selling Point

Competitors who had been featuring the vacuum cleaner as a labor-saving device immediately recognized the value of the sanitary argument. They endeavored to beat the Hygienic advertising by making claims just a little bit stronger, but this did not increase sales to any great extent, although it diverted the attention from the Hygienic campaign.

The Home Helper Suction Sweeper, which serves its purpose admirably as an electric carpet sweeper, was advertised to be lighter than an ordinary carpet sweeper, but, as a matter of fact, it was several pounds heavier than the Bissell carpet sweeper. The Home Helper was also advertised "to do all that any vacuum cleaner would do, and more." This overrated the efficiency of the machine, as was proved by practical comparative tests. Many of the prominent magazines carried the Home Helper copy. Other advertisers protested against the unfair claims in the copy, but the publishers refused to eliminate them.

Very often a single issue of the popular publications carried the copy of six to ten cleaners, ranging in price from $6 to $125. All of them are represented to be the "best in the world" and some claimed to be "better than the best." The Hygienic and the Little Wonder, both of which are vacuum cleaners of high efficiency, were in competition with suction sweeper and the toy hand-power machines.

The vacuum cleaner and the suction sweeper are two different propositions. The former is for thorough cleaning and the latter is for surface sweeping. But the public had not learned to discriminate between the two and any mechanical cleaning device was accepted as a "vacuum cleaner." The business suffered because of the comparative statements in the advertising.

The prospective buyer was not interested in a Hygienic at $125, after reading the Home Helper offer — to put a better machine in their homes for $1 down and $3 per month, until the full instalment price of $73 had been paid. To the general public this proposition seemed reasonable. Why pay $125 for a cleaner when you can get one for $65 cash or $73 on instalments, that "weighs less than a carpet sweeper and will do all and more than any other vacuum cleaner can do?"

A vast number of people who bought the Home Helper and cheaper machines were not satisfied. They based their opinion of the whole vacuum cleaner subject on the results obtained with electric sweepers and cheap hand-power machines.

The Home Helper suffered in turn by the advertising of the Domestic vacuum cleaner, at $8.50, and others in the same class. The Domestic machine was a hand-power apparatus of little or no real cleaning efficiency. Tens of thousands of them were sold and they would still be on the market but for the fact that Uncle Sam decided it was wrong to use the mails to sell a "vacuum cleaner without a vacuum." Its promoters were convicted for using the mails to defraud.

Another factor in retarding the progress of this great industry was the strenuous efforts of the Little Wonder and Home Helper people to beat each other on the instalment proposition. The Little Wonder concern was struck with the attractiveness of the Home Helper offer, and to divert the attention of the people away from the Home Helper, the public was urged to buy a Little Wonder machine for a small cash payment and let the rentals of it pay the balance.

A large instalment business was the natural result and there was nothing to prevent any purchaser from renting his machine every day. An initial payment of $3 secured a cleaner. The purchaser would rent it to his friends and relatives for $2 or more per day. Thus, in a month, the machine would probably be used 260 hours, while in the average family, where the machine was owned outright, it would be used about two hours a week. Therefore, a cleaner bought on the instalment plan would get 130 weeks' family use during the first month.

Putting the Sales Methods on a New Basis

Suppose the purchaser defaulted his first payment and allowed the machine to go back. Many, no doubt, were unscrupulous enough to do this, after having rented it twenty-six days at $2 per day. This plan of selling put a crimp in the Home Helper sales plan and it soon became known that anybody could get a vacuum cleaner for a whole month for $1 for the Home Helper and $3 for the Little Wonder. Under such conditions who but the real honorable folks would pay $65, $75 or $115 spot cash for a vacuum cleaner?

During the first year or so there was a large sale of vacuum cleaners direct to the user by mail. The general public had confidence in the advertising. But, after the circus performance through which the business passed, vacuum cleaner advertising was looked upon with suspicion. The publishers are as much to blame as the manufacturers, because nearly all the publishers refused to make a comparative test of the various cleaning devices advertised in their columns. Had they done so, as they were urged to do, business honesty would have compelled them to eliminate all copy containing comparative statements of whatsoever nature.

No doubt there are as many vacuum cleaners sold to-day as there were a few years ago, but the volume of business should be much larger. After a while little the general public will forget its experience in buying on advertised claims and the vacuum cleaner will again be a splendid advertising proposition, but for the present vacuum cleaners must be sold on their merits — for what they are. Machines of the Home Helper type should be sold as electric carpet sweepers and not as vacuum cleaners, and all machines must be sold on demonstration in the home.

The vacuum cleaner is here to stay. It is now a necessity in every well-ordered home, and if promoted in a businesslike manner it will ultimately become greater than sewing machines, cash registers and typewriters combined, because every owner of those devices is a possible purchaser of a vacuum cleaner.

MARKET PROBLEMS — PROTECTING THE GOODS

An advertiser of branded goods is not merely selling goods, he is planning for future sales. His interest in the goods, then, covers not only their intrinsic value; it involves also the attitude of the market toward the goods. His interest in his product does not end with its sale, it embraces everything which may help or mar its reputation. He is obliged to protect his own reputation by protecting the reputation of the goods on the market. Roy W. Johnson gives a number of instances of this feature of the manufacturers' advertising activity from which we draw the following:

*It is becoming more clearly recognized every day that the manufacturer of branded goods — whether they be food products, or jewelry, or packing for steam engines — does not part with his interest in or responsibility for them the moment the goods themselves leave his hands. It is getting to be understood that the goods are entitled to protection while they are in the hands of distributors, and that upon the effectiveness and the scope of such protection much of the value of the trade-mark depends. The value of the trade-mark as a guarantee of quality can be very quickly impaired if it is possible for a jobber to sell goods which have grown stale or which have become defective through careless handling.

Protecting the Goods on the Market

It is incumbent upon the manufacturer to watch all the factors of distribution very closely. Some manufacturers have the ultimate consumer in mind as the most important factor, and overlook the jobber and dealer almost entirely. Still others take the attitude that "we sell only to jobbers," and what becomes of the goods after that is a matter of little consequence. Either extreme is dangerous. The process of selling is of equal importance with the process of manufacturing, and the goods are entitled to as much protection in the various stages of the selling process as they receive in their progress through the factory. Much of the effectiveness of the manufacturer's chain-store system of distribution is undoubtedly due to the fact that the goods are protected, in price, quality, and everything else, until they are placed in the hands of the actual consumer.

Of course, in the end, it comes down to the ultimate consumer as judge and jury. He it is who determines the reputation of the brand, and upon the reputation of the brand the business rises or falls.

The average manufacturer comes in contact with the ultimate consumer in two ways, through his advertising and through the price of his goods, and it is just about as necessary to protect the price as it is to keep the advertising within the bounds of truth. But in the matter of price protection a good many factors enter in which do not appear on the surface.

A couple of wholesale grocers in Philadelphia who do business by the catalogue route, employing no salesmen and securing

---

**Printers' Ink*, June 13, 1912, p. 20.

cash in advance, recently sent out to the retail trade a long list of cut prices on different brands of standard, advertised goods. The cut prices were justified on the ground that, since they had no salesmen to hire and no credits to carry, they could do business cheaper than their competitors.

The ire of the Tri-State Wholesale Grocers' Association which includes most of the credit jobbers in Philadelphia territory was roused, and resulted in a crop of letters to the manufacturers of the goods which had been cut, demanding either a reduction in the manufacturers' prices sufficient to enable the members of the Association to meet the cut, or the compulsion of the cash jobbers to restore the regular price.

Here was a case where, apparently, the ultimate consumer was not involved at all. There was no certainty that the retail grocers who benefited by the cut prices would hand the margin on down to their customers. It was a dispute between jobbers exclusively, and both sides seemed to have considerable justification for their contentions. The attitude of the modern merchandiser is indicated in the action of the Cudahy Packing Company which promptly "cut off" the cash jobbers from the supply of Old Dutch Cleanser, preferring to lose a couple of good customers to running the risk of disorganizing the whole territory. Moreover it is significant that the Cudahy Packing Company was not one of the manufacturers written to by the Association. Their action was not taken because of a veiled threat on the part of the other jobbers, but because it was good business.

Sometimes price cutting results in a trial of strength between the manufacturer and the cutter. The Johnson Chemical Company some time ago inaugurated a campaign of dealer promotion and newspaper advertising for Johnson's Foot Soap. The plan consisted of a trial order to the dealer which would enable him to make a display of the soap, with the understanding that the company would take it off his hands if the advertising failed to move it.

Upholding the Price Policy

In Hartford the newspaper advertising was the signal for a cut-price campaign by a local department store. The soap was sold at the rate of 17 cents per cake, though the wholesale price was $16\frac{2}{3}$ cents, and the regular price to the consumer 25 cents. The trial orders to dealers had been supplied through the jobber, and the jobber had been stocked in excess of the trial order requirements in anticipation of a demand. As a consequence the department store had a substantial source of supply which was augmented from time to time by the small dealer's stocks which were thrown back upon the jobber because there was no sale for the soap at the 25-cent rate.

The manufacturer naturally cut off the jobber from further supplies from headquarters, and stopped all newspaper advertising in Hartford. The department store maintained the cut price for several months — as long as the soap could be had from the jobber — but was finally forced to restore the price to normal. Of course the cut price on the soap was used merely as a "bait" to get people into the store and sell them other things at a profit, and as it had got to be an old story the cut was not repeated.

Then the manufacturer reaped his profit from the people who had been educated to the soap by the department store's advertising, and were now obliged to pay the full price for it.

Selling to Department Stores

A good many manufacturers of branded goods refuse to sell department stores at all, for the large department stores demand jobbers' discounts, purchasing direct from the manufacturer. They claim that they are entitled to this discount since they buy in large quantities, but the large margin — approximately 60 per cent. is demanded by most of the largest stores — gives a splendid opportunity for cutting prices. Of course the manufacturer of patented goods has some legal recourse when the price is cut (though how long he will have it is a matter of some uncertainty) and he can afford to allow the jobbers' discount for large purchases; but the man whose goods are unpatented frequently cuts the department store out entirely. That simply means, of course, that the store must get the goods from a regular jobber at somewhere near the retailer's price, if it handles them at all, and the danger of cut prices is somewhat minimized. Such a condition, of course, breeds competition in department stores' private brands, but that is much better than a cut price which is bound to depreciate the value of the standard trade-mark in the eyes of consumers.

Indeed this matter of price infringement is getting to be more seriously regarded every day, as it becomes more clearly realized that the price stands for something to the consumer, just as the trade-mark stands for something. A price, in the consumer's view, is either fair or unfair, and a cut price indicates pretty strongly that the regular price is too high. The average consumer does not stop to figure out the policy of selling one thing at a loss for the purpose of selling two other things at a high profit. He does not understand the system, practised by some stores, of under-pricing a small lot of standard goods so that private-brand goods can be unloaded upon those who come after the supply of the standard goods is exhausted: such as, for example, advertising "Big Ben clocks for $1.79" when there are only a couple of dozen in the store, and when those are gone selling unpedigreed cheap clocks for the same money. Instead of blaming the cut-price store for putting up a job on him, the consumer blames the manufacturer for trying to make an exorbitant profit.

The Quantity Price Problem

In consequence of which there is a marked tendency toward abolishing quantity discounts, and giving every dealer and every jobber an equal chance for a profit, whether he be small or large. A sort of by-product of the quantity discount is the free-deal, and that is growing unpopular also. It is coming to be recognized that the quantity discount is a hardship on the small buyer, not only because he makes a smaller margin of profit, but also because it gives the big fellow an opportunity to cut the price and injure the small man's market.

Instances of this trend are not far to seek. The Ingersoll Dollar Watch has been on the market some twenty years, beginning its career when the quantity discounts system was the only plan of doing business. Consequently it is sold on a sliding scale of prices to the retailer, ranging from 75 cents to 65 cents according to the quantity purchased at one time. But on the later products of the Ingersoll factory the sliding scale has been abandoned, and the $25 watch is sold to the trade at a uniform rate of $16.67, regardless of whether the retailer buys two watches or a thousand.

It is quite true that the Ingersoll watch is a patented article upon which the resale price can be legally maintained, thus relieving the dealer from cut-price competition. For that reason it may be easier to uphold a flat-rate price to the dealer than would be the case with an unpatented article. But as a matter of fact the flat rate can be maintained on articles which are not covered by any patent. . . .

Kellogg's Toasted Corn Flakes are sold at an absolutely flat rate to the retailer of $2.80 per case of thirty-six packages.

The rate is not cut by free deals, rebates or any other subterranean methods. And there is plenty of competition in the cornflake business; free-deal competition, private-brand competition, and bag-package competition. Not long ago one of the big mail-order houses advertised Kellogg's in its catalogue at a price which represented an absolute loss. The Kellogg Company, through its house-organ for dealers, absolutely repudiated the sale to the mail-order house, and spent considerable time and money to find out what jobber had sold the goods in question. A threat to cut him off — which he knew would be carried out to the letter — was sufficient to deter him from any future experiments in that direction, and the publicity given to the affair in the house-organ had a salutary effect all along the line. . . .

Educating the Dealers

The dealers' house-organ, indeed, can be made a very effective means of protecting the goods on the market, not only as a means of educating dealers in the house policy, but as a weapon in dealing with specific cases like the above. Small dealers, particularly in the country towns, are quick to become disgruntled at the advent of the price-cutter, whether it is a mail-order house or a big store in the neighboring county-seat. The house-organ gets to them all at once and quickly, and can explain a situation at greater length and in terms which would be impossible in any other way.

Protection by Means of Watchers

Some houses, like Colgate for example, place so much importance upon the necessity of protecting the goods that they maintain a more or less elaborate system of "watchers," who look out for all sorts of conditions which might injure the goods in the eyes of consumers. In addition to this there is a system of rebates or bonuses, whereby the retailer earns a sort of retroactive discount if he does not cut the price, maintains his stock at a suitable standard, etc. This system obviates one of the objections to the free deal, inasmuch as the discount applies on the retailer's *next* order, and there is no temptation for him to overstock — which often means stale goods — to get the discount. Moreover, the rebate applies to all purchases, of whatever size, and is a reward for living up to a certain standard of merchandising, rather than an inducement to purchase goods. Hence the small dealer profits at the same rate as the large dealer, and a good deal of possible ill-feeling is eliminated.

On some lines of goods which are seasonable — like wearing apparel, for instance — it is necessary to cut the price at certain times to protect the dealer from the necessity of carrying the goods over to the next season, at which time they may not be salable. Some manufacturers protect the reputation of the goods at such times by supervising the cut sales themselves, inserting newspaper advertisements in the names of the dealers, offering the goods at certain uniform reductions. Thus, all dealers cut at the same time, and to the same degree. Moreover, the manufacturer is enabled to explain to the consumer the reasons for the reductions. Frequently imperfect goods or "seconds" are sold at reduced prices, but are not allowed to get into dealers' hands indiscriminately. . . .

Protection by Exclusive Agencies

Manufacturers in some lines, like Dunlap hats, Manhattan shirts, etc., protect the goods by appointing exclusive dealers in towns or certain sections of cities. It is a simple matter to take the line elsewhere if the dealer cuts the price, or does not maintain a suitable assortment in stock, or does not keep his stock in proper order, etc.

But suppose a dealer has been unintentionally overstocked, or cannot sell the goods in his town, or goes out of business. Suppose he goes into bankruptcy, and a receiver's sale follows. A cut price on the goods is the result, frequently accompanied by the practice of passing off damaged goods as perfect. The Gillette Razor Company and the Columbia Graphophone Company, among others, meet this condition by taking back all goods, which are not salable at the regular price, at the full price paid by the dealer for them. The goods are either taken back through the jobber, or some other dealer is found in the vicinity who will stock the line. In any case the full value is allowed, which means every cent the first dealer paid for the goods.

Damaged or shopworn goods, or goods which have become unpopular, in some cases are sold at a reduced price, but there is a growing tendency to exchange them for perfect goods rather than allow them to injure the reputation of the line either for price or quality. Sometimes the dealer is permitted to make an even exchange — one damaged article for one good one — and sometimes he is required to buy new goods to a certain proportion of his exchanges. The talking machine companies every year issue lists of "cut-out" records; that is, records of songs of the day and the like which have lost popularity. These records are made the basis of an exchange proposition, one popular record of the dealer's own selection being given for one record from the cut-out list. Usually there is a provision that dealers purchase at least one record for every exchange made. That is partly for the purpose of making more sales, and partly to minimize transactions at the factory by inducing dealers to make their purchases at the same time with the exchanges.

Protecting the goods on the market costs money, and sometimes it *looks as though* it meant the loss of some immediate sales. But it pays dividends in the form of increased loyalty of the dealers and in preventing depreciation of the name value of the product. Twenty years ago it would have been difficult to find half a dozen concerns who really tried to do it. To-day there are scores who not only try, but in the great majority of cases succeed in keeping the reputation of their goods free from the blemishes which attack them while they are on the road from manufacturer to consumer.

Guarding Against Imitators

Another case of the protection of the goods on the market brings out the similarity between some phases of this problem and the phases of the substitution problem which we have already discussed in various other places. This is a case told by R. W. Gage, and tells the story of a drug specialty which has been extensively advertised during the past three years:

*It fell to the lot of "Tiz," the foot remedy, to be imitated the moment it became exploited as a great selling success. Imitators came forward by the half-dozen, fondly hoping to jump into the market so carefully, and even painfully, made ready by the "Tiz" advertising. The necessity of maintaining sales against the late comers explains why "Tiz" is now appearing in painted display bulletins. Until this problem arose "Tiz" had never been "outdoors."

Competition has frequently stopped at nothing. It has boldly followed the type and style of the newspaper "Tiz" ads; it has even in some cases laid the name of "Tiz" under

Printers' Ink, May 23, 1912, p. 80.

tribute by advertising such raw near-copies as "Biz" or "Ziz." Any advertiser who has learned how easily the consumer is confused can appreciate that Walter Luther Dodge, the owner of "Tiz," began to study with much concern how he could insure the permanency of his business and protect purchasers from substitution.

Some years of hard labor and over a million dollars was spent to build up "Tiz." All this was done in a way that created absolutely new business for the druggists. After several years' constant use of the newspaper space, there came a time when the columns of some newspapers carried ads of from three to five direct competitors following "Tiz" in style of copy and everything else. Most of these imitators have seen the futility of their effort and dropped by the wayside. But they made it advisable for "Tiz" to find a new medium that would not only increase the business but insure its permanency and stability, and do this at a reasonable cost.

It was reasoned that prospects could be influenced at opportune times by a number of well-located bulletins. For example, clerks, solicitors, workmen, motormen and the like, on their feet most of the time, are forcibly reminded by their own physical annoyance that relief is very much to be desired. As they walk from their place of business to the cars and from the cars to their home, and all along the route of travel, they are told by these bulletins the big vital fact that "'Tiz' Cures Sore Feet." Right in the prospect's own neighborhood, close to the very stores he is accustomed to patronize, he is again reminded by one of these bulletins or walls what "Tiz" will do for him.

The forcibleness and simplicity of the copy is designed to send him into the store not merely for a foot remedy, but with the definite idea of securing "Tiz."

A great many of the people, it was thought, read newspapers hurriedly. It was thought bulletins would reiterate and emphasize "Tiz" to all the newspaper readers.

After Mr. Dodge devised the remedy he searched for a name. He first thought of using the first two letters of his name, but that was unsatisfactory. He asked himself what it was for and wrote down the answer. "'Tis for tender feet." By changing it to "Tiz" he coined a word that is short, distinctive, can be registered, and when coupled with the words "for tender feet" practically tells the whole story. So "Tiz" it is.

The try-out ad occupied less than an inch of space in one of the mail-order publications. Several years and considerable money were spent in trying to work up a mail-order business. This proved the value of the name "Tiz"; the merit of the product and its selling possibilities. The percentage of repeat orders from the mail-order customers was unusually steady and large. This gradually brought in small voluntary orders from wholesalers for shipments direct to druggists. One sale usually resulted in subsequent orders, demonstrating positively that Mr. Dodge was justified in planning to market "Tiz" nationally through the regular channels of trade.

Indianapolis was selected as the test city for a series of ads in the newspapers. Results were even greater than anticipated. A month later Columbus, Ohio, was added, then followed Cincinnati and Pittsburgh. History repeated itself in each city.

Before that summer was over Mr. Dodge laid his plans for advertising nationally. Something of the task involved can be realized when one knows that he had no drug-store distribution, no established relationship with the wholesalers, no sales force, yet he was contemplating advertising in every leading newspaper in the United States. That meant work and investment of a great many thousands of dollars.

In less than a year from the time the business was started in Indianapolis, "Tiz" was being advertised in nearly every good daily and weekly newspaper in the United States. Distribution was established everywhere. Another year of continued advertising saw "Tiz" placed upon a permanent and profitable basis and the hundreds of thousands of dollars invested began to show returns. Newspaper advertising was maintained steadily.

Then the imitators sprang up. It looked so easy, so simple; but they forgot the vast amount of preparatory work and the heavy investment which came before "Tiz" was made one of the national advertising successes.

These imitators have never made enough headway to be a serious menace to "Tiz" or the public. But with scores of them disturbing the business protection became advisable. Tests seemed to demonstrate painted bulletins and walls to be the logical medium for increasing the business and preventing encroachments of imitators.

The bulletin copy — five designs are now used — is made up of the headings and illustrations run most extensively in the newspapers. This emphasizes and enlarges all the advertising and connects it up in an emphatic way. It strengthens the bond with the trade and the public and makes the asset of good-will very much more valuable.

And this combination of publicity medium has, as evidence shows, done much to keep "Tiz" established in the trade.

MARKET PROBLEMS — FASHION AND ADVERTISING

Advertising Influence on Fashions

One of the manufacturers' problems not covered in the previous parts of this discussion is the question of fashion as it bears on almost all types of product for human wear. For many years manufacturers on this side of the Atlantic have felt that they were more or less helpless in the matter of control over fashions, but a number of experiences of manufacturers in recent years have led to a distinct feeling of confidence that the appeal to the consumer may be used with good effect to materially modify the dictates of fashion authorities of Europe, provided there is an adequate basis for the American appeal in the intrinsic merits of the goods. A number of cases of this kind are thus described by Frank H. Holman:

*A great many manufacturers are called upon to face the prospect of losing sales through unpopularity of the goods, based in many cases upon mere public whim or caprice, but none the less real on that account. Many an automobile sale has been lost or won because of a prejudice in favor of a driver's seat on the left-hand side or a pair of head-lamps built flush with the dash.

In the textile field and among the manufacturers of dress specialties, public taste — which we call by the general name of fashion — has an immense influence upon the sale of particular goods; probably a greater influence than is the case in any other line. For example, is the making of dress specialties — ranging all the way from opera cloaks to silk fringe and milliner's accessories — a gamble dependent upon the whims

**Printers' Ink*, June 20, 1912, p. 3.

of some designer in far-off Paris, or will the market respond to good merchandising methods in spite of a "tendency" against the goods? If it is possible to win out with an article of dress against the strong tide of a "style tendency," it should be comparatively easy to overcome temporary unpopularity with other lines of goods.

A concrete problem is right now facing the knitting mills which have built up a substantial trade in knitted scarfs for men's wear. Will they be obliged to turn their machinery back to hosiery making when the style changes, or can they, by consumer advertising and dealer promotion, keep the goods on the market and insure stability for the style?

The editor of a string of fashion publications was interviewed on the subject. His papers do not go to the consumer who is to wear the garments, but to the garment manufacturer, who looks to them to tell him what to make; hence these publications must be pretty accurate on the subject of styles.

"It's all a gamble," he said, "as much a gamble as a horse-race. American buyers go over to Paris at certain seasons of the year and inspect the various garments which are on display for the purpose. Each buyer purchases samples which he thinks will have the strongest appeal. The majority naturally purchase garments which follow certain 'tendencies' in the matter of design, trimming, etc. That tendency represents the 'style' and the fellow who doesn't follow the majority and buys garments which depart from the tendency is likely to get left."

The editor pointed to an opera cloak which hung near his desk. It was made of heavy velvet, but was lined with cambric of a bizarre Oriental design. "There's one," he said, "which didn't survive. If that could have been pushed into style it would have created a splendid market for that particular kind of cambric. But it didn't 'take.'

"The manufacturer of that particular piece of goods," he went on, "probably made up from a dozen to twenty different novelties in fabrics, and tried them out in the same way. If two or three of the lot met with popular favor he was perfectly satisfied to devote his energies to the manufacture of those and to forget the rest. The Parisian designers will make up maybe a hundred different garments, and are satisfied if a fifth of them get across. Of course it's wasteful, but there's no help for it."

Further investigation among manufacturers and jobbers of dress specialties disclosed several instances where manufacturers, by shrewd judgment and work along the general line of the style tendency, had practically created a market for certain fabrics, besides one instance in which advertising had sold a novelty directly in *opposition* to the style tendency.

The Advantage of the Longest Vision

It goes without saying, of course, that the manufacturer who is ready when a style comes in reaps the harvest. For instance, when feathers come back into favor as adornments for women's hats — they have been consigned to limbo for some time, it is said — that feather manufacturer who can sense the change farthest in advance will enjoy a considerable advantage over his competitors. But it isn't always necessary to wait until the style is clear in; a little judicious pushing will sometimes help it *get* in.

A manufacturer of Turkish toweling — a prosaic enough fabric — noticed several hats in a Fifth Avenue window one day in the trimming of which toweling had been used. That was enough to set him wondering whether it would not be possible to extend the use of the material still further. So he instructed a friendly buyer, then starting on his annual trip to Paris, to cable him instantly if there was the least sign which might be constructed as a tendency toward the use of toweling. The buyer found a few garments in which toweling was used sparingly as a lapel facing. He cabled the manufacturer to that effect, and received an order to buy every garment he could lay his hands on in which the material was used.

Meanwhile the manufacturer started to make toweling far in excess of any orders he had on hand, and started his salesmen to talking up the new styles among the trade. He had a handsome stock of the fabric laid away in his warehouse by the time his competitors got wind of what was happening. The model garments which had been bought to his order in Paris were displayed to the ready-made garment manufacturers in New York, and were featured in the publications for the cutting-up trade. The demand for toweling ran so far ahead of the supply that the price rose from around 50 cents to a $1.25 a yard.

The vogue for polo cloth last winter tied several bowknots in the producing end of the business, and at one time during the season it was almost impossible to obtain polo cloth from the mills. Just at that time a garment manufacturer went to his cloth manufacturer and begged for enough of the cloth to make up orders then on hand. The mill couldn't supply it, but they had in a warehouse a lot of chinchilla — a fabric with a rough texture something like polo cloth, only more so — which they hadn't been able to sell because it wasn't in style. They offered the manufacturer this cloth at a low figure, and he took it. He had nerve enough to make up a sample line of smart chinchilla coats, fashioned on the well-known polo model. It is stated that six calls upon retailers were enough to start the new garment going, and that particular manufacturer is said to have cleaned up $40,000 on the one line.

What the textile mill cleaned up because of its ability to sense the possible demand for coats of a still rougher material than polo cloth isn't stated, but it was considerable. There hadn't been any demand for chinchilla in a long time; wasn't any prospect of one in the making, and competitors had naturally dropped the fabric. For one hold-over stock of chinchilla represented the entire supply.

Those two instances show what can be done by following the general tendency of fashion, and accentuating certain aspects of it. But it is quite possible to create a demand for an article of dress which is not in line with the general style tendency at all.

Creating a Demand for Maline

A jobber with headquarters in Lyons, France, and an active branch organization in New York had built up a substantial trade for Dynamo Maline, a thin silk fabric much used for trimming. That is to say it *was* much used until about a year ago, when the bottom fell out of the maline market. It simply wasn't in style, that was all. The feminine passion for straight lines, or the hobble skirt, or something else — it doesn't matter what — had put maline beyond the pale, and the dealers simply wouldn't touch it.

The proprietors of the brand, however, were not satisfied to let maline wait for the style to come back. The New York branch of the concern thought that it would be better to spend a little money in the endeavor to create a demand for the fabric than to face the prospect of securing distribution all over again at some future date as yet unknown. The feminine appeal, of course, was essential, and the concern very wisely chose a woman to tell them what it was.

This lady — who, by the way, is connected with a New York advertising agency — made a preliminary survey of the field by "shopping 'round" among the stores, asking for maline and making inquiries as to why it was not forthcoming. The concern was quite right; the demand wasn't there.

The means adopted for creating a demand was a modified sampling offer direct to the consumer, using large space in a list of women's publications. Essentially it was not *maline* which was being advertised, but a certain article of adornment — a butterfly bow — which could best be made from the goods. An attractive photograph of a girl with the bow in her hair was run, and the ad offered to send enough material for the bow, together with directions for making it, for twelve cents and a dealer's name. It is stated that more than ten thousand samples were sent out, mostly, of course, to young women and girls.

The samples of maline were wrapped around a cardboard reel on which were printed directions for making the bow. Moreover, alongside the directions, the card bore the advertisement which carried the campaign one step further. A neck scarf was illustrated as worn by the same attractive young lady, and the recipient was told how a scarf softened the lines of the face, brought out the contours, etc. Only five yards of maline, the card said, were necessary to make the scarf. This demand was directed to the local dealer, with a provision that the goods might be purchased direct if not in stock.

For older women, of more conservative tendencies, the sampling offer was repeated with a simple neck-bow, as the entry. To prevent duplication as much as possible, this bow was offered only in black.

The millinery trade was reached by a similar plan, illustrating a hat trimmed with a jaunty bow of maline and carrying the endorsement of a Fifth Avenue milliner.

Altogether upward of thirty thousand inquiries were received, most of which included a dealer's name. Those names were sorted according to jobbing territories outside of New York City, and displayed to the jobbers' representatives, on their winter trip to the metropolis. This evidence of interest, combined with the demand on the dealers occasioned by the five-yard scarf offer, resulted in a thorough stocking of the line by the jobbing trade, including many jobbers who had not hitherto carried the line.

So, taking it altogether, it does not look as though a manufacturer was utterly helpless in the face of an adverse ruling in the style sheets. It takes a lot of courage and some outlay of capital to run counter to the fashion, or to anticipate it, but that is better than allowing a stock of material to eat its head off in the warehouse or discontinuing the line with the possibility that some competitor may be forehanded when it "comes in" again. Right now the manufacturers of ribbons are boosting the demand. The ultimate end in view is said to be a vogue of sashes, and it is predicted that it will come along in the late summer. Just now, however, the ribbon men are beginning at an easy stage, with baby ribbons in combination with lace trimming. The wider ribbons will follow along naturally.

SELLING POLICY AND ADVERTISING PLANS

The Manufacturers' Selling Policy

The selling policy of the manufacturer is the problem which is most intimately associated with the determination of the character of the advertising plans. Whether the manufacturer adopts the "regular," or the "new" outlets to the retailer; whether he puts out his goods through a selling company, through agencies, through his own branch stores, or by mail, the choice, once made, determines in a measure, the main features of his advertising plan.

For instance, in January 1912, it was announced that the Rogers Thompson Givernaud Company, of New York, creators of Rajah silks and a number of other trade-marked brands, had decided to go into a direct selling plan* by which they were to establish a retail silk store in New York City. As far as their advertising was concerned this put them on an entirely new basis from that which they had formerly occupied as distributors through the jobbing trade. When in the summer of 1912† they announced that they had decided to go back to distribution via the jobbing trade, it is perfectly clear that once more the advertising policy was changed, and that after

Printers' Ink, February 1, 1912, p. 60.

†*Printers' Ink*, August 22, 1912, p. 46.

the two changes the company was no longer in the same position as an advertiser which it occupied originally. They must now win back the support of the jobbing trade.

Another illustration of the same disturbance of the relations between the advertising and the manufacturing plans is found in the case of the Kentucky Wagon Company which, in January 1911, announced* that it was going to abandon the regular dealer system of distribution of its products and was going to sell its wagons to the farmers directly on a mail-order basis. In April of the same year the company announced† that it was going back to the dealers, and again it was clear that the two changes in selling plan involved two changes in the advertising policy of the company to correspond with the methods of doing business. This problem of adjusting advertising plans to methods of distribution is an immense one and will repay careful study. (See also Chapters I and X.)

REVIEW QUESTIONS — CHAPTER IX

1. What is the purpose of the Fairbank letter to its sales staff?
2. How does the Sherwin-Williams Company keep the factory output in touch with the sales conditions?
3. What are some of the advertising uses of information about the factory?
4. What are the main points in the development of vacuum cleaner advertising?
5. In what ways do advertised goods need protection on the market?
6. How can "fashions" be influenced by advertising?

PROBLEM QUESTIONS — CHAPTER IX

1. From the standpoint of the advertising manager would you say the problems of vacuum cleaner advertising were

Printers' Ink, February 23, 1911, p. 60.

†*Printers' Ink*, July 27, 1911, p. 31.

easier or more difficult than they were five years ago? Why?

2. If you controlled the patents on a new kitchen specialty retailing for 25 cents and had $10,000 for a publicity campaign, how would you go about getting the article on the market?

3. An advertising agent has laid before one of the largest textile mills in New England a plan for a national advertising campaign involving an outlay of $500,000 spread over three years. The manufacturer has responded with an appropriation of $10,000 for a local trial of the same plan. Discuss the value of the results of such a test as a measure of the merits of the main plan.

CHAPTER X

ADVERTISING AND SELLING CO-ORDINATION

IN OUR first chapter we made the point that, ordinarily, advertising results are expected, sooner or later, to take the form of increased profits and that increased profits are secured by means of either more, or more profitable, sales.

In the chapters since the first we have examined some features of the existing mechanism for making sales.

This distribution system is, at best, only a machine for giving effect to a power which works through it. The selling of goods is the function for which the whole mechanism exists, and so, through all the work of this mechanism, whether wholesale or retail, the force which makes it effective is salesmanship.

Production by factory methods is mere repetition. No two sales are exactly alike. Production methods may be completely standardized. Selling methods always must allow for the human element. With a manufacturing process once devised, if there be a sufficient supply of capital, raw materials and working force, proper machinery and efficient administrative methods, there is no reason why production cannot be extended almost indefinitely. The making of a million articles adds few difficulties not experienced in the making of a single one. But selling is individual. Each sale finally springs out of the decision of some individual will.

Each Sale Is an Individual Transaction

Newspapers may be printed at the rate of 10,000 an hour. The production may be kept up indefinitely, but each paper *sold* represents an individual transaction. The customer must be in the right mood; he must have the effective desire for even so small a purchase. The merchant, whether he be a newsboy or a news-stand operator, must present his goods at an opportune time through some effective method of approach.

The problems of salesmanship, while thus strictly individual, are by no means incapable of some degree of standardization, and a few concerns have begun to appreciate the possibilities of betterment in this side of business activity.

The classic instance of a successful organization of sales department combined with standardization of sales methods is the National Cash Register Company.

The Selling Organization of the National Cash Register Company

This concern, making a high-priced specialty, is even more dependent upon the efficiency of its sales force than are most manufacturers. The goods are obliged to create their own demand. There are comparatively few, of those to whom they are to make their appeal, who can see at a glance the possibilities of the machine and the benefits to be derived from its introduction.

The stimulation of the sales work of this company dates back to the World's Fair in Chicago in 1893.* At that time the concern made its first important public exhibition of cash registers, and it had this exhibition in the hands of demonstrators drawn from its sales force. The president of the company visited the exhibit and found, upon listening to the demonstrations given by its representatives, that there was not only a wide divergence in the character of the demonstration given, but that the percentage of inefficiency in these demonstrations was very large. Many of the salesmen apparently failed entirely, or in a very large measure, to grasp the possibilities of the machine and to bring out its best points. As a result, the president took in hand the training of the demonstrating force and, in addition to giving them detailed lessons as to how to demonstrate, he prepared a pamphlet of standard

**Printers' Ink*, June 28, 1911, p. 3; July 6, 1911, p. 3; July 13, 1911, p. 17; July 20, 1911, p. 17; July 27, 1911, p. 34; August 24, 1911, p. 9.

arguments and descriptions and required those who were in charge of the exhibition to memorize this pamphlet and to base their demonstrations on the arguments which it contained.

How Selling Was Systematized

After the Fair was over, the question arose in the president's mind as to whether his sales force was, on the whole, any more efficient than he had found the demonstrators at the exhibition to be, and it occurred to him that this lack of effectiveness might offer a solution for the failure of the company's business to expand at the rate he had expected. As a result of this question in his mind, the president and the head of his sales department undertook a series of tours over the country for the purpose of visiting different sales offices. The branches were entered by the two representatives of the house, either with or without the knowledge of the agent, and an inspection was made of the premises, and a careful test was engaged in, designed to cover the selling ability of each member of the sales force. On some trips an elocutionist was taken along for the purpose of criticising the address and the superficial sales methods of the salesmen. After these tours had continued for some months, the results obtained were tabulated and put before the selling force of the company in the form of a series of articles and pamphlets written by the head of the house. The tangible results of this examination were two: first, a partial attempt at standardizing the selling methods throughout the company's system of sales branches; and second, the publication of an "Argument Primer," which was designed to do for the sales force what the previous pamphlet had done for the demonstrating force at the Chicago Fair. The salesmen at first were asked to use it; but as a result of the small number adopting the suggestion, attempts were made to persuade them to employ this help in their sales operation. This failing in turn, the memorizing of the primer was made a condition of continued employment in the company, and it was announced that all salesmen who declined to memorize the pamphlet, or were unable to do so, were to be eliminated from the sales force.

The training method thus inaugurated has been expanded from year to year, until now the sales organization of this company is regarded as an example of the most extreme attempt to standardize the selling of goods. The company now maintains a regular salesman's school with a full set of courses covering such subjects as, the nature and uses of cash registers, business systems in use in the different parts of the country, interviewing methods, explaining methods, methods of conducting an agency, closing arguments, selling points, and a wide group of subjects bearing on personal and ethical topics of value to a salesman. Training in this school is required of all salesmen, and promotions into the selling force, made from the ranks of the employees of the company not connected with the sales department, are made only after the course has been taken.

The Uses of the Sales Manual

A second feature of the present system of training for salesmen is the Sales Manual, which is the outgrowth of the Primer which was originally employed. This Manual has gone through several editions. The Manual is designed to contain concise instructions to the salesmen as to their conduct and methods in almost every conceivable circumstance. The salesman is required to know the entire book thoroughly. The four main heads, in the present form of the Manual, are: (1) Salesmanship; (2) Approach; (3) Demonstration; (4) Closing Arguments; and under these heads are grouped arguments, objections, and answers taken from the experience of the salesmen employed by the company.

The 100-Point Club

A third feature of the company's sales-training equipment is what is known as the 100-Point Club, which is designed to stimulate an interest in the volume of the sales of individual salesmen, thus adding enthusiasm to the other incentives given to increase sales.

Any salesman who sells $2,500 worth of cash registers each month for twelve months is entitled to membership in this club for the year in which his sales are made, and the membership in the club is not only very much sought after as an honor, but has certain substantial rewards as well. The selling system has responded very quickly to this method of stimulation.

Shading away from the highly efficient type of sales organization represented by that of the National Cash Register Company, there are to be found types representing all degrees of intelligence until we finally reach the type of concern which depends entirely on a selling force recruited by accident and securing business through its "natural born" qualifications.

The feature of the problem of sales-force organization which particularly appeals to us in this discussion is the question: How is the sales force, either good or bad, to be co-ordinated with the advertising activities?

Consideration of this question soon shows us that it has two distinct parts: (1) How is this co-ordination to be brought about in the actual operations of selling and advertising? and (2) How are these two separate departments to be organized so as to be administered without conflict? One part deals with co-ordination "on the road," where the sales are made, and the other deals with co-ordination "in the office," where the sales are planned.

CO-ORDINATION "ON THE ROAD"

Leaving the question of office organization for the moment, let us examine one or two cases of co-ordination in actual operation.

We have already seen (page 265) how the National Cash Register regards its advertising activities and how frequently the heads of the sales force are called into consultation in matters of advertising policy. This illustrates one phase of the problem. It is typical of this company's methods.

The American Multigraph Sales Company, makers of the "Multigraph" light printing device, has had particular success in its efforts to secure co-ordination between the advertising and selling departments. Some of the methods employed in this work are told in the following terms by Tim Thrift, advertising manager of the company, in a series of articles copyrighted by the Printers' Ink Publishing Company:

*A little over two years ago a change was made in the sales management of The American Multigraph Sales Company. For eighteen months before that time there had been no advertising manager. The then sales manager and advertising manager could not pull in double harness. The advertising manager quit. A successor was not appointed during the remainder of that sales manager's connection with the company.

The new sales manager looked at things in a different light. He believed that the business required an advertising executive as well as a sales executive; that perfect team work between the two was essential and possible; that the sales manager should be, in a sense, assistant advertising manager and the advertising manager assistant sales manager; that with the work of each clearly defined there should be no confusion, and that with this kind of a working arrangement the business would develop as never before.

Team Work in Advertising and Selling

The writer became advertising manager shortly after the change in sales managers. His ideas of co-operation between the sales and advertising departments coincided with the new sales manager's.

To show the working arrangement between these departments of The American Multigraph Sales Company, and how much further the advertising department goes in assisting the sales department than most advertising departments, is the object of this series of articles.

Let it be understood, however, that while the activities of the advertising department as they will be outlined may seem to extend more in the sales end than the actual advertising end of the work, this is not the case. The advertising manager is no less advertising manager — his services in this respect

Printers' Ink, May 30, 1912, p. 3.

being similar to those of any advertising executive of a large corporation. But the point to be made is the extension of his field of activities and his close relationship with the sales manager in sales work.

Sales Contests Begun

With the beginning of the new régime a series of sales contests was started. The origination, as well as the details of carrying out these contests, was left to the advertising manager. Each month he submitted his suggestions to the sales manager and a conference was held on them.

In order that the advertising manager might be kept fully informed on the progress of sales, he was given the same weekly sales reports that the general sales manager received, and made acquainted with all conditions in the field. It was realized at the outset that unless he was fully informed on all sales conditions he could not thoroughly analyze them.

An important help in the contest was a house-organ conducted in rather an unusual manner. This feature of the work will be taken up later. At this time we will concern ourselves only with the various contests and how they were carried on so as to secure the exceptional results which are secured.

Figuring Individual Sales

Before there could be contests, however, it was necessary that some basis for figuring individual sales be arrived at. This was a problem which presented many perplexities. For instance, the business was not old enough to predetermine the possible business to be expected from a given territory, based upon the possible users of the products in that territory, either as a unit or by vocations. The systems of other concerns in the office appliance field were carefully studied along this line, but they offered little real help.

Finally it was decided to take the total sales of each man for a year back, find the average monthly sales, and then make individual quotas, based upon a fair and equitable estimated increase; which increase was, in turn, based on a careful investigation of general business conditions and the volume of business being done in principal commodities in various sections of the country.

This method was naturally somewhat crude, and it was appreciated that mistakes would show up, but a start had to be made somewhere and the plan really worked out very well. Later on better statistics were available and the quotas could be figured much more accurately, so that to-day there is practically no dissatisfaction with the quotas as given out for the ensuing year.

The company has sixty division and branch offices. In the matter of quotas, branch office managers were classed the same as salesmen. Thus there were two general classes of sales quotas — those given division offices for total division business, and those given salesmen for individual business. The division office quotas were arrived at in the same manner as the salesmen's quotas.

The Quota System

The salesmen were, however, divided again into three general classes, according to ability — each representing a fixed amount of business per month. The amount for the minimum class, for instance, was $1,500 and so on up through the other classes.

The contests were then based on the per cent. of the quota made by each division office or salesman. For example, the office making the highest per cent. of its quota for any particular month in which a contest was on won the prize then offered, the same going to the division manager. The salesman making the highest per cent. of his quota received the prize individually.

During the first year it was discovered that many of the divisions and salesmen were running a considerably higher per cent. of their quota than was at first thought possible. These were therefore marked for a change in their quota at the end of the time limit. In only one or two cases was it found that the quota was started off too high to give the office or salesman a chance at the prizes.

Only actual business was figured, and the figures were based on the orders themselves, except in the case of distant offices, when a telegraphic report was accepted, to be confirmed later. Thus there was little chance for error.

Reports on the previous week's sales, with the resulting standings, were published on the following Friday. At first the percentage of the quota made was given for each office and salesman, but later this was changed and the position alone indicated. Whenever an office or salesman made 100 per cent. of the quota a star was given, and for each hundred added another star given. This made keen rivalry to get in the star class as early in the month as possible.

The first sales contest was for the first six months of 1911. This period was divided into two quarter periods. The following prizes were put up: To the division manager making the highest per cent. of his quota for the entire period, $200 in cash, or a diamond, or set of dining-room furniture of equal value; to the salesman making the next highest per cent. a $150 Howard watch or a silver service of equal value.

Each manager or salesman making his full quota for the first three months received a pair of gold cuff links, and for the second three months a watch fob with his initials cut on it. Thus, in addition to the big prizes, it was possible to win lesser prizes by simply making 100 per cent. or better of the quota for three months and six months.

Beginning with March, slogans were adopted for each month. In March the slogan was, "Forward March for Record Business"; in April, "A Record Shower of Business"; in May, "Not We May Gain in May, but We Will," and in June, "We Must Can May Records."

Copies of these slogans, for framing, were furnished each office every month and these were placed in a conspicuous place where they would be seen each day and have a silent influence.

In April and June special stunts were worked. The first one — which was used in April — was a "pledge" plan. The pledge is reproduced on this page.

The Quota Pledge

This pledge was sent out in duplicate. One was signed by each manager and salesman and returned to the home office. The other was retained. As fast as the signed pledges came in the names were put on the "Honor Roll" in the house-organ and a lapel button, reading, "I Have Taken the Pledge," sent to each man.*

This button attracted a great deal of favorable attention. It always required some explanation. Prospects, hearing of the contest, were drawn into participation in it through their inherent love for anything that smacked of a fight. Business came rolling in. The month closed with many quotas made and others showing a higher percentage than before. In fact, a new record was established for April business, beating any previous April by more than 30 per cent.

Now the psychology of it. A pledge is a sacred thing. To take a pledge means assuming a certain moral obligation.

*The wording of the Quota Pledge was as follows: I do solemnly PLEDGE that I will make my Quota, or more, for the month of April, in the Year of Broken Records, Nineteen Hundred and Eleven, so help me hard work, enthusiasm, co-operation and initiative. It is understood that I am not exempted, however, from becoming reasonably intoxicated with joy, happiness, or success.

Few men take any sort of a pledge lightly. While the pledge in this instance was semi-humorous, it caught the fancy of the men, and they were glad to enter into the spirit of the thing.

In June the stunt was totally different. The general sales manager went on his annual vacation. The day after he left the sales reports for the first two weeks of the month came in to the advertising manager. They were rather disheartening, for the figures showed that the sales, despite the contest, were far behind the same month the previous year and the month before of that year. Something had to be done.

Another Selling Scheme

A "Surprise Party" was determined upon. That night a lettergram went to each division and branch manager, giving a brief outline of the idea and offering the suggestion that the boys surprise their general sales manager. It warned them to be on the lookout for a special issue of the company's house-organ which would explain the plan in detail.

Two days later the special followed. It suggested to the men that this was an opportune time to show the general sales manager what they thought of him. It contained signed articles from both the advertising manager and the assistant general sales manager. The following extracts from the "Surprise Party Edition" will give some idea of the way the support of the men was solicited:

> General Sales Manager Jared is away on his vacation. He won't be back until the fifth of July.
>
> Now, while he's gone, we want to all get together and give him a surprise party — put astonishment all over his face.
>
> A lot of you fellows have been itching to show your appreciation of his splendid work in some practical way. And you have demonstrated how you felt toward him by rolling up record business.
>
> But now is your best chance to do the big thing. This is your opportunity to show him in a way that he will most appreciate that you are right with him every minute, and that you have the highest personal regard for him and the very able way he has handled the exacting duties of his position.
>
> There isn't any too much time left, but there's enough. Plug the game as you have never plugged it before and let's roll up a bunch of business for June that will make him gasp for breath when he gets back to the office.
>
> You can do it. There's no doubt of your ability to put this stunt across. And it will be the biggest thing you've ever done — big for you and big in what it will mean to him.

The latter part of the week another special issue went out. In the meantime many of the managers had replied to the lettergram, pledging their support. Their replies were printed *verbatim*, with appropriate comments.

The following samples of the replies received will show the reception accorded the idea:

We secured the following orders yesterday as the beginning of our contribution to the Surprise Party (orders totaled $1,750). We are confident that there is quite a bunch of prospects which the Chicago organization will turn into orders for the success of the Party.

Telegram received. Detroit is with you. Everybody working hard.

We will certainly do everything we can in Pittsburgh. We have a number of good prospects which we expect to close and expect to make our quota or better for June.

The assistant general sales manager was busy at the same time with inspiring letters to the men in the field, encouraging and enthusing them. The last week of the month two more special issues of the house-organ bombarded them, with more letters. The month closed in a blaze of glory. What promised to be a disastrous period was thus turned into the third largest month in the company's history. The general sales manager came back to find a surprise awaiting him indeed, and a surprise which warmed the cockles of his heart. . . .

Mr. Thrift in this series* describes a number of other "stunts," each of which is full of suggestions. Each was selected to be of timely interest — a baseball contest for summer, a Christmas Tree for December, etc. The purpose of the whole series was to keep the selling force up to maximum speed by various forms of appeal to their real interests.

These cases of specialty selling methods for disposing of expensive machines sold by soliciting salesmen are somewhat different from those where the unit of sale is small and where a retailer must intervene between the salesman and the consumer. This introduces a new element requiring co-ordination with the advertising operations.

The National Lead Company, makers of white lead, sell to retail dealers through their own salesmen. Their methods of getting unity between advertising and selling effort are thus described by R. Bigelow Lockwood:

Printers' Ink, May 30, 1912, p. 3; June 6, 1912, p. 17; June 30, 1912, p. 10; June 27, 1912, p. 36.

. . . . *As the methods of helping painters and dealers are much alike we shall treat of them together, but before we go into details it is important for us to know something about the ways by which these middlemen are reached. We should also look into some of the difficulties which have to be met and overcome before the dealer becomes converted to "Dutch Boy" white lead.

The Sales Force

The National Lead Company employs between 80 and 100 salesmen who cover the country. These salesmen sell to the dealers only. When they come across a painter they simply talk to him, educating him to the value of using "Dutch Boy" white lead and explaining the various ways by which the company will help him to increase his local trade and build up a reputation. All calls made upon painters are looked upon as "missionary work"; part of the plan to create the demand for "Dutch Boy" white lead for the ultimate benefit of the dealer, who buys his stock in proportion to the rapidity with which he moves it off his shelves.

There is another way by which painters and dealers are reached. This is through the medium of a monthly magazine devoted to the interests of good painting and called *The Dutch Boy Painter;* it is issued by the advertising department of the company. Ninety-five thousand dealers and painters are reached by this publication and the mailing list is kept up to date. . . .

In order fully to understand the dealer's position and gain a clear idea of what often has to be done toward educating him let us create a typical dealer, whom we will call Mr. Blank.

Mr. Blank does not have to be educated to the necessity of carrying white lead in stock. Every paint dealer must carry *some* white lead on his shelves, the same as he carries linseed oil and colors. A paint stock without white lead is as incomplete as a grocery store without sugar. Mr. Blank knows all this, but perhaps like some of his brethren he looks upon white lead as more or less of a necessary evil — a sort of interloper over which he would prefer not to waste much time. This attitude springs from the fact that he has become so infatuated with the idea of selling specialties at a certain per cent. profit that his business instincts are blind to the profits that

Advertising and Selling, February 1911, p. 66.

lie in such an old standby as white lead. He fails to see the gold in the ore.

On the other hand, Mr. Blank may perhaps lean toward the other extreme and feature white lead as a "leader," selling it at cost or less in order to attract trade to his store in the hope that he will be able not only to sell the "leader," but various other things upon which he depends for his profit.

Clearly then, Mr. Blank must be educated to a point where he will realize that white lead is too important a business builder to be shoved in the background. He must be made to realize that a staple article such as white lead, the thing which is in reality the very backbone of the paint business, should not be allowed to shift for itself while his pet specialties are being forced upon an indifferent buying public. He must be taught that high percentages of profit, if figured on a few sales only, are subordinate in importance to a larger sale of staple goods at smaller profits. Not that specialties are to be discarded; but only that they are relegated to their proper place.

Educating the Retailer

If Mr. Blank has been using white lead as a "leader" at a cut price it becomes necessary to show him how to make intelligent use of a "leader" — how to harness it to his business and sail with the wind, instead of against it; and the quickest way to go about that is to select as a "leader" something that people know about and want. Momentum exists just as surely in practical merchandising as in practical mechanics, and the merchant who fails to avail himself of the selling momentum which "Dutch Boy" white lead has gathered through years of advertising and use is wasting power. It is said that a tenpenny nail will hold the most powerful locomotive ever built, provided you lock the wheel of the locomotive with it before it gets started; but let the locomotive once get under way and it will laugh at a ton of tenpenny nails. "Dutch Boy" white lead may be compared to the locomotive coming down a clear track at full speed. Such a power doesn't require a cut price to make it "go."

In connection with these general business principles Mr. Blank is taught that just because he carries "Dutch Boy" white lead he cannot afford to remain inactive himself, waiting for business. The trade he sells to may know the merits of the product, through the influence of the manufacturer's national advertising, but how are they to know that Mr. Blank carries "Dutch Boy" white lead unless he brings it out of his cellar or back room and puts it in the window with a good-sized sign, talks about it and advertises frequently in the local newspapers?

Another difficulty that often stands in the way of winning over the dealer lies in the comparative figures which are constantly being presented to him by "knockers" to prove how bad a thing white lead is for his business. Dealers are continually being shown sets of figures which appear on the surface to prove that either no profit results from the sale of white lead, or else that actual money is being lost on each sale. When such cases are encountered, it's up to the company to prove the fallacies contained in these reports, and the answer is generally along the following lines:

In the case of prepared paint the profits are always figured on *all* the ingredients; the pigment, oil, "turps," colors and the drier. This is so because these various ingredients happen to come to the dealer made up into paint and are sold by him, not separately as pigment, oil, etc., but as *paint.*

On the other hand, in the case of made-to-order paint, the profits are figured on each ingredient separately, because the dealer buys and sells them separately. Thus, when comparisons of profits are presented, the trap into which the dealer falls is the comparison of the profit on paint, on the one hand, with the profit on only one ingredient of paint (white lead) on the other. Thus, in comparing white lead with mixed paint, the dealer should always figure on white lead as an integral portion of paint, and must also take into consideration that since white lead is useless as paint without oils, and various other ingredients, every 100 pounds of white lead sold means the sale also of a certain quantity of linseed oil, turpentine, colors, drier, etc.

To compare the value of the lead-and-oil business with that of the mixed paint business it is only necessary to figure what the ingredients of a gallon of white lead paint cost and the profits derived from their sale. The result, compared with the profits on a gallon of mixed paint, shows whether or not it pays to push white lead.

Figures are prepared on this basis by the advertising department and presented to the dealer, showing that the profit to him on the ingredients of lead and oil hand-mixed paint is equal to that on ready-prepared paints and often greater.

After these, and similar arguments have been used with success upon our friend, Mr. Blank, the next step is to help him move his stock.

It would be impossible for a National Lead Company salesman to carry about with him actual duplicate samples of the free advertising matter issued by the company for the use and convenience of painters and dealers. These include posters, signs, hangers, mechanical window displays, newspaper advertisements bound together in a pamphlet, all ready to hand to the printer, electros, etc. To carry a "life-size" line would require several sample trunks, so a better and perfectly efficient method is resorted to. Each salesman has with him a small leather-bound loose-leaf book in which are pictured all the various classes of advertising matter of which Mr. Blank may avail himself.

Helping the Dealer Make Sales

Not every piece of free advertising literature is shown in this book, however, but at least one good sample of each kind is listed. Each page is keyed, and when a salesman sends in an order for advertising matter the painter or dealer gets all the matter which is included under that particular form. Thus, if Mr. Blank is struck with a dealer's newspaper advertisement in the salesman's sample book he not only receives that particular one, but a whole book of ready-made ads as well, out of which he tears a page whenever he wants his newspaper copy changed. Electros for use in these ads are supplied free, and as the back cover of the book is as order blank in post-card form, self-addressed to the company, it is very easy for Mr. Blank to send for whatever electros he may desire to use.

This free advertising service is also furnished to painters, the copy of course being written along different lines to fit the field.

It sometimes happens that a "Dutch Boy" dealer has a side wall on the outside of his store of which he wishes to make some practical use. Merely painting his name, together with some of his specialties, lacks life and he decides that his wall sign should embody some sort of a decoration. Here is where the "Dutch Boy Painter" often steps in and supplies the missing link. Any dealer can obtain, upon request, a suitable and durable "Dutch Boy" poster which will fit very nicely in his sign space. The fact that the dealer may have incorporated the "Dutch Boy" in his sign purely for decorative reasons does not detract from the advertising value which the National Lead Company gets out of the display. . . .

Some there are who in reading this article may ask, "But what about the jobber? How is he reckoned with?"

What About the Jobber?

The National Lead Company considers the jobber of so little importance that no advertising matter is ever addressed to him *as a jobber*. He is treated exactly the same as a dealer. In the East his influence scarcely counts, but in the West he assumes slightly more prominence, due to the fact that travel is more expensive in western territory.

The selling force of the National Lead Company is extremely effective. Analyze the reason and you will find that there is hearty and enthusiastic co-operation between the salesmen and the advertising department.

In many companies co-operation between these two departments is a dream which is never fully realized. There is very apt to be an earnest endeavor on the part of the advertising department to bring this ideal condition about, but generally the effort is all one-sided. Salesmen, as a rule, are backward about giving credit to the advertising department. They are too prone to subordinate this branch of the business, preferring to stand, or at least assuming to stand, entirely upon their own resources. While such an attitude is not healthy, it pretty generally exists; but *not* in the particular case under present discussion. Every salesman in the employ of the National Lead Company is made to feel that he is an actual part of the advertising department, with a voice in its plans and campaigns.

This feeling of unity was not created in a day. It took time, and the methods which were originally employed to create it are never relaxed. The advertising department never ignores the salesmen. At the beginning of every campaign the general outlines and policies are presented to the sales force, and later the actual details as they are worked out are laid before the salesmen for their inspection and criticism.

The preliminary outlining of general policies, at the beginning of a campaign, is done by the advertising manager of the company at branch sales conventions which are held when necessary in the various sections of the country represented by the several branches. At these conventions all the plans of the advertising department are presented to the salesmen in conference, and it is shown

The Outlining of Plans

just where and how the salesman's help is absolutely essential in the carrying out of the suggested policies.

Later presentation of details is made by means of a bulletin, prepared in New York and issued confidentially to each man.

By taking the men on the road into the strictest confidence, a feeling of loyalty and "oneness" is built up. The really ideal condition exists where the men who make up the sales force of an organization are as desirous of working *with* the advertising department as the advertising manager is of working with them. Secure this state of affairs, even to a moderate degree, and the chances are in favor of something doing all along the line.

The H. J. Heinz Company, of Pittsburgh, makers of pickles and preserves, sell directly to the retail grocers so that their selling problems are not unlike those of the National Lead Company. But the differences in the character of the products make the use of different methods imperative. Frederick W. Nash, who was over seven years in the sales and advertising department of this company, gives the following interesting description of some of the methods employed in securing the proper co-ordination between the concern's sales and advertising activities.

Selling a Grocery Specialty

*A systematic and thorough course of instruction in the art of displaying the 57 varieties in grocery stores is given every Heinz salesman by trained demonstrators employed by the company. These instructors work with two or three salesmen at a time, during their attendance at local sales conventions, until each traveler can build attractive window displays, ingenious counter pyramids, and artistic shelf departments of Heinz goods, not neglecting such fine points as proper color schemes in their assortment. As each line of products is advertised in season, he makes that particular variety or group the most prominent in his display work in the stores, so that there may be no failure to bring these goods to the consumer's attention while the periodical advertising is appearing.

When the company is ready for any special advertising

**Printers' Ink*, November 23, 1911, p. 3.

campaign — and nearly all of them are "special" — advance proofs are mailed to the 500 members of the sales force, usually twenty-five or more proofs to each salesman, with instructions personally to post up these proofs in the leading stores in their territories. This "personally placed" proof advertising reaches the merchant and his clerks with all its force and effect, whereas comparatively few would read the periodicals in which it appears or notice it there. This single sheet "ad," pasted on a store window or under the glass of a showcase, is also read by thousands of consumers awaiting service in the stores. It attracts the curious, and many read it when posted in this way who would scarcely glance at it in turning the pages of their magazines. This extra circulation of from 10,000 to 15,000 counts when handled in the proper manner. It also assists the salesmen in securing adequate distribution on the varieties advertised, in advance of the publication, and is a special lever to induce prominent displays of the advertised goods, in the arrangement of which the salesman puts to good use the expert knowledge gained through the instruction above described.

Figuring on an average of about twenty window displays and thirty interior showings for each salesman, it will be seen that when the Heinz ad on mince meat appears, just before Thanksgiving, for instance, there will be prominent presentation of the goods by something like 25,000 stores in the United States when the publication reaches the consumer. Advertising "sharps" can figure out for themselves the dollar value of such display in connection with periodical advertising.

But the Heinz salesman's job of co-operation is by no means done when this part of the work is completed. Every

Salesmen as Educators

Saturday, except in midsummer the Heinz representative spends his time in one of his most influential stores, and, equipped with fine china and silver, he serves in a clean, high-class, appetizing manner, attractive samples of "the 57" to callers at the store, at the same time explaining about the Heinz Model Clean Kitchens, open to visitors all the time; tells about the fine materials used in all Heinz goods, and why no preservatives of artificial nature are required in the Heinz establishment, etc., etc.

Consider that at least 350 of these trained salesmen put in an average of eight hours each day for about thirty Saturdays per annum *talking* Heinz *advertising* direct to women most interested — reaching, say, a total of 10,000 homes per annum in this personal way, and you can get a pretty fair idea of the value of such work, done by men of above average intelligence and appearance. Remember, also, that this work is done on Saturdays, which are off days for effectively soliciting in the city trade, anyway. Not content with reaching only the customers who call at the stores, however, a number of attractive solicitors' cases furnished by H. J. Heinz Company, each containing three or four packages, assorted, of the particular goods the grocer or the Heinz Company desires to push, are placed in the hands of the grocers' clerks by the Heinz salesman, with instructions how to use them in making the rounds of the house for grocery orders. It is a common occurrence for a grocer's own solicitor, when coached by the Heinz representative, to sell to homes on the outside more Heinz goods and create more new business for "the 57" during a "Saturday Demonstration" than is done in the store. This is what Mr. Heinz calls "a salesman multiplying himself while he is on the job."

Going to the Consumers

This is one method of co-operating in reaching the consumer when the merchant is agreeable and carries the goods, but if desired or necessary local distribution is not forthcoming after the salesman has done his best to get the goods in by working on the grocer, the up-to-date Heinz traveler now goes direct to the consumer personally. Perhaps a concrete example will best illustrate the method used in this work.

Out in Wisconsin there was a thriving town of about 10,000, where the Heinz representative could get no vinegar customers among the grocers. All bought from farmers, from friends, or would not pay the higher price for the Heinz product, stating that their customers were satisfied with the vinegars sold at lower prices and would not pay more. Finding himself apparently up against a stone wall with the dealers, the salesman put in a solid week in this town, visiting the leading homes. He obtained names of next-door neighbors from door to door, and often made such a good impression as to get cards and letters of introduction to tell his story to friends of the ladies interested. He took no orders, but introduced himself as a special representative of H. J. Heinz Company, in connection with vinegar, and merely wished to explain to the lady of the house some things about vinegar which interested most housekeepers.

He induced the women to get out samples of the vinegars they were using and without "knocking," easily demonstrated great superiority for his samples, working in an interesting story the vinegar manufacture practised by Heinz as compared with the crude and imperfect methods of farmers. When asked where Heinz vinegars were for sale in the town, he stated that he regretted to advise there was no merchant who carried it in stock here, and explained the reason as given him by the merchants — that the people would not pay the price necessary to ask for really good vinegar; they were satisfied with the (poor) quality being furnished them.

He suggested that if the madam desired her grocer to supply her with Heinz vinegars, or felt differently about being satisfied with the farmer's vinegar, she should enlighten her grocer on the subject. After about fifty of the most influential women of the town had held indignant conversations over the telephone with their grocers, the distribution proposition on Heinz vinegar in that town was materially different. By diplomatic handling the salesmen kept from antagonizing the merchants, who generally appreciated that the "joke was on them," but the chief feature of this experience was the permanent vinegar business built up in that town as the result of the work. From a condition of no dealer handling it, all soon sold it, and the women who heard the "story of the Heinz Vinegar," wanted other Heinz varieties, so that general business was helped on the line. This particular salesman was working on straight commission, and did this work on his own account and time, but the results secured made it a profitable week in dollars and cents to him and demonstrated to the company the value of such special work by salaried men, wherever needed to meet special conditions. H. J. Heinz Company does not underrate the value of "*personal advertising*" by all their employees.

During the "Benzoate" campaign the matter was carefully explained to all connected with the company, with the suggestion that by refusing to use any food prepared with artificial preservatives, the general cause of food purity, and also of their own business, would be advanced. There is little doubt that the influence of 500 Heinz traveling men in various departments of the business was felt by the recalcitrant hotel keepers, who still served benzoate ketchup — through numerous "kicks" about "doped" food. For a while the whole Heinz sales force talked anti "Benzoate" wherever opportunity occurred; they educated their wives and friends to do likewise, and they influenced many strangers to join them in the campaign by their public talk and acts on the subject. This is what might be called "auxiliary advertising" by a sales force, and that it was proved very effective in combination with printers' ink kind can best be testified to by some of those interested on the other side of the benzoate controversy.

In none of the cases thus far cited does the concern sell through the "regular" selling system, including both the jobber and retailer. But there are many houses putting out their goods through the "regular" system who are giving attention to these problems.

Charles C. Casey takes up in the following discussion some of the concrete problems which present themselves to a company selling through the regular distribution system in its efforts to co-ordinate its selling and advertising activities:

*Ever hear of an advertising department which was backed up in an ideal manner by the balance of the organization?

Making Use of Consumer's Inquiries

Some advertising departments are not. One of them is located in a New England city — in the general offices of a certain well-known advertiser.

This particular advertising department has the nice little task of handling several hundred consumer inquiries a month through dealers everywhere.

Inquiries are obtained on a basis of service to the customer, and the advertising department works hard enough in its effort to see that the customer gets service, but ——

And there's the rub. The advertising department has cajoled and threatened, and coaxed and "cussed" (in dignified English), but the manager knows that the customer is not getting a tenth of the service it is the policy of the house to give.

The dealers just won't see the inquiries as this manager sees them. They won't handle them as they should be handled. He can't make them nor persuade them to follow up his inquiries — at least not by his methods.

Another advertising manager (and he isn't the only one) has the same difficulty in getting salesmen to follow up inquiries.

Printers' Ink, May 16, 1912, p. 28.

Several hundred inquiries were sent out by the advertiser within a month, practically every one of which looked good for a sale.

But the sales didn't result. The advertising fell flat, so far as sales were concerned.

The advertising manager was not able to understand why. He puzzled over it for some time, in the meantime running other advertisements and sending out more inquiries.

Finally he began to trace the inquiries to see what became of them after they were sent to the selling force. He soon found that the inquiries were being "followed up" by the sales force in a half-hearted way. Many of them were thrown away without even being followed up.

Steps were immediately taken to compel the salesmen to follow up the inquiries promptly and to try to close up sales.

The sales manager and the general manager were both shocked at the ad man's report and both took up the problem. They promptly and authoritatively instructed each individual salesman to follow up every inquiry to the last source of information.

A good many salesmen came back with hot, resentful letters, citing instances where inquiries had been worthless, and declaring they did not care to waste their time with that class of inquiries.

That put the matter on a different basis. The value of the inquiries was a hard question to determine — "maybe the ad man didn't know."

Things went on in a bad way for several months. Then, there being little actual business resulting from the advertising, the appropriation was not renewed and the advertising was stopped. . . .

If the average advertising man could instil into his board of directors, into his general manager, into the sales manager, and into all of the members of the sales force the same enthusiasm which he has, he could do twice as much productive advertising with half the appropriation.

That is putting it strong, but lack of co-operation is one of the most serious handicaps which the advertising man has to overcome.

Most advertising managers need an advertising manager; somebody to advertise them and the advertising department to their own organization.

Nearly all advertising men keep so busy trying to sell their company's product to consumers that they lose sight of the necessity of selling advertising to their own people.

And then lots of advertising men are pretty busy keeping their boards of directors "sold" on advertising and their bosses "sold" on themselves as the man to handle the appropriation.

In some organizations the advertising man is about the only one who knows, or cares, anything about the advertising. And, if he attempts to keep records to prove the "results," most of those on whom he tries to use his figures openly or secretly charge unfairness in "estimating" the value of his kind of "results."

If they all knew as much about advertising as the advertising man ought to know, there would be no difficulty in getting co-operation. But the average organization is satisfied with thinking it knows.

Everybody in the average organization, from the advertising man's own stenographer to the president himself, is likely to entertain a secret notion that they could write advertisements a little better than most of those printed.

Even the office boys are likely to entertain each other with jokes about the "awful illustrations" used in some of the ads.

The advertising man who is wise won't miss any opportunity to advertise advertising, particularly his kind of advertising, to everybody in his own organization.

"Selling" the Advertising to the Sales Force

He should never let a piece of mail go out of his office for anybody in the organization until it is polished and labeled "18k gold." Every move should be a part of an organized campaign to "sell" the department and its work, and keep it sold, to everybody in the organization, from the janitor up.

The department should never send and inquiry out into the field without trying to "sell" it, either as a sales tip or as something otherwise valuable, to the man who gets it.

It costs money to obtain inquiries. The advertiser should certainly be willing to spend something to follow them up.

If you don't think any more of your advertising inquiries than to "dump" them into the busy salesman's desk without explanations, don't blame him if he dumps them into the waste-basket.

Unless you put a value on your advertising department, it will be accepted as valueless.

The most the organization can be expected to do is to accept the department at the value it puts upon itself and upon its fruits.

Not only is the problem of co-ordination between advertising and selling a matter of securing the enthusiasm of the organized selling force, but it also extends clear down to interesting the various factors in the distribution system, even including the retailer's clerk. Clayton A. Eddy, advertising manager of the Detroit Stove Works, of Detroit, Mich., describes in the following terms some of the methods which have been employed by various manufacturers in co-ordinating the work of their advertising and their distribution system:

*Too many manufacturers, it seems to me, lack the quality of good sportsmanship toward their national advertising, whether in the magazine or the newspaper. They do not give the supplementary service sufficient force to extend to it the actual sales. These are the very people who frequently complain that "national advertising isn't paying me as it should."

National advertising is only the first step toward the sale. The manufacturer who wants to cash in to the utmost upon his campaign must explore the resources of his common sense and ingenuity to bring the diffused force of it to bear in those places where potential sales are apt to clog.

A salt manufacturer who had advertised in a national way for many years found his advertising was not bringing the results it should. His product was sold through the jobber to the retailer. After careful investigation among the channels of distribution for cause and effect he decided the jobbers' salesmen were lukewarm over the proposition. The fact was, this manufacturer had taken for granted that the jobbers' salesmen knew as much about his proposition as he did himself.

He did not realize that the special processes employed in mining the salt and preparing it for market were so intricate that they required much thought in order fully to understand them. Unless the jobbers' salesmen and the retailers did understand about the special processes they would not under-

*_Printers' Ink_, December 7, 1911, p. 14.

stand or be able to explain the reason for the superiority of the salt or its higher price.

After reasoning this out the manufacturer decided a campaign of education was needed. He wrote every jobber with whom he was doing business and secured the names and addresses of every salesman on his force. He then started a direct campaign to these men, going into details relative to the manufacture and purifying methods used before the salt was ready for marketing and giving reasons which the salesmen could explain in talking to customers.

How a Salt Manufacturer Stirred Up His Sales Forces

The first piece on the list was an attractive folder showing views of the plant, the special machinery used in the preparation of the salt and the advantages which this manufacturer had over other salt manufacturers. The next folder showed how the salt was brought from the wells into special storage tanks, how the brine was drawn off to a series of heaters, how the impurities were taken out and only the finest digestible salt remained.

By a series of these folders he carried the salesmen along step by step until at the finish this special brand of salt was as well known to them as any line of goods they sold. Further to secure their good will and co-operation a series of folders, entitled, "Men Who Do Things," was mailed to the list. These folders were interesting because they described the lives and hobbies of prominent business men, told about them in an entertaining way, and the only reference to the manufacturer's proposition was a few lines at the bottom.

This campaign was so interesting to the salesmen that a large number of them carried various pieces on their trips and showed them to the merchants they called upon. That it was a success was proved when the orders on this special brand of salt increased to a great extent the following year, and salesmen now consider this salt the best known brand of its kind on the market.

The Methods of a Refrigerator Maker

A maker of refrigerators made the most of his advertising campaign during the spring months by also using space in a high-grade supplement which was included with the leading newspapers in several large cities. This manufacturer arranged for good-sized space in this supplement, had newspaper electros made of the advertisements, just as they would appear in the supplement and then arranged with his salesmen in the cities in which the advertisements were to appear to call upon the local dealer and secure his co-operation by showing him where he could advantageously use space enough in that particular edition of the Sunday newspaper to run the ready-made ads. He showed dealers where he was advertising direct to the people in their communities. Co-operating with the national advertising and using space over his own name in the local Sunday paper just at the time the manufacturer's advertising appeared in the supplement, would give the dealer a certain amount of prestige and sales which he could not secure in any other manner. A large number of dealers in the various cities took advantage of this proposition and increased their sales very materially.

The Club Idea

A manufacturer of kitchen cabinets secured the co-operation of dealers by suggesting a plan to boom trade during a supposedly dull season. One dealer only in a city or town has the selling agency for this line. These dealers are for the most part instalment houses selling on time payments. The manufacturer suggested to each dealer on his books that he form a Kitchen Cabinet Club. The plan was to form a club of, say, fifty, giving to each member special terms by which they are able to buy a kitchen cabinet at an attractive price. One dealer using the plan advertised, "By joining the club you have a Blank kitchen cabinet delivered to your home at once on payment of only $1 at time of joining and $1 each week thereafter for twenty-four weeks."

The regular price of this kitchen cabinet as fixed by the manufacturer is $25 cash or $27.50 on easy payments. The cash price is never any less, and it is only through these semi-annual club sales that they can be bought for $25 on easy payments. In other words, if you join the club you get your cabinet at the lowest cash price and pay for it in dues of only $1 a week — a clear saving to you of $2.50. The advantage of this plan to the dealer is that it does not mean selling it at a cut price, but simply offering a special proposition by which a certain number of buyers can obtain a cabinet and pay weekly on the same terms as ordinarily made to cash purchasers. A large number of dealers found this an excellent method of booming sales at a season when they would otherwise be very slow.

Many manufacturers find their advertising does not get the kind of co-operation from their own sales force necessary to insure the greatest success. Many salesmen are willing to talk about the advertising their firms are doing and use the plans to help them sell goods when possible, but they are not well enough informed regarding the advertising to use the proposition as effectively as it might be used.

Asking Questions About the Advertising

One manufacturer spending a considerable amount in national advertising prepared at frequent intervals a list of questions relative to the advertising, and makes it part of the duty of each salesman to send in written answers to the questions to the advertising department. Questions such as the following are asked:

"When is our magazine advertising to appear?" "How many months will it run?" "What are the mediums used?" "What are the advertising helps we furnish the dealer selling our line?" "What can the dealer expect from us in the way of co-operation, etc.

By this method the manufacturer knows absolutely that his salesmen are not only fully informed regarding a campaign upon which sales depends, but their active interest is at all times assured.

A manufacturer in sending out advertising matter to his salesmen found after watching the force closely for a time that many of the salesmen were not posted on the advertising. He found that while advertising matter was sent to each and every salesman, some did not give it the attention it deserved. When they came to headquarters they would claim that in many instances certain forms of advertising matter had never been sent them and therefore they did not know the house was furnishing it. To overcome this and to be absolutely sure that each salesman received all the advertising matter and samples furnished the trade, a return post-card was included with every piece of advertising matter sent to the salesmen. They were requested to sign this card and return it to the home office. By that method a record was kept of shipments to every salesman and their statements of "never received it" are met with the card they signed as a receipt.

One manufacturer realizing the importance of the retailer's co-operation sent out a printed form to every dealer on his books asking questions pertinent to his line and the needs of the dealer. Questions as to whether the dealer received many inquiries from a particular advertising campaign; whether sales were made easier; whether the dealer could suggest any plan which the manufacturer was not then using for increasing the selling efficiency were asked. They were also requested to send in any special plans or suggestions which it might occur to them would be of assistance in pushing the line. This manufacturer not only received a large number of these question sheets filled out and signed, many of which contained excellent suggestions, but the plan also had value in getting the interest of dealers and making them feel their suggestions and co-operation in the selling of the line were desired.

The Use of House-organs

In a great many instances house-organs have proved most valuable in backing up the national advertising campaigns. One manufacturer publishing a house-organ had on his mailing list over 16,000 retail merchants. Hardly an issue of the paper went out that it did not contain some reference to the advertising campaign. This firm did not take for granted that because they were doing a considerable amount of advertising all their customers knew about it. The house-organ edited along the right lines can be made a great ally for the advertising department. It can educate retailers to the importance of selling advertised goods and show them why it will prove most profitable for them. It can offer suggestions for local advertising and above all instil enthusiasm for the line and confidence in the manufacturer and the goods he advertises.

The plan of selecting special weeks and devoting them to the exclusive advertising of a certain brand of paints or shoes has been successfully worked out by several manufacturers. One large paint manufacturer arranged for space in a number of prominent magazines during certain weeks in the spring. He desired this advertising to do full duty for both the factory and the dealers. He realized that concentrated effort on the part of both was necessary to secure the greatest value. Every dealer selling the line was advised that a certain week, the dates of which were given, would be known as "Blank Paint Week." During that week their advertising would appear in full force in a large list of magazines. Dealers were offered special window trims for paint week displays, paint car and window cards, special electros for newspaper advertising, etc. This advertising, used during the entire week.

The response to this offer was surprising to the manufacturer. From all over the country dealers wrote commending the plan and offering to co-operate to make Blank paint week a success. The result was that concentrated efforts on the part of dealer and manufacturer made this extensive magazine advertising the most profitable of any advertising they had ever used.

A well-known shoe manufacturer used a similar plan with excellent results, choosing a week during the fall and reminding the dealers for weeks ahead regarding the Blank shoe week.

CO-ORDINATION IN ADMINISTRATION

As has been seen from some of the cases cited, the problem of properly adjusting the administrative organization of the advertising and selling departments is an extremely difficult one, but each of these cases shows that it is not at all impossible to solve this problem and to make the two supplement each other satisfactorily in actual operation.

F. Manning, the general sales and advertising manager of the Grape Products Company, of Northeast, Pa., (makers of Walker's Grape Juice) contends that the sales and advertising managerships should be one. Mr. Manning backs up his contention with the record of his own experience in exploiting Walker's Grape Juice, and, as this product is sold through the "regular" channels of trade, his case serves to illustrate the fact that the principles developed in some of the other cases of direct sale may also be applied under indirect selling conditions.

*"Selling" and "Advertising," while seemingly considered as two separate branches of business endeavor and expense, are, in fact, inseparable units of the same thing, "Salesmanship."

And while the actual taking of orders may be directed by one head, and the advertising of the article covered by these orders may be directed by another, to good effect, the fact that these two great selling forces, directed at the same objective, and being each dependent upon the other, so similar in character and results, should certainly indicate *consolidated*

**Printers' Ink*, September 29, 1910, p. 3.

management, just as do the various branches of manufacture. One rarely encounters a factory in which all the various divisions of production are not directed by a single head — under supervision, perhaps, but with one centre of management and responsibility. This being the case in manufacture, why should the combined selling effort be handled as two separate branches of the business organization?

Advertising is as dependent upon the selling for results as the salesman is dependent upon advertising for consumer demand with which to interest the retailer and secure prestige with the jobber. No dealer, whether retailer or wholesaler, buys an article simply upon its *merits* — he buys upon *salability* first, price and profit next, and *then* he may be interested in quality.

But a ready sale, a steady consumer *demand*, is always the first thing he considers in the purchase of goods for sale.

This premise granted, why should not the same head direct both the elements needed to secure signed orders — the ultimate result?

In introductory work, as well as in subsequent development of a market, it is of vital importance that *salability*, prompt and certain, of the article be impressed upon each member of the trade for which the article is intended — that each dealer be convinced that the goods will *sell* — and the best proof of this, nowadays, is to show the dealer just what *kind* of advertising is to be done, how *much*, *when*, and *where*.

The dealer should be taken into the salesman's confidence, and the plan, with reasons for its employment, explained until the buyer is in position to purchase the goods upon his *own judgment* as to the demand to be created by the advertising which he has seen, knows, and now understands.

Advertising Ideas of the Retailer

The average dealer will be found to have a peculiar conception of advertising, which, in so far as the trade is concerned, has been generalized so much by large advertisers, as well as by so many small propositions with "flash" campaigns (designed to *show* rather than to create lasting results), that the average buyer regards a new article with a certain conservatism which borders upon suspicion.

He says: "Produce this demand first, and then I will stock your line — but in *advance*, well, never again." Hard experience has taught him to ask for demand *first*.

This attitude hampers distribution, which in turn lessens sale results, and of course the advertising ratio of expense is increased.

In order to lessen this conservatism on part of the buyer, it is only necessary for him to understand your plan of campaign *as you do*, before he believes in it *as you do*, and is willing to risk his part of the investment in an effort to secure his part of the profits accruing from the advertising — *just as you do* in putting it out.

The "printed word" is all well enough, and serves its purpose in placing an advertised product before the trade — but by far the most potent possibility in securing trade enthusiasm (next to actual demand itself) is the confidence inspired by the salesman himself in his daily contact with the trade.

Inform your salesman, as you yourself are informed, about your plan, its aim, purpose, and *raison d'être* — place him in position to reason out, for himself and his (your) customer, *why* you are doing this thing or that — and its relation to the future sale it is to produce for his customer, the dealer, and his own sales record.

This done, the salesman does not, of necessity, "talk from the book" — he *thinks* and explains, with all the force of his own language, thought, and conviction, just what his house is doing and why his proposition is a safe one for the buyer.

For this result to be accomplished to best effect, it must be simultaneous with the trade journal campaign with the circular work, and, if possible, with the preliminary steps of the campaign itself.

Closer Contact in Adminis-tration

This necessitates a close interlocking of the sales and advertising details — calls for team work of a high order — and the success of its execution determines the exact generalship exercised in the carrying out of the composite "sales" and "advertising" campaign. And generalship means profit, efficiency, distribution, and lasting results.

Because of the importance of the trade relation and its peculiar significance to the campaign itself, the man to "general" this campaign is, logically, the judge of merchandise, the seller, the trained commercial advocate — the source of selling enthusiasm, the man-who-foots-the-bill of final results — the *sales* manager.

But simply because this sales manager happens to be a successful salesman, or even a successful *manager* of salesmen, does not necessarily entitle him to the position of sales *and advertising* manager in charge of this campaign.

If he is to direct the advertising he must also be schooled in that craft as well; his knowledge of selling, of the trade, of competition, of territory, etc., will not necessarily fit him for the position of arbiter and director of this most powerful factor in modern business — advertising.

This sales manager must *also* be an advertising judge, and possibly a creator, an accurate theorist, a producer of advertising through an execution.

And, on the other hand, merely a capable, forceful, brainy advertising man cannot lay claim to preference as sales manager in this instance. "Personal appeal," "reason why," "class copy," etc., mean but little to the road-worn salesman fresh from the firing line of contact with competition and skeptical buyers.

He must have this put to him in the language of *his craft*, that of the seller — the man who has been there. The hardest thing to accomplish in the sales manager's work is that of convincing the salesmen that the man at the desk really knows anything of what *they* are actually up against in their daily work.

They feel that it is all well enough to sit in the office and tell how it should be done, "but, after all, the boss would talk a little differently if he had ever been up against the game himself," etc.

The Selling Knowledge of the Ad Man

Ninety-nine per cent. of our advertising men have never carried a sample case, nor are familiar with the physical, practical *selling* of merchandise. For the most part they have gravitated into the business from the editorial, the newspaper, or magazine field, and en route have gathered a lot of splendid thought and experience, but, as the salesman says, "haven't been up against the real cloven-hoofed buyer — yet." Hence the danger of dependence upon the "average" advertising manager for the handling of the combined sales forces.

The sales manager, to handle the combined campaign, must first be a *sales* manager — and then be able to change desks, if need be, and become the ad man; familiar with the bewildering multitude of opportunities for costly error, for concealed loss of expenditure, and for the elusive dead-falls lying in wait for part of his appropriation.

If he cannot do all of this himself he must have the level-headed common sense to select, carefully, the very best agency available — *pay them straight commissions*, and tie up with them for service and results. He must know how much help the agency will require of him, and give it. He must know what to expect from the agency, and insist upon getting that.

In an experience of fifteen years in actual selling, in sales organization and reorganization — sometimes in sales advertising, sometimes exclusively selling — I have had the opportunity, several times, of correcting a bad sales policy, and of lessening the consequent sales cost, by *consolidating* the sales and advertising departments under a single directing head.

In certain instances both organizations were good, the advertising, logical, well balanced, and properly applied; the selling plan correct and proving effective; both departments, individually, doing their full duty, but not working in the precise harmony necessary to highest sales efficiency, and particularly sales economy.

And in the final work-out it is found that these two separated departments are working along lines sufficiently different as to lose the team-work value found in proper combination. This is true in all lines of human endeavor, military, baseball, missionary, financial, etc.

These two lines of procedure cannot be perfectly aligned when two or more men, two or more personalities, ideas and temperaments, must be brought into such intimate relation as is necessary to low sales cost, through distribution, and dealer co-operation secured by high combined efficiency.

The Plan of the Grape Juice Concern

Therefore, in selecting the sales advertising head the question of choice should be determined by the qualifications of the individual, rather than by whether he be a salesman or an advertising man. But the direction of these features of the business should certainly be centred in one man.

In our business here, we entered a field which was controlled by two brands of advertised grape juice, and a dozen makers of the identical article sold under many brands, but all of the same quality and value.

A preliminary survey of the field demonstrated that nothing short of a national proposition could be made feasible without a tremendous expenditure of time and money in sectional development. A national-initial-introductory campaign was decided upon. . . .

The grape juice "year" only covers eight months, and the actual selling is done during the cold months immediately preceding the spring season, when soft drinks become popular and timely.

It was found necessary, therefore, to accomplish distribution at a time when there is but little consumer demand — and it is indeed difficult to introduce a new article except under actual advertising then running and in sight. It is also most unusual to advertise a new product in a national way, out of season, without having first secured at least a skeleton distribution.

Having no choice, however, the best plan of procedure was next to be determined and carried out.

A complete general campaign was worked out, covering magazine and circular copy. A sales force was gathered and trained in convention of district sales managers at the factory in December.

Opening of a National Campaign

The entire advertising plan was gone over in detail with these district salesmen, until they were as familiar with it as we were — and then a trade circular was prepared which carried every detail of the campaign; covering the product, the factory, the advertising (with specimen copy), selling offers, price list, etc., together with an exact schedule of publications, appearing dates, and size copy for each shown.

This trade circular was mailed to each of 100,000 dealers in the United States on January 1st, going out the same week as our first advertisement (a two-page spread in the *Saturday Evening Post*) appeared.

Simultaneously each of our district salesmen appeared in his territory with one or more thoroughly coached assistants, telling the same story as told by the trade circular, the trade journals, and the two-page spread.

This all occurred in January — three months before the consumer season could possibly open. The plan and its purpose were frankly and honestly made clear to the dealer, whether jobber or retailer, and he was asked to buy on *his* judgment of the outcome of it.

Results: In January we booked about $100,000 worth of business for immediate delivery, and kept that stroke up until the entire trade from coast to coast was covered by our introductory selling. Walker's Grape Juice was actually in the hands of over 46,000 dealers by June 1st, less than sixty days after the "season" actually opened for general consumer demand.

Nothing but *concerted* action from all directions can produce results of this magnitude within that space of time and under those circumstances.

The analysis of conditions must be right, the theory of the plan correct, the agency must do its duty, and the whole scheme of things must be interlocked and executed in perfect harmony and accord.

Two Divisions Under One Head

Obviously, *two* "heads" would have some difficulty in maintaining the same exact pace — so we adopted the very simple expedient of placing the entire selling organization under one head.

The sales force, sales brokers, etc., were under one division and in charge of an assistant; the general publicity campaign handled by the agency, after the usual preliminary conferences and decisions as to copy policy, etc.; the circular work, handling of display material, signs, literature, etc., taken care of by another assistant in his division.

The traffic and general business features were grouped in a similar manner, and proper connection established with the financial department as regards credits, collections, kicks, adjustments, dissatisfactions, etc., being referred to the sales department for disposition.

The workings of the entire organization, as above, are then segregated and grouped in such a way as to relieve the general sales manager of actual details bearing upon a certain part of it, but bringing *everything* of serious import, which may require special disposition or a special ruling for future guidance, to his immediate attention upon occurrence.

By this arrangement every condition affecting the sale of our products is kept before the sales head, who, in turn, controls the sales producing machine; he is kept fully informed regarding trade conditions in each territory, and can direct the advertising effort or the sales operations to fit the exact needs of any section. At the same time he controls the advertising expenditure, as well as the sales expense, shaping the policy to conform to conditions found.

A full set of estimates, made in advance of actual operation, covering business to be done, territorial subdivision, expense in its various classifications, and even to quantities of the sized packages needed, remained substantially in force and correct at the end of our first season.

Now, it is not possible for a single individual to be "everything in everything," and to actually handle all these varied sections of the marketing organization, nor would the same result be possible under a divided effort of two or more men. But there is no doubt that best results are gotten when all the different features bearing upon the sale of a certain product are centralized in such a way as to bring them under the direction of one dominating *idea*, and are executed according to that.

It then devolves upon that individual to bring about the organization, men and methods for carrying out the composite plan.

"Rather one poor general, than two good ones."

H. P. Dowst of the H. B. Humphrey Company, Advertising Agents, in Boston, at a recent meeting of the Pilgrim Publicity Association, gave a talk in which he emphasized the distinction between "notifying" the selling force about advertising and "instructing" them about it. In the course of this discussion Mr. Dowst sums up the main facts of this entire group of problems:

*I talked not long ago with the New England manager of one of our biggest advertising textile houses. I said, "Your house is a great advertiser." He replied, "Yes, that's so. I wish they wouldn't put so much money into advertising, but pay us salesmen more commissions."

Do you think the house that man sells for is getting value received for the advertising dollar? Do you think that is an isolated case? I should say not.

Now if you will get the average salesman into a corner and question him about the advertising of his house, about its effect on his business; the attitude of the retailer toward the house and its advertising; about the use he makes of the advertising argument when he is selling goods, what will he do? Usually one of two things: he'll duck, or else he'll give you the answers he thinks you want. If you draw him out, you can tie

Printers' Ink, March 14, 1912, p. 64.

him up in bowknots of equivocation and evasion. And if you were to make a tour of that man's territory and question his customers, who are or should be handling your goods, you would soon find out why some advertising doesn't pay. You would find just how little those retail dealers know about your goods and about the advertising — things that your salesmen ought to have taught them.

This is usually not the salesman's fault, at that. Every good salesman wants to know all he can about the goods he sells; he wants all the arguments that will help him place goods and secure repeat orders. But the manufacturer — the advertiser — doesn't instruct him. He "notifies" him. That's all.

The Retail Clerk as an Ally

The most useful ally the advertiser can have is the last person through whose hands his goods must go before they reach the consumer, and that is the retailer — more especially the retail clerk.

The salesman may actually succeed in placing the goods. He stocks the retailer, folds up his order, and beats it for the next store, or the next town. It should be part of his duty to interest the retailer in the goods to a point beyond placing them on the shelves. He should give the retailer information, the enthusiasm, the inspiration to sell those goods — to push them. And he should have cultivated in him by his employer and the advertising man the powers of observation that will enable him to make an intelligent report on the attitude of the dealer toward his goods every time he calls there. He should be taught how to gauge the effect of the advertising of his house in every locality he visits. He should be able to inform his employer, not alone that A, B or C is buying his goods, but to what extent A, B or C is benefiting by reason of the firm's advertising.

What is the relation of advertising to sales? It is really a subordinate one. Thousands of firms have made tremendous successes in spite of the fact that they have not advertised. You'll have to admit it. And it won't help us advertising men much to say, "Oh, well, just think how much more successful you might have been with the help of advertising!" And what are you going to say to the house that, after years of non-advertising success, spends a big appropriation for advertising with no results?

The mill won't grind again with the appropriation that is spent; you've got to make the advertising pay while the campaign is on, and the only way to do that is through intensive cultivation by the *selling forces*, backing up the advertising.

Advertising Alone Does Not Sell

When you go to the foundation of this relation between advertising and sales you find yourself up against the negative conclusion that, except in a small proportion of cases, advertising *per se* does not *sell* goods.

Advertising attracts attention, arouses interest, creates desire — those three things, in the order named — attention, interest, desire. A large proportion of advertisements published in various ways do certainly attract attention. Some of them do not even do that, but most of them do.

A large, but somewhat diminished, proportion of published advertisements arouse interest. It would be quite impossible for any of us to estimate with any degree of accuracy what proportion of advertisements actually do create desire. It is presumably not very great, but we are striving all the time to make that proportion greater and greater. We have not yet arrived at a point where we can put a definite finger on just the qualities of a published advertisement that stimulate in the human mind a genuine wish to possess the goods advertised.

Six Chances of Failure

But when an advertisement has really made its reader wish he owned what you offer for sale, has that advertisement on that account been successful? Not necessarily. Why not?

1. Because the person in whom the desire is created may not have the money.
2. If he has, he may consider the purchase an extravagance.
3. He may forget.
4. He may be located where the goods cannot be bought.
5. He may go into a store where they are not on sale, and accept some other make of a similar kind of goods.
6. Even if he goes into a store where they are sold, he may be induced to buy something else.

These six and many other conditions not mentioned present just so many separate problems for the advertiser to handle. In even the most favorable of circumstances there's many a slip 'twixt the advertisement and the sale.

I am afraid that if more advertisers understood this, two things would result: First, there would be an enormous shrinkage in the amount of advertising done, for when some advertisers who are to-day spending great sums for space realize the proportion of waste that they are paying for, they would stop advertising. And others would go about their advertising with more painstaking care.

What the Advertisers Could Do

With all these stumbling blocks in the way, so much in the way, in fact, that even the best of advertising copy may, or will, to a greater or smaller extent, fail of its effect, what can the advertiser do to bridge the gap between his publicity and the consumer he seeks for his product?

Educate, *educate,* EDUCATE his selling forces!

We want, in the advertising business, not more honest men, but to be ourselves more honest. We need to be more frankly willing to recognize the difficulties of our proposition; to study more earnestly the essentials of our calling. We hear much about "clean advertising" and "honest advertising." But that subject will never be adequately covered so long as one professional advertising man is left who considers the sole requirement of a good advertiser to be an established credit and a fat checkbook.

A man said to me lately, "The advertising man has got to see the day when he not only tells his customer how to advertise, but can go into his factory and tell him how to rearrange his machinery to increase his output efficiency." I don't believe that. But I do believe that the successful advertising man of the future — yes, of the present — must be the man who goes soberly and analytically about his customers' business with the one idea in mind, to sell goods — more goods — at lower selling expense, for better prices, with larger profit.

The Work of the Advertising Man

Buying or selling space and filling it with copy — ever so good copy — is only one detail of such an advertising man's work. Organizing, co-ordinating and facilitating selling — that is the advertising man's task; and when the laws of this just relation between advertising and sales shall have been established we shall rob the advertising graveyard of its prey, and shall knit into the gospel of business the truism of our calling, "Advertising pays."

REVIEW QUESTIONS — CHAPTER X

1. What is the basic difference between manufacturing and selling problems?

2. What are some of the main features of the selling organization of the National Cash Register Company?

3. What is the peculiar feature of the relations between the advertising and selling organizations of the American Multigraph Sales Company?

4. How does the National Lead selling method differ from that of the Cash Register and Multigraph companies? How does this change its advertising problems?

5. Are there any essential differences between the advertising problems of the National Lead Company and the H. J. Heinz Company?

6. Do you agree with Mr. Manning's argument that the advertising and sales managers should be one? Why?

PROBLEM QUESTIONS — CHAPTER X

1. Make a list of cases in which the relations between the Multigraph advertising manager and sales manager might become strained under the form of organization described. Compare these with the advantages of this form of organization.

2. What are some of the good features of some of these specialty selling organizations which can be made use of by concerns selling through the "regular" jobber-retailer outlets? Will they need to be modified? Make a list of these which could be incorporated into the selling plans of a hammer maker selling "regularly." Do the same for a breakfast food maker selling "regularly."

CHAPTER XI

TRADE-MARK PROBLEMS

THE trade-mark has become one of the elements of almost every successful appeal to the consumer. Trade-mark development involves a group of problems which are among the most important of those which must be solved by any advertiser operating on any considerable scale.

We shall divide our discussion of trade-marks into five main parts. First of all, we shall look at some of the uses of the trade-mark. And then we shall examine some of the legal aspects of exploiting a mark of this kind. The remaining sections of the discussion will be devoted to a consideration of the problems of trade-mark selection, of problems involved in developing a well-defined trade-mark policy, and an examination of some of the advertising and selling difficulties associated with trade-mark exploitation.

THE USES OF THE TRADE-MARK

The most common use of the trade-mark is in the establishment of identity. And in this case we find that the trade-mark partakes of the nature of a commercial signature for its exploiter. Frederick Arnold Farrar, advertising manager of Adams & Elting Company, manufacturers of Ad-el-ite paints, discusses in the following terms this phase of the uses of the trade-mark and the methods which his company employed in impressing their mark on the public mind:

The Trade-mark as a Commercial Signature

*He saw it advertised — bought it — liked it and has used it ever since. That's the whole story.

The article was trade-marked. He noticed it in the ad, on the circulars, and on the package. It was distinct, it made an impression, and when here turned *insisted* that his *re*purchase bear the same character. But the money spent in production, advertising, and selling would have been lost were the article wanting in quality. . . .

The suggestive trade-mark plus goods of permanent quality become builders of good-will which, by the way, is no longer an obscure thing. It is being accorded more and more substantial recognition as an *asset*. It is an existing advantage in established trade relations with the general buying public. It is measurable and definite, is reckoned in financial dealings and stands in the courts.

It cannot be disassociated with the handling of any product and in outlining the experience of the National Biscuit Company, W. W. Green, the president, takes it up first: a view which is more interesting because of his previous experience as a corporation lawyer.

They say the New York *Herald* earns between $500,000 and $1,000,000 yearly. Materially its chief asset is the beautiful building in Herald Square. If that should burn up to-night there would be nothing left of the *Herald* materially to-morrow morning. Yet its mere name would be just as valuable. That is good-will. In a recent transaction, involving $450,000, the tangible asset of the company amounted to only $50,000. Four hundred thousand dollars was for *good-will* — a figure set as the value created by the familiar trade-mark and the friendly relation existing between the consumer and the product covered.

The trade-mark, however, is only an emblem. It actually produces no business nor has it in itself any creative power. The value lies wholly in the *action* it inspires, its ability to *suggest* by continued appearance, to create sentiment, to crystallize opinions and eventually to build markets.

Powerful, persistent publicity tends to invest an article with more value in the purchaser's mind who unconsciously associates it with merit and becomes predisposed in its favor. You know that the manufacturer has put his best into it.

Printers' Ink, September 29, 1910, p. 20.

He could not *afford* to do otherwise, for business is built on faith, and to destroy confidence is to kill customers.

The Adams & Elting Company has adopted a new trade-mark — a rabbit — in order to simplify identification of all its products — a thing which is needed by many manufacturers. It's a promise that we will make good.

The Ad-el-ite Rabbit will be found on everything we issue. By its persistency every label, color card, advertisement, poster, etc., will each bear out a plan and become a link in our chain of selling policy to establish credit with the public.

Such an establishment of his trade-mark must be the aim of every manufacturer.

The Trade-mark as a Weapon — Offensive and Defensive

Not the least important of the uses of a trade-mark are those which are associated with its employment as a weapon of offence and defence in active competition. This phase of the trade-mark question is discussed as follows by W. W. Garrison of the Hudson Motor Car Company:

*. . . . "And let's think up a trade-mark," is usually the first idea following the birth of the new business.

Usually you will find the trade-mark is used as a weapon of defence, as protection against the substitution of the goods by the retailer and to guide consumer repeat orders.

But there are few national advertisers who have come to the "reason why" trade-mark — one which plays the double rôle of protector and salesman of the goods. It is a powerful selling force if adequately equipped to occupy a position on the firing line.

An Eastern manufacturer of an article of wear some years ago was undertaking national advertising in one of his star lines. He and his advertising counsel were working hard to conceive a name and a new trade-mark for the product.

It was for the exclusive use of boys and men. Dozens of ideas were presented and one after another discarded because they were not possessed of sufficient attractiveness to tie up with the line and its field.

It was just at the time the Boy Scout movement was

**Printers' Ink*, April 11, 1912, p. 3.

being launched and the manufacturer finally came to the conclusion that, with the movement growing at a rapid rate, it would be good business to take some reflected glory from it for the product.

A Boy Scout Trade-mark

The name "Boy Scouts" was decided upon, and incidentally it is said that this advertiser was one of the first, if not the first, to hook this line to the movement. Then came the matter of designing a trade-mark.

This was given considerable thought. The advertising man could not conceive of any method of giving the trade-mark an identity as a selling factor until he hit upon the idea of designing a trade-mark which could be converted, on metal, into a pleasing little charm — "Boy Scout" charm, it was called — and presented to youthful purchasers with the product.

The trade-mark was drawn up, the design placed upon the goods and duplicates of it on metal were made for use as charms. Advertising copy was written in which the combined charm and trade-mark, occupying the dual rôle of selling aid and protection, was featured toward the bottom of the copy.

Then a circular to dealers was whipped into shape, showing the complete scheme, the selling plan, the copy, the trade-mark charm, and the advertising schedule.

The dealer was given visions of the hordes of youthful prospects whom the idea would attract; the additional feature of the charm, how dealers who took on the line were protected against substitution by others because of the indelible trade-mark impression left by charm as well as other potent features in connection with the campaign.

After the salesmen had begun to report and the dealer circulars had begun to bring in the orders, it became a certainty that the campaign would be a success —this before a line of the advertising had been placed. In fact the orders that resulted from the presentation of the scheme of operation to retail merchants more than paid for the advertising. It financed the campaign.

When the plan was put up to the consumer, there was instant evidence that it was moving the goods off dealers' shelves and, as regularly as the sales were made by the merchants, the purchasers requested the charms, leaving in the latter's hands tangible evidence of the fact that the next purchase of such goods, providing this manufacturer's product was satisfactory, would be the "Boy Scout" brand.

The preservation of the trade-mark charm, even though for only a short time, was sufficient to keep the goods in mind long enough to insure the memory of the name when the next occasion came to buy. In addition, the purchaser's request for the charm absolutely prevented the possibility of substitution without considerable argument pro and con with the prospective customer.

Here was an example of the successful use of a trade-mark in selling, as well as in its ordinary protective function. . . .

A manufacturer of a product nationally known was the first to bring his goods into the market; goods of this especial type.

How "Non-Shrinkable" Failed as a Trade-mark

His first act was to select a name and have it drawn in script letters to serve as a trade-mark. The name was not "Non-Shrinkable," but that will serve the purpose, for he picked a name which described the product and it looked like a sound proposition for he had no competition whatever. His were the first goods of this type to be offered for sale.

He gave agencies for the goods in many cities to individual dealers.

Then he advertised "Non-Shrinkables" heavily, and made strong efforts to impress the trade-mark upon the consumer, which he did. He found that he was sending trade into his agencies at a fairly fast clip.

Suddenly he discovered that a retail merchant who also jobbed goods was selling a line of articles in his store in a Western city which were of the type this manufacturer was marketing. The merchant had apparently felt that his competitor, who held the manufacturer's agency, was getting a good deal of business on the "Non-Shrinkables," so he conceived the idea of duplicating the product.

But he did not duplicate the trade-mark in any way. For the purpose of this story we will say that the goods' chief qualification was the ability to resist shrinkage.

He used a coined name and trade-mark which were not descriptive of the goods. Apparently it was by accident that he happened to follow that course.

But when a customer, who had seen the national advertising of the "Non-Shrinkables," walked into the department in the latter's store which handled goods of this type and asked for the nationally advertised product, the attempt was made to substitute. It proceeded much in this way:

Customer — "I want to get a 'Non-Shrinkable' ——."

The store did not handle the goods, but nevertheless the clerk would lay a quantity of this merchant's own trade-marked imitation on the counter. The customer would look them over.

"These are 'Non-Shrinkables,' are they?" the customer would ask.

"Oh, yes," the clerk invariably replied, "they are non-shrinkable." He had described the competing merchant's goods by naming the selling point which they both had. They usually satisfied the customer — it went with the average.

The goods were wrapped up, the money paid over and the substitution culminated. The clerks got away with it readily, for they had a descriptive trade-mark and name to oppose.

In most industries the adoption of a descriptive trade-mark is the "open sesame" for competitive vultures. It allows substitution to an enormous degree, for when the customer asks if these are —— goods, the clerk merely has to reply they are ——. That usually effects the substitution. Even the trade-mark design can scarcely thwart such substitution, for its memory cannot be impressed indelibly upon the average consumer mind — not for sufficient length of time.

As a result of the competitive merchant's coup told above, a manufacturer learned of his success and soon a substitute with the same selling point appeared in the field. It cut a big dent in the original manufacturer's trade. Then came another and another, until to-day there are scores of substitutes whose entire business has been built upon the flaw in picking a trade-mark and name and the exclusive agency beginning.

That illustrates the trade-mark name, which, though successful when the field was non-competitive, lost ground later and was the foundation for the inroads of other makers.

A score of years ago or more a hard-headed Middle-Western business man secured a patent on an especially good article of wear for small children.

Another Good Weapon

He was planning to market it and had already made his manufacturing arrangements when he bethought himself of the protection of his goods in the hands of the retail merchant. This evolved itself into the hunt for a suitable method of identification, other than merely the use of the firm name.

The search was a long one, but he steered clear of the snag that beset the manufacturer told of above. He somehow felt that his trade-mark design should be a selling force in itself. It should describe the goods in some way and indicate to the consumer's mind its advantages to small children.

But how on earth to achieve his purpose was a puzzle. He really wanted to make the trade-mark do too much work he figured, yet he thought it should be a weapon of offence as well as defence.

One of his first acts when he decided to get into the business with the patented garment was to have his wife decide what she thought of it for their own child, a girl of between five and six years of age. The verdict was highly satisfactory and the child continued to wear garments of this kind, because the mother had made a discovery of their worth. So he had finally decided to enter the business.

Later the hunt for the trade-mark began.

One evening the child was being towed to bed by its mother. The little girl had forgotten to say "good-night to papa." So the little one crept out into the lighted room where the parents were seated, made a dash for "her papa" and that instant the idea for the trade-mark hit him square between the eyes.

It was his own little girl in the garment he was going to sell. It was the very thing he had been hunting for. A photograph of the child encased in the garment first achieved the desired end, viz., to describe its use and its advantages. It was a real weapon of offence — a selling factor.

It had the additional feature of protecting the goods in the dealer's hands and identifying the product when the consumer desired to re-order.

In accordance with the plan the photographs were made, showing thoroughly the function of the patented article, how it was put on and made to stay on and its appearance in general.

That was probably as long as twenty years ago. The trade-mark was featured on the goods and in the extensive advertising which backed up their sale. The trade-mark, this manufacturer believes, was a strong advantage. He believes it responsible for a large share of the immense success he has had and from the copy which has been run and is appearing to-day, it is generally considered that the elimation of the halftone would considerably weaken its effectiveness. Hence it is a selling aid.

To-day the girl of the trade-mark is a grown woman and has children of her own, but as a little girl on paper she still helps her father sell goods. He is a mighty rich manufacturer right now and a large amount of the success of his business must be credited to this idea.

Much the same sort of an idea for a trade-mark was conceived by a varnish manufacturer. To prove the hardness of his varnish after a floor has been coated with it, he adopted as a trade-mark a photograph of his son aboard a rocking-horse on a newly varnished floor. You've seen it, but perhaps didn't know how close to home the trade-mark originated.

It was a real selling trade-mark, in that it proved, by means of the actual photograph, that the floor could not be easily marred. Being able to feature it strongly in the advertising — because it was an actual selling factor — allowed it to be pretty well impressed upon the consumer's mind and thus it afford the desired protection against substitution in a large measure.

The Ostermoor trade-mark and that of Pratt & Lambert, varnish manufacturers, are trade-marks that serve as weapons of offence as well as defence, while the Dutch girl of Old Dutch Cleanser possesses that quality because of the reflection of the cleanliness of the Dutch. They prove a selling point in each case.

The Victor trade-mark has partial value as to selling force.

The Peters Chocolate, B. V. D., Wilbur's Chocolate Buds, and Barrett Manufacturing Company trade-marks are merely defensive trade-marks, having no selling value. They are probably not meant to have.

It is good logic to suppose that a "reason-why" trade-mark — which serves for both selling and protection — is doubly efficient as protection and has selling force of great value. It is merely a way of making the mark serve a double purpose — the incidents above prove the success of the plan.

TRADE-MARKED PRODUCT FAMILIES

There are cases almost without number of a trade-mark, well established in connection with one line of goods being used for securing a favorable reception for other lines produced by the same concern. This business of developing a family of products about a single trade-mark is one of the most interesting developments in connection with trade-mark exploitation. The following editorial from *Printers' Ink* touches some phases of this subject:

* . . . . During the past year or more there has been a surprising increase of birth rate in manufacturing families.

Product Families Built on Trade-marks

Additional products have been announced almost every month by already well-established concerns. The makers of Ivory Soap, though already heavy manufacturers of other laundry products, have announced a new member of the family — a vegetable shortening. Libby, McNeill & Libby (part of the Armour family) have announced the purchase of the old Sea Foam baking powder.

Perhaps more interesting than any instance is the expansion of the Corn Products Refining Co.

According to an official, that company has gone into the business of manufacturing jams and jellies, and is interested with others in the manufacture of molasses. During the last year Corn Products Refining Co. bought complete control of St. Louis Preserving Co., in which it had held an interest for some time previous. The latter company consumes about 25,000 barrels of glucose a year. It is the intention of Corn Products Co. to erect a new plant for the making of jams and jellies at Granite City, Mo., and soon to begin selling and advertising them under the Refining Co.'s own name.

In addition to this extensive acquisition, the same company has bought the Novelty Candy Co., and is already taking steps to advertise nationally a popular-priced brand of candy.

Manufacturers who fondly imagine they can beat the world with one product might profitably take thought at this tendency toward expansion. A salesman can talk five or six allied lines to dealers and wholesalers at very little more expense than one; and a single trade-mark or good-will reputation is perfectly competent to support a line of products and advertise them at a far lower cost per unit than a single article could be exploited.

**Printers' Ink*, April 20, 1911, p. 65.

Other cases of product families are described by H. L. Allen, who relates the experience of a number of concerns whose use of this feature of trade-mark value has met with success.

. . . . *Few live, ambitious concerns nowadays manufacture and sell but one article. There will be fewer in the future, for both selling and manufacturing economy is against it. A "family" of products seems to be the natural and sensible evolution — as natural as the Darwinian evolution from single cell protozoa to mammals.

This evolution can come about in either of two ways. A manufacturer of a single article may use the strength of its reputation (especially if it is well advertised to consumers) in making a market for *an entire line* of articles; or a manufacturer of a large line of goods may select one of his articles upon which to build concentrated consumer reputation, and after a sufficient lapse of time, may begin to saddle the reputation of this star product upon its satellites until they, in turn, grow to be of the first magnitude.

A number of instances may be cited of manufacturers who have graduated from the Kindergarten of Specialties to the University of Allied Products. One of the most striking is to be had in the case of the Glidden Varnish Company, Cleveland. The "evolution" is not yet complete, but it is arriving. This company falls into the second class, as enumerated above. It produces a great number of allied products. Jap-a-lac only *happens* to have become star, in this case more accidentally than intentionally. Even now, with its big sales, Jap-a-lac is but a fraction of the company's output — yet consumers have known little of the Glidden Varnish Company's other products. The name "Glidden Varnish Company" is now being made much more prominent, and the time is coming when the reputation of the Glidden concern will be coupled with one after another product.

The Case of Jap-a-lac

Practically the same thing is being attempted, in a little different way, by Hammacher, Schlemmer & Co., New York, which is advertising and pushing its popular tool sets, the manufacture of which comprises a fractional part of the busi-

*_Printers' Ink_, June 30, 1910, p. 3.

ness. But, on the basis of these cabinets of tools, a popular and technical reputation is being built up.

How the Rubberset Family Grew

Prominent among the manufacturers who are gradually developing a family of products is the Rubberset Company, of Newark. Few better examples of advertising evolutions are to be had. Upon the death of his father, some four years ago, Andrew Albright, Jr., succeeded to the head of the old Rubber & Celluloid Harness Trimmings Company, and was imbued with an enthusiasm to advertise. With the growth of the automobile business, Mr. Albright believed he saw a serious decline in the business of manufacturing harness trimmings. In his search for something else to specialize upon he turned to the business of brush making.

His father had perfected an old invention for setting bristles in hard rubber, so that they would not come out. In spite of the incongruity of a harness trimmings company pushing brushes, the latter had been sold in a desultory way through salesmen. Mr. Albright's first move was to organize the Rubberset Company, a name which covered all his lines. He had shaving and paint brushes — both unadvertised. The question arose: Which first? The simultaneous popularity of safety razors, which were being advertised strongly then for the first time, militated in favor of the shaving brush. It was made the Rubberset Company's first specialty, and the paint brush was reserved for later exploitation.

The Rubberset Company's reputation was built up on the basis of its shaving brushes. The second member of the family to be introduced to the country by the advertising stork was the Berset Shaving Cream, a natural evolution of the shaving brush. Opportunity for the launching of the paint-brush advertising was obviously at hand when the magazines began to groan with pages upon pages of paint ads, those of the Glidden, Sherwin-Williams, National Lead, and Acme Lead companies, not to mention a host of others, all talking for home consumption of paint. Professional painters had before that not taken readily to Rubberset paint brushes, because of their cost. But it was believed that the domestic dauber of woodwork and furniture could be shown — helped by the prestige of the shaving brush — how a Rubberset brush was economical and reliable.

At present the younger brother of the Rubberset family is

Master Tooth Brush. He is the evolution suggested by the vast amount of advertising which has been lately given various dental preparations and the growth of popular interest in the hygiene of the mouth. In this case so great has been the accumulated power of Rubberset reputation that almost the mere mention of the fact that a Rubberset tooth brush was on the market produced such a demand that it could not be met. It resulted in not a little regrettable difficulty.

When recently asked as to the extent to which each succeeding member of the Rubberset family has benefited by the advertising given its predecessors, T. B. Denton, the advertising manager of the company, referred to the tooth brush experience as follows: "Each product has been able to make its start miles ahead of where the one before it was compelled to start its race for public favor. Indeed this cumulative appreciation on the part of the consumers of what our name stands for got us into trouble when it came to the Rubberset Tooth Brush. We planned the initiation of our tooth brush months ahead, and ordered advertising in the March issues. No labor familiar with the manufacturing of tooth brushes being available in Newark, we had to open a school of instruction, and teach our help. Mr. Albright estimated that if we had a million brushes on hand before the advertising started that would be enough.

"We made up the million. But so great has been the demand for Rubberset Tooth Brushes, as the result of what was practically a mere mention of it in the advertising pages, that we are to-day 2,000 gross behind in our orders from dealers, in spite of the fact that we are making twenty to thirty gross a day, an amount far in excess of what we expected to make. Because of our inability to make deliveries, we have given ourselves no end of trouble with our long-standing dealers. We have canceled, for the present, what Rubberset Tooth Brush space we had secured, wherever possible. A recent back cover on *Collier's*, which could not be canceled on such short notice, and which had been originally intended for tooth brush advertising alone, was divided up into quarters, and one each given to the shaving brushes, paint brushes, dental cream and tooth brushes."

The Rubberset Tooth Brush success is naturally bringing about the evolution of the dental cream, which is to be the next member of the Rubberset family. Later on a Rubberset

Hair Brush and a Rubberset Nail Brush are to be exploited. But, in these instances, foreseeing a monster demand, because of the reputation of the trade-mark now, pains will be taken to have sufficient a supply on hand when the announcements are made.

Some Other Well-known Cases

Another example is the J. Hungerford Smith Company, Rochester, now advertising Golden Orangeade, a temperance drink, in New England. The expenditure being made is a considerable one. But when the proper psychological moment arrives, the valuable reputation which Golden Orangeade will have made for itself is going to be used to boost a whole family of temperance drinks by a well-thought-out plan of natural development.

Not infrequently a concern is met with, which is putting out such an aggregation of products that it would be well-nigh impossible to advertise them all. Some of them may be for such special uses, too, that it would be impractical to do so. For instance, not even the most enthusiastic believer in advertising could very well assert that Colgate & Co. is a backward advertiser. Yet, if every Colgate product were advertised like shaving powder and dental cream are, the magazines would have to build on additions. Out of some 225 or more products, probably not more than an eighth of these, at the most, are advertised at all extensively. Yet nobody can tell how much the reputation of the advertised products helps the unadvertised products. A woman goes into a drug store to get smelling salts. She doesn't know brands. She doesn't know Colgate has smelling salts, but when the clerk shows the latter to her, the sale is a foregone conclusion. What has brought it to pass? The reputation based on the advertised Colgate products.

The Johnson & Johnson (New Brunswick, N. J.) red cross on bandages, absorbent cotton, and a host of allied products, has represented a standard for a quarter of a century or more. When, two years ago, a shaving cream was perfected, the temptation with the older officials of the concern was to push it along the already established channels of distribution, namely, by salesmen who have long known the trade, rather than by advertising.

But, fortunately, some one saw the light. The result was that, after a two years' period of sampling the physicians and druggists, Johnson Shaving Cream was first advertised last February. Since then, it is reported, Johnson & Johnson have received more inquiries, and have witnessed more widespread interest in this shaving cream than in any other product ever put out by the house.

LEGAL ASPECTS OF THE TRADE-MARK

Arthur E. Goddard, in an article entitled "Trade-marks—What They Mean in the Eyes of the Business Man and the Law," outlines some of the principal phases of the legal aspects of trade-mark selection and protection:

*In these days when advertising plays an all-important part in business, when the man who makes himself heard and becomes known is the one who gets ahead, it is natural that practically every commodity on the market should have a distinctive trade-mark. For trade-marks are the only means of protecting the results of advertising and enterprise from the unscrupulous hordes of "imitators."

Although it seems inconceivable that business could be carried on without such protection, as a matter of fact the law relating to trade-marks is of comparatively recent development. It is true that as early as the year 1590 a clothier in England brought a successful suit for damages upon the quaint charge that: "Whereas he had gained great reputation for his making of his cloth by reason of which he had great utterance to his great benefit and profit, and that he used to set his mark to his cloth whereby it should be known to be his cloth; and another clothier, perceiving it, used the same mark to his ill-made cloth on purpose to deceive." But it was not until centuries later that the courts would take serious notice of such trivial matters as trade-marks, and not until about 1850 that the law became settled to any extent. Recently there has been a great mass of litigation covering this important phase of business, and the courts have passed upon trade-marks for almost everything from printing presses to peanuts.

The action for damages gradually gave way to the much more adequate relief of injunction for two very good reasons: First, because of the difficulty of proving damages caused by the

*System, May, 1911, p. 489.

infringement; and, second, because of the sad fact that imitators, as a class, are not persons of great financial responsibility, and judgments for damages against them are generally so much waste paper.

What Happens to the Infringer

Nowadays the infringer is served with a temporary injunction pending the suit, and with a permanent judgment after the case has been tried. Then, if he feels unable to give up his newly acquired business, he finds himself in jail for contempt of court. In addition to all this punishment the court will give a money judgment for such damages as can be shown by the injured party.

Viewed through the learned spectacles of the law, a trade-mark assumes a complicated aspect. It has been defined as "a name or a device or a peculiar arrangement of words, lines, or figures, or any peculiar mark or symbol, adopted and used by a manufacturer or a merchant for whom goods may be manufactured, to designate them as those which he manufactures or sells. It may be put either upon the article itself, or on its case, covering, or wrapper."

Although this definition does not sound formidable, the close cases which arise under this branch of law, as under every other, make necessary certain general rules which business men should know.

What a Trade-mark Must Be

A trade-mark is recognized and protected by the law not only for the sake of the manufacturer or dealer (who is generally the only one who finds it worth while to bring such matters to court), but also as a protection for the purchasing public, which, of course, cannot afford to litigate every time it is taken in by an infringing trade-mark on an article costing a few dollars or even less.

Some confusion exists in the popular mind concerning the relation to each other of trade-marks, patents, and copyrights, but, of course, each is entirely distinct from the other. Trade-marks, unlike patents and copyrights, are not limited in their duration, but, once acquired, continue to be the property of their originators as slong as they may choose to use them.

The law requires that a trade-mark shall be something new; that is, the mark, design, or device of the trade-mark must not have been in common use to designate articles of a similar nature. A trade-mark must also be exclusive; that is, it cannot be used by two or more persons or corporations at the same time.

The trade-mark must be attached to the article in some way. It may be printed, stamped, or pasted on the article, or its wrapper, case, bottle, or cover. It may be on a tag, a label or even on a stick on which the goods are rolled, but it must accompany the article in some way when sold. No amount of advertising a trade-mark will suffice to protect the owner, unless the purchaser finds the mark actually attached to the article.

The main difficulty in picking out a good trade-mark lies in the fact that it cannot consist alone of words which are purely descriptive of the article. The reason for this is that others who have a right to sell the same article have also the right to describe it in the same way. This rule is strictly adhered to by the courts, more strictly in many cases than common sense warrants.

For instance, it would hardly seem that the person who adopted this jaw-breaking title: "*Ammoniated Bone Superphosphate of Lime*" for a fertilizer would either rob his neighbors of a phrase they might wish to use, or sell enough of the stuff to litigate about. But it is a fact that such a trade-mark was held invalid because it presumably only described the fertilizer. Even the refined word "*Desiccated*," when applied to the sacred New England codfish, will not do alone as a trade-mark, since a good dictionary shows it to be descriptive of a process which any one else might adopt.

The courts go so far as to hold that words borrowed from foreign languages will not do as trade-marks if, when translated, they merely describe the article. One would certainly think that the original introducer of "*Parcheesi*" had hit upon a capital trade-mark but, since the word is Hindustanee for a game in India, and since others have the right to make and sell the same game under its real name, this trade-mark has been held invalid.

Some of these cases are very close and depend largely upon the "personal equation" seated upon the bench. Doctor Dadirrian, the originator of "*Matzoon*," which is the Armenian name for buttermilk fermented by a special process, lost his case against an imitator in the Federal courts in New York City on the ground that the word, translated, was merely descriptive, while in the New York State Courts, sitting on the other side of City Hall Park from the federal court, it was held that "*Matzoon*" was a perfectly valid trade-mark.

Geographical names, too, are not advisable because those who manufacture in the same place may use the same name. For this reason the manufacturer of "*Chicago Waists*" was held to have no trade-mark in this name as against another manufacturer of waists in Chicago.

Another sort of trade-mark which is not always entirely satisfactory is one which depends upon a proper name. Any other person with the same name may decide to enter the business of making and selling a similar article under the same name. If a proper name does appear in the trade-mark, there should be additional words, designs, or figures which another person will not be allowed to imitate.

An important requirement of a trade-mark is that it shall be truthful. No court will protect from others a man who is himself engaged in deceiving the public. On this ground many trade-marks of "patent" medicines have been held invalid because of the miracles enumerated on the label or wrapper. Other trade-marks have failed to get protection because they state or imply that the article is manufactured in some place or country other than the real place of manufacture. All these "Made in Germany" and "Bottled in England" additions to trade-marks render the whole invalid if the statement is not substantially true.

Other trade-marks are worthless because they state that the article is patented, when it has never been patented or when the patent has expired. The word "patented," however, if the dates of the patent are also given, never invalidates a trade-mark because every one is supposed to know that a patent expires in seventeen years.

A fanciful name furnishes the best basis for a trade-mark as it does not serve simply to describe the article, as:

Some Good Trade-marks

"*Uneeda*" Biscuit, "*Eureka*" Mowers, "*Apollinaris*" Water, "*Moxie*" Nerve Tonic, "*Queen Quality*" Shoes, "*Royal*" Baking Powder, "*King Arthur*" Flour, "*Old Crow*" Whiskey, "*Sealpackerchief*" Handkerchiefs, "*Omega*" Oil. "Coal Oil Johnny's Petroleum Soap" is also a valid, if not a delicate trade-mark.

There is comparatively little actual counterfeiting of trade-marks; that is, the use of labels, marks, and names precisely similar to the original. This is because imitators in general have a notion that such a practice brings them nearer to a criminal prosecution than the safer "accidental" sort of imitation. Also, for the same reason, infringement by the use of original trade-marked packages, cases, or bottles for substituted goods is rare.

Which Is an Imitation?

The favorite method consists of adopting a trade-mark so similar in appearance to one which has been thoroughly advertised and is "taking well" with the public, as to deceive an unsuspecting purchaser, and yet show differences enough, upon close inspection, "to argue about in court" as one judge has put it.

Judge Lacombe of the United States Circuit Court in New York, who has done as much, probably, as any other judge in the country to enforce the law against this sort of business piracy, has summed up the whole situation in an interesting opinion in the Uneeda Biscuit case which is worth reading:

"Defendants present the usual voluminous bundle of affidavits by persons in the trade to the effect that in their opinion no one is likely to mistake defendant's biscuits for complainant's. As has been often pointed out before, it makes no difference that dealers in the article are not deceived. No one expects that they will be. It is the probable experience of the consumer that the court considers. Here, too, we have the manufacturer of the article complained of, who explains, as usual that, in adopting a trade-mark by which to identify his own product, he has been most 'careful not to trespass on any rights of complainant, and that, after considerable thought, he selected a name which should make the difference between his goods and complainant's distinct and plain, so that there could be no possibility of mistake.'

"It is a curious fact that many manufacturers of proprietary articles, when confronted with some well-advertised trade-mark or mark of a rival manufacturer, seem to find their inventive facilities so singularly irresponsive to their efforts to differentiate. Thus, in one case, the words '*Cottoleo*' and '*Mongolia*' seemed to another defendant entirely unlike '*Magnolia.*' The manufacturer of the article which defendants in the case at bar are selling seems to have no better luck, for, with the word '*Uneeda*' before him, his device to avoid confusion was the adoption of the word '*Iwanta.*'

"There are, as also is usual, a number of minor differences between the forms and the dress of the two packages, but no one can look at both packages without perceiving that there are strong resemblances, which could easily have been avoided had there been an honest effort to give defendant's goods a distinctive dress. Both name and dress are clearly calculated to mislead, and the statements that both were adopted with an eye to differentiation, strain the credulity of the court beyond the breaking point."

The law books are full of other cases of infringement, many of them much more flagrant than the "*Uneeda*" case, but all very similar in principle.

Some Famous Infringements

A less well-known case of infringement was that of "*Limetta*," so called, a preparation of lime juice which was protected by injunction from infringement by an article trade-marked "*Limette*."

Sometimes imitators conceive the bright but illegal idea of adopting a name having exactly the same sound but spelled differently. For instance, the manufacturer of "*Yusea*" gas mantles discovered a competitor selling under the name of "*U. C. A.*" gas mantles and soon ruined the latter's business by an injunction.

Nor is it necessary that all the words of a trade-mark be imitated in order to obtain an injunction. It may be enough if the same sort of idea is suggested by the imitation, so that a tailoring firm doing business as the "*Six Little Tailors*" was protected by the courts against the "*Six Big Taylors*." Nobody seems yet to have chosen the title "*Six Silent Barbers*." Perhaps it would be invalid as a misrepresentation in itself.

The following imitations were condemned without hesitation:

Cascarets	*Castorets*
Apollinaris	*Appollinis*
Honeymoon	*Honeycomb*
Moxie	*Noxie*
Serosis	*Sartoris*

On the other hand, it is no infringement to employ a trade-mark similar to one in use upon an article entirely different and used for different purposes. In such cases the public cannot be misled. So the proprietor of "*Rough on Rats*," which he claimed would also exterminate other vermin than the name implies, lost a suit against the manufacturer of "*Rough on Skeeters*," which was not claimed to be fatal to rats or other vermin in general.

Congress has passed several acts and amendments providing for the registration of trade-marks, but since the Federal Constitution gives no express power of legislation upon this subject, and since the overworked "commerce" clause of the Constitution can hardly be stretched to such an extent, lawyers in general and several judges have expressed doubts as to the validity of even the present act. The earlier provisions were all declared unconstitutional by the United States Supreme Court.

This question fortunately is not a matter of life and death for the business man, because substantially the same protection, although perhaps less conveniently, can be obtained in the state courts under the state laws now in force, in case the Federal Registration Act should be declared void.

In many states there are statutes protecting trade-marks, some of them providing for criminal prosecution in addition to the unusual civil remedies, but entirely apart from all statutes, the courts give protection as a matter of necessity.

All of which emphasizes the force of the advice: "Get a good trade-mark, get it first, advertise it, and hold on to it."

The complications arising in the registration of the trade-mark are the beginning of the trade-mark exploiter's troubles.

The Troubles of Registry

The interpretation of the Federal Trade-mark Law by the Patent Office Bureau having trade-mark registration in charge keeps applicants for registry very anxious and very busy whenever they stray far from certain very broad principles. Waldon Fawcett, under the title "Trade-marks That Have Been Refused Registration," describes in two articles a number of failures to comply with the Bureau's ideas of the meaning of the law. Among these were the following:

The Number of New Trade-marks

*Recent statistics of the business of the United States Patent Office show a rather marked increase in the number of applications for the registration of trade-marks, and the officials of the Trade-mark Division see a direct connection between this circumstance and a number of legal controversies and business transactions which have, within the past few months, com-

Printers' Ink, May 2, 1912.

bined to emphasize, as has never been done before, the value of widely advertised trade-marks.

Perhaps the most potent argument for this form of publicity was a statement in a petition submitted to the United State Circuit Court in connection with the proposed plan of dissolution of the American Tobacco Company. This was to the effect that the trade-marks controlled by the American Tobacco Company have a value in excess of $45,000,000 out of total assets of $227,000,000.

Another statement that has helped to stimulate popular appreciation was made by President Green of the National Biscuit Company in a public address at Kansas City. He estimated that the trade-mark "Uneeda" — which has been flattered by more than 400 imitations and infringements — is worth to his company more than $1,000,000 a letter, or in excess of $6,000,000 in all. Of similar purport was the recent declaration of the Gorham Manufacturing Company, in a legal suit for the infringement of their Lion and Anchor trade-mark, that this mark was worth between $1,000,000 and $2,000,000. The valuation of $5,000,000 placed by an officer of the Coca Cola Company upon his firm's trade-mark was in the same line of argument as have been the admissions of the impossibility of accurately appraising the monetary value of such trade-marks as Kodak and the familiar dog — "His Master's Voice" — of the Victor Talking Machine Company.

Whereas, more general knowledge of the rich rewards that can follow the successful exploitation of a trade-mark has served to quicken the trade-mark quest to an average of nearly 600 applications per month it has also resulted in a slight proportionate increase in the number of rejections, such has been the eagerness to secure strikingly distinctive trade-marks. The officials of the Trade-mark Division estimate that ultimately 80 to 85 per cent. of all the applications for trade-marks meet with success, but current statistics do not indicate any such proportion of acceptances, largely because many applicants for trade-marks consider it to their advantage to have their cases drag along after due application has been made. Thus the registrations of trade-marks during the year 1911 aggregated slightly less than 7,000, but there are more than 12,000 cases pending, some of which have had this status ever since the year 1905, when the present trade-mark law went into effect.

However, the number of rejections by Uncle Sam's trade-mark examiners is really surprisingly small considering the number of pitfalls to be avoided by applicants for what have been dubbed "commercial signatures." The greatest number of rejections arising from any one cause are due to attempts to secure registration for trade-marks that come under the ban against descriptive words or terms. It is in this sphere too that there are to be found some of the finest points contained in the decisions of the Federal examiners, for it is often like splitting hairs to differentiate between a descriptive word and a suggestive word. And a slightly suggestive word or term, as, for instance, "Uneeda," is considered the ideal trade-mark.

Some Delicate Distinctions

The delicate distinctions made are illustrated by the rejection of the word "Rubberoid," which was held to be more clearly descriptive than certain other words of the same class which might appear to the lay mind as on a par with this one. In line with this same policy was the rejection of an application for "Nexttobeer" as a trade-mark for a non-alcoholic drink. Nor can an applicant hope to dodge the issue by changing the spelling of descriptive terms. As evidence witness the rejection of "Kantleek," which was held to be a mere misspelling of ordinary descriptive words, although the attorney for the applicant eloquently pleaded that the name was a combination of the German words "Kant" and "leek," which have no such significance as are ascribed to them in English.

And while on the subject of foreign words it may be whispered that it is futile for any manufacturer to hope to secure trade-mark registration for a descriptive word originating in any foreign language provided that word is to be found in any of the foreign dictionaries consulted by the trade-mark examiners in making their decisions. It matters not at all, either, that the word may be unknown and unused in the United States. . . .

Fanciful Names Preferred

Although the examiners in the Trade-mark Division cannot give advice, any perusal of their decisions and expressions on this subject of avoiding the descriptive in terms to be trade-marked will bring conviction that the best plan is to seek the fanciful. A combination of the initials of members of firm, as in the case of the Kalem Company, manufacturers of motion pictures, is a favorite expedient, and Greek letters and words have been made to serve the same purpose satisfactorily. The man who is wedded to the idea of a descriptive word for a trade-mark, and who desires to get just as close as possible to this ideal and yet win registration, will have his best chance if he will slightly change the form of the desired descriptive word, perhaps adding an "a" or an "o," and giving the term a fanciful twist that makes it possible to interpret it as a suggestive rather than a descriptive term. Sapolio is a notable example and dozens of others will occur to every reader.

Many persons have been puzzled by the existence of trade-mark registration upon words that seem to be clearly descriptive. The explanation is that these words were not descriptive when the trade-mark certificate was first issued, but have since been made so — thanks, usually, to the energetic promotion and publicity of the owner of the trade-mark. There are a number of trade-mark words which might be cited in illustration of this situation — for instance, Kodak and Castoria — but the best example is Vaseline. As a matter of fact the average "man on the street" never suspects that Vaseline is a proprietary name. It had no special significance when the trade-mark was issued, but it has gradually become descriptive in the highest degree; has found its way into the dictionaries; and has acquired increased value as a trade-mark in consequence. The possibility of such a happy sequel is always an argument in favor of the "coined word" as a trade-mark.

The Geographic Name

Next to the prohibition against the descriptive the stumbling block that probably begets the greatest number of complications is the veto against geographical names as trade-marks. In certain lines of business, as, for example, fruit-raising, food-manufacturing, canning, etc., there seems to be an almost universal ambition to secure trade-marks that savor of the geographical. To what lengths such restriction is carried is evidenced by the rejection of a candy manufacturer's application for the right to use the word "Clermont." The refusal was based on the circumstance that there is a Clermont County in one of our states, although it is not located anywhere near the seat of the industry concerned and there was seemingly no connection between the two. A hard fight was made for the acceptance of the word "Tabasco," but it was refused because it is the name of a state in Mexico.

A certain ingenuity is required, of course, to coin words or to infuse the element of the fanciful in a term in order to secure trade-mark registration, but equal originality is necessary in order to secure registration for the name of a firm or corporation or individual. The law prohibits the registration of any such name unless it be presented in a distinctive manner, and to secure such distinctive individuality combined with the desirable artistic qualifications is often no mean responsibility. It is this class of trade-mark designs, too, which most sorely puzzle the examiners who are called upon to decide what shall pass muster. They have, however, adopted it as a general basic principle that to secure acceptance as a trade-mark the name of a corporation or individual must be so presented that the mind of the average citizen seeing it or purchasing the article to which it is attached will be impressed with the design or display of the name rather than with the name itself. This means, of course, that unusual lettering, unique color combinations, etc., are conducive to acceptance.

Autographs Always Pass

This prohibition against the names of corporations unless presented in distinctive manner was responsible up to a few months ago for some odd whims of fate. For instance, the company publishing *Success Magazine* was denied the right to trade-mark its name, although any person else in the country might have secured trade-mark protection for the word "Success." But "Success" as used in connection with the magazine was held not to be presented in distinctive manner. The same kink in the law operated against companies whose titles included the words "Champion," "Acme," etc. However, after some five hundred trade-marks had been barred on this score there was enacted last year a remedial amendment to the law which permits the registration of the name of an applicant if otherwise registrable. It may be noted in this connection that the Trade-mark Division has never questioned but that an autograph signature is to be regarded as a name distinctively displayed. Monograms are also accepted almost invariably, although the experts at Washington consider a monogram the least satisfactory form of trade-mark owing to the fact that it may be wrongly interpreted and on the general principle that all monograms look alike.

Many applicants fail in the quest for trade-mark registration because they have not been informed that there is no chance to secure acceptance for any design that embodies wholly or in part the flag of the United States or any public insignia, state seals, coats of arms, the emblems of fraternal organizations, etc. The officials have always refused to register the letters "U. S." The Red Cross can be registered as a trade-mark only in case it can be shown that it was in such use by the applicant prior to January 5, 1905. However, in accordance with a rather unusual line of reasoning the officials will accept the white cross and other designs that might seem to have been inspired by the Red Cross. The contention of the Government is, however, that the Red Cross is so well known that it would be virtually impossible for any confusion to result in consequence of the appearance of such designs as the white cross and the blue cross.

Celebrities Living or Dead

The fact that the Trade-mark Division will register the name of any celebrity who is dead, but will not always register the name of a living celebrity sometimes results in lively work on the part of an applicant following the death of a prominent man. A case in point was that of the King Edward cigar, for which the manufacturer sought trade-mark protection immediately upon the death of the late monarch. In the case of a scramble to get applications in following the death of a celebrity the race would not, however, necessarily go to the swift. Under such circumstances the award would be made in accordance with the evidence as to which of the applicants was the first to adopt and use the name.

The names of living celebrities may be registered if written permission from the person concerned accompanies the application. This explains the use of the names of popular actors, etc., in connection with trade-mark brands of cigars. More often than not, however, permission is refused. Admiral Dewey is a name that has probably been more frequently rejected than that of any other living American. The Trade-mark Division has a rule that it will not register the name of any President of the United States, no matter whether living or deceased, it being held that this is against public policy and not compatible with the respect due the office of Chief Magistrate. Here again, however, there is a loophole. During the life of a President or ex-President, registration will be granted upon authorization by the dignitary concerned. Thus, President Cleveland authorized the use of his name as the trade-mark of a cigar, and President Taft has given his consent for the use of his name as the trade-mark of the product of a manufacturer of artificial flowers.

One of the tendencies in trade-mark activities which has impressed the officials at Washington as growing more marked as time goes on is the strong predilection of manufacturers in any given line for trade-marks of the class which have become popular through custom in that particular field. In this matter precedent seems to be paramount and in a field where fanciful terms are the favored trade-marks it is almost unheard of for a firm to adopt a proper name or a picture. To illustrate how fashion dictates the form of trade-marks it may be mentioned that in the piano industry names are the invariable trade-marks; in the canned goods trade pictures are preferred; in the electrical field coined words have the call, and in the coal trade there is a penchant for designs such as the star and the diamond. So it is through the entire list of business lines and it is the exceptional firm or individual that is willing to turn from the beaten path in this respect.

. . . . *To get the proper perspective, too, on some of the inconsistencies that are ofttimes cited it is necessary to go back a bit in trade-mark history. The United States statutes covering trade-marks have been revised and amended from time to time, and the practice of the Patent Office has likewise fluctuated — in some instances in direct response to changes in the laws. Generally speaking most of the trade-marks, the admission of which has been criticised, were registered years ago when the practice of the Trade-mark Division was by no means so rigid as it is to-day.

Changes in the Policy of the Registry Bureau

During the interim from 1890 to 1900 trade-mark practice was very loose. From 1901 to 1904 it was characterized by a vacillating policy. In 1905 Congress passed the new trade-mark law which was intended to be very liberal to the manufacturers and other users of trade-marks. Accepting the spirit of the framers of the new law the officials of the Trade-mark Division were decidedly lenient. In short they, in effect, interpreted the new law as demanding the registration of everything not *merely descriptive.* If a trade-mark presented the descriptive element combined with other features it was

**Printers' Ink*, July 18, 1912, p. 112.

accepted for registration. This policy prevailed for a couple of years or until, in the natural course of events, the higher courts of the nation began to hand down decisions in trade-mark cases under the new law. Then it was discovered that the Patent Office had been too lenient. As the courts handed down one decision after another to the same purport there was a continual stiffening of trade-mark practice throughout the years 1907, 1908, and 1909, until now practice is probably more exacting and more inflexible than at any time in the history of trade-marks.

With this the situation it will be appreciated that the interest of the present-day manufacturer is not so much in the trade-marks that have come down to us as evidence of the inconsistencies of former practice as in the trade-marks of uncertain eligibility which serves to illustrate through their fate the latter-day policy of the officials. Some of the trade-marks, for instance, which have been rejected as descriptive are calculated to cause many a layman to "wonder why." In this category, maybe, is "Circular Loom" which was unsuccessful. Likewise ' Naptha" which was held to be descriptive of the Fels product and "Rust? Never," which was disallowed for use on hooks and eyes.

Some of the confusion caused by lack of regularity in trade-marks does not differentiate between registered and unregistered trade-marks. Some manufacturers never make any attempt to register at Washington their common-law trade-marks, and others, relying on such protection as the common law may give, have continued to use trade-marks which have been refused registration at Washington. But these facts do not appear on the surface, because most manufacturers, even though they may have secured registration, fail to add the all-important word "Registered" to the trade-mark inscription on their goods, and so many persons go on marveling that the Patent Office could have accepted trade-marks which, if the truth were known, have never been so accepted.

Another source of some confusion, especially to newcomers in the field, is found in the "exceptions" to established trade-mark rules, for in this field, as in all others, there are some exceptions. The most startling exceptions are those made possible by what is known in trade-mark practice as the "ten-year clause." This was a clause in the trade-mark law, passed in 1905, which provided for the registration without question of any trade-mark which for ten years or more, prior to 1905, had been in actual and exclusive use by the applicant or his predecessors.

The effect of this clause was, of course, to let down the bars for all sorts of descriptive and otherwise prohibited trade-marks provided they had the merit of age and the law, in effect, gave a tremendous advantage to old-established manufacturers who had the wisdom to adopt a distinctive trade-mark at an early stage. All the same the trade-marks that secured registration under this exemption are bound to prove something of a thorn in the side of the late comer in the manufacturing field who is allowed no such latitude in his choice of a trade-mark. As an example of the trade-marks that were made eligible under the "ten-year clause" but would not be eligible were they originated to-day there may be cited the famous "1847 Rogers Bros." silverware mark; the Elgin and Waltham Watches and the Kalamazoo Stove (all, it will be observed, geographical terms); the Red Cross shoes and druggists' specialties; and a host of names of Indian tribes, applied to products of various kinds.

TRADE-MARK SELECTION

With these points in mind as to the purpose of the trade-mark and a few of the legal aspects which must be considered, we begin to appreciate something of the difficulties which confront an actual or prospective advertiser who wishes to select and exploit a mark for the establishment of his commercial identity.

Some Factors in Trade-mark Selection

Not only is it necessary to keep in mind the purpose for which the mark is selected and the legal restrictions upon selection, but there are many other factors which enter and serve to make trade-mark selection extremely difficult. The following cases of successful and unsuccessful trade-mark selection, compiled under the heading of "The Wise and Foolish in Advertising Names," was prepared by Jerome DeWolff, and shows how extremely easy it is to go wrong in trade-mark selection, and how many elements enter to prevent the trade-mark selector from being certain that he is going right.

*"What's in a name?" asked the bard of bards.

It all depends. If it is to be an advertising name, its selection is of the utmost importance. It may be true that "that which we call a rose by any other name would smell as sweet." But, at the same time, that new product of the manufacturing world which is destined to have large advertising appropriations expended upon it had best not be coupled with a name which is, for any reason, displeasing, or inappropriate, misleading, or not easily remembered or pronounced. Otherwise, it probably may *never* prove a "best seller," from first to last, no matter what its financial backing or its intrinsic elements of superiority.

Bliss, Fabyan & Co., of Boston, can testify authoritatively to the selling power of a good brand name *per se*. Who doesn't remember the "seersucker" gowns that our mothers and old-time folk used to wear? It was the popular fabric of Fashion's yesterday. So popular, indeed, did the goods become that everybody was wearing it. That settled "seersucker." Milady straightway turned up her nose at the suggestion of another gown made of "seersucker" when she found her maid and everybody else's maids were wearing gowns made of "seersucker," too. So the fabric gradually fell into disrepute and sales fell off tremendously. For some years now "seersucker" has had almost no sale whatever, and only among the humbler folk.

When, lately, Bliss, Fabyan & Co. attempted to bring about a revival of "seersucker," it found itself greatly handicapped by the stigma of commonness which was still clinging to the goods, even after many intervening years. "Seersucker" certainly could *not* be sold. Finally A. W. Ellis, of the Ellis Agency, Boston, suggested *a complete change of name*, and the exploitation of the fabric as if something entirely new. He thought up the name "Ripplette." To-day Bliss, Fabyan & Co. are reputed to be doing a monster business on "Ripplette."

Ease of Pronunciation

At a dinner of the Technical Publicity Association this winter, H. N. McKinney, of N. W. Ayer & Son, gently criticised the General Electric Company's selection of the word "Mazda" as its trade-mark and widely advertised name for a lamp somewhat similar to the Tungsten.

Mr. McKinney confessed that he had never been absolutely

**Printers' Ink*, July 28, 1910.

certain how to pronounce "Mazda," and that he assumed that there were others whose perspicuity did not exceed his and who did not know how to pronounce "Mazda," either.

Mr. McKinney also vouched for a story about a well-to-do man who one day went to a showroom and asked to be shown a certain product, calling it by its trade-marked name but pronouncing it wrongly. So great was his chagrin, when the ill-mannered salesman took occasion to correct his pronunciation, that he turned on his heel and left the showroom in a huff. He had entered the place fully intending to leave a substantial order for some thousands of dollars' worth of the goods.

In this direction lies one of the greatest dangers when it comes to selecting trade-mark names. Not every customer is going to have his incorrect pronunciation revised by an ill-mannered clerk, to be sure, but, then, not *every* prospective customer is not going to be so cocksure of *himself*. Rather than run the risk of pronouncing a trade-marked name improperly and be laughed at behind his back by a "know-it-all" clerk, even though not openly corrected, many a customer will much prefer to call for some *competitive* brand, the name of which cannot be questioned. Result: a lost sale.

Consider "Bon Ami," the soap for scouring. Two little words of three letters each, yet it is pronounced in a score or more of different ways. The name was selected some eighteen years ago by a man named Gardiner, who was, at the time, connected with the J. T. Robertson Company, a small concern of Glastonbury, Conn. The company already had any number of soaps known by other names. The comparative importance of the name of a new addition did not then seem great. And it wasn't — *not then*. A moment's thought suggested "Bon Ami" and Mr. Gardiner turned his mind to something else.

Of all the large family of Robertson soap products, "Bon Ami" has survived and grown in popularity. But its survival and growth have, in no degree, been due not to its name but rather to fortunate conditions of supply and demand, to good merchandising, and, most of all, to careful and persistent advertising.

W. H. Childs, of the Bon Ami Company, now states that he would be willing to give many thousands of dollars if only the name "Bon Ami" could be changed to any one of a number of other names which his experience has shown him would be far better without losing the time, money, and effort which has been put into past advertising. "Bon Ami" is objectionable, for one thing, because "the masses" do not know enough French, as a rule, to appreciate its meaning and hence its appropriateness. Furthermore, not knowing French, "the masses" cannot be certain which of the five English sounds of the letter "o" applies, which of the six sounds of "a," and which of the three sounds of "i." It would require a mathematician to figure out the vast number of different combinations which are possible. When the words "Bon Ami" are pronounced in a number of different ways *in the company's own offices,* what can be expected of the uninformed "masses" when they go to their grocers?

Foreign words and phrases for use as trade-marks should be looked at askance. Unless there can be absolutely no question but that their meaning and pronunciation will be understood, they had best be left strictly alone. There is no telling how much business Ed Pinaud, for example, has lost in America simply because Americans have been uncertain about their pronunciation of his name. And the same general rule applies to *any* word or phrase, domestic or foreign, which are to be used as trade-marks. The public doesn't know how to pronounce "Café d'Amenonville," so it talks about other cafés with easier names. "Hyomei" looks too queer for one to easily make a clear mental picture of it. Therefore it is not remembered.

Coined Words as Trade-marks

The advertising world has too many excellent examples of successful brands which have been christened with *coined* names to question the growing practice of using them. The possibilities for originality in coined names are great, and it is the name which is original without being impossible which the public most easily remembers. Furthermore, the coined name may be made highly descriptive without being tabooed by the copyright authorities. The advertising pages furnish any number of examples of this sort of thing, as "Rubdry Towels," "Keepkool Underwear," "Keen Kutter Tools," "Slidewell Collars," "Come-Packt Furniture," etc.

The coined name, too, should be easy to pronounce and easy to spell. It should not be grotesque or in any way displeasing. Possibly the name "Mak-Mor Sales Company" can be criticised on this score. Certainly the name "Vassar" in men's underwear suggests something effeminate which does not tend to induce sales with all men.

The coined name should be dignified. "Shave-Foam Soap," "Useeit Water Coolers" and many other names fail to commend themselves for this reason. A name may lack dignity and meaning simply because it is *too* unusual, because it borders upon the impossible. "Javmarmo," "Viyella," "Oxzyn," "Iatrol," "Khedevial," etc., seem to "the masses" to be pure, unadulterated Choctaw. And when there is a successful "Uneeda" on the market, then "Uwanta," "Takhoma," "Tryabita" and "Eta" brands seem obvious imitations and hence undignified, too.

Mr. Advertiser should have another weighty consideration uppermost in his mind when thousands of dollars are at stake.

Long Names and Short Ones

He should look out for the long, ponderous name. "Mennen's Talc" is far better than "Mennen's Borated Talcum Toilet Powder," for example. Or compare as to length the name "Barrington Hall Bakerized Steel-Cut Coffee" with "Mauna Coffee." It costs money to buy space in which to exploit a long name, and, what is quite as important, a long name takes the reader's time in the reading of it. The reader's time is a consideration of the greatest importance when one has an advertising message to tell.

For this reason the trade-marked name "Mumm" is an excellent one. The same thing is true of "Cremo," "Calox," "Alco," "Arab," "Cobs," "Cyko," "Flexo," "Guyot," "Hind's," "Hoff's," "Jello," "Kodak," "Nulife," "Omega," "Presto," "Pyro," "Shac," "Vinol," "Whiz," etc., each of which can be pronounced by anybody who can read and is, in addition, short, terse, virile, dignified, and distinctive. Compare with them such long names as "Telekathoras," "Mentholatim," "Kantwearout," "Mississippi Diarrhœa Cordial," "Nine O'clock Washing Powder," "Siegert's Angostura Bitters," "Brunswick-Balke-Collender," "Pozzoni's Complexion Powder," etc., many of which are difficult to pronounce to boot, and are thus doubly difficult to remember.

How "Walk-Over" Was Selected

The task of selecting a name for a product may *seem* easy. That is undoubtedly why so many advertisers jot down the first name which comes into their heads, and let it go at that. But the wise advertiser, when it comes to the selection of a name, is in no haste. He is open to suggestions and inspirations from all sources.

Some years ago, in 1895, to be exact, George E. Keith, of the shoe company bearing his name and making the famous "Walk-Over" shoes, very much wanted a new name for a new brand of shoes which he proposed to advertise and push extensively. He considered the situation, in all its aspects, for many months. He had held himself open to suggestions from every direction, but the name which just suited was not forthcoming.

It was September. Interest in the international yacht races was running high in America. The evening after the final contest Mr. Keith and his wife were seated in their library, Mrs. Keith was reading to him the newspaper account of the race. It described the poor showing made by Lord Dunraven's *Valkyrie III* against the American boat *Defender*. In the middle of the story came the phrase: "Amid great excitement the American boat slipped away and won the race in a complete walk-over."

Mr. Keith jumped to his feet. "That's the *very* name I want for my new brand of shoes. 'Walk-Over, Walk-Over Shoes' — it's just the thing." And "Walk-Over Shoes" it has been. The name is an excellent one and has undoubtedly aided materially in the success which this great brand of shoes has since achieved.

TRADE-MARK POLICY

The application of trade-marks to the selling of textiles offers some problems which are particularly difficult. There is, however, no field in which the indirect results secured by the exploiter of the trade-mark are more worth striving for than they are in the textile field. S. R. Latshaw, the manager of the Textile Department of the Curtis Publishing Company, discusses in the following paragraphs some phases of the use of trade-marks in that field:

*For more than five years I have carefully watched the development and change of selling methods in the knit

**Printers' Ink*, July 4, 1912, p. 68.

goods industry. When I first came to these meetings there was some interest and much derision for the newly risen guaranteed hosiery campaigns. The next year there was more interest and less amusement, and so on, until to-day the interest predominates. I am not especially concerned in discussing here any single phase of the more modern selling methods, but rather in the consideration of general underlying conditions that seem to point to a course which will bring more profit for you in the future.

Trade-marks in Selling Textiles

You remember some of the first automobiles we saw years ago, traveling uncertainly about, perched on bicycle wheels, emitting clouds of steam and often raising from some passerby the cry, "Get a horse." Little did any of us think then of the ten-ton truck and the seventy-miles-an-hour touring car of to-day. You may question the logic of a comparison between a machine and a method, but I can confidently say that in 1917 we will be equally surprised by the changes which five years will have made in the selling of knit goods.

Changes now going on in other branches of the textile industry, both in manufacturing and selling, demand your attention and consideration as affecting the future of your own concerns. An important change has taken place in the jobbing field. Within the last decade the great department stores have so strongly entrenched themselves in their rights to buy from "first hands" that the jobbers have generally relinquished their proprietary claims, and have seen the mills sell direct to our leading fifteen hundred stores.

This "selling direct" to dealers by the mills has now even progressed beyond the leading retailers and frequently extends to the remote outposts and "tank towns." This is shown notably in the knit goods field; many New York State and Western manufacturers are sending salesmen to every town where there are dealers worthy of notice.

The jobbers are, of course, trying to adjust themselves to these altered selling methods. The two leaders in the East and West are proceeding in opposite directions. In the East the H. B. Claflin Company interests are buying the control of many important retail dealers, thus gracefully covering a retreat from their former position as exclusively middlemen. Claflin not only "sells the trade" — he *is* the trade.

Differing Methods — East and West

Marshall Field, on the other hand, while continuing the most notable Western retail establishment, is now buying and leasing mills. From the unstable ground of the jobber Marshall Field & Co. are becoming distributing manufacturers. In making this move they have followed the lead of Lord & Taylor and Brown-Durrell, who have both, as you know, made great successes in the fine knit goods field.

The real competition in the future will undergo a manifest change, due to these improved selling methods. There is little likelihood of any phenomenal improvements in manufacture. But the selling of to-day is archaic. It must be brought down to date.

While it is true that there are more brands of hosiery advertised to-day than any other one textile product, and while you men deserve great credit for your quicker perception of future needs, it is nevertheless astonishing that there is so comparatively little hosiery sold under the advertised mill brand.

In 1909 the aggregate production of hosiery amounted to more than two hundred million. Of this enormous total, less than twenty million, 10 per cent., bore the name of a national advertiser. And yet, of all textiles, a pair of hose is obviously best suited to modern selling methods. For instance, what are the two factors that contribute most to the advertisability of any commodity? First, ease of identification by the consumer as well as by the trade. Second, widespread and continuing demand. As for identification the identity of two stockings is rarely changed from the time they leave the maker's hands until they are put on the consumer's feet. It is easy and inexpensive to apply a hosiery or underwear trade-mark, and the package for box allows great opportunity for further identification. You gentlemen do not face the puzzling and vexatious problems of the converter, the cutter-up, the manufacturing clothier, and the other inevitable middlemen who alter and change the very nature of the products of the woolen, cotton, and silk manufacturers as they pass through their hands.

The Hosiery Outlet

As for the demand — well, everybody wears them. They are constantly being worn out (consumed) and as constantly being replaced. They are sold in 1,400 department stores, 28,000 drygoods stores, 8,300 men's furnishings stores, and 148,000 general stores—a total of

185,000 outlets in this country. What class of goods could be expected to respond more vigorously to the stimulus of scientific selling?

It is probable that the very openness, directness, and simplicity of the manufacture of knit goods accounts for the prevailing simplicity in selling methods to-day.

It is comparatively easy to engage in the making of knit goods — a little capital, a loft in Kensington, a boss knitter, some machines on easy terms — and you have another manufacturer. This manufacturer may be unsuccessful. He may have little knowledge of costs and may follow methods which land him in the bankruptcy courts, but in doing so, while he is going his pace, you have just one more factor in the demoralization of your market.

You can, of course, attain a certain degree of manufacturing superiority. You can conceivably buy your raw material a bit more shrewdly, but when your line can be so rapidly duplicated and your machines, your help and your raw materials so easily secured by a competitor, your real advantage must lie almost wholly in the thoroughness of the belief of the public in the intrinsic quality of your goods, which will give rise to constant and unassailable demand.

Trade-marks as an Asset

It would seem, then, that you manufacturers would cling tenaciously to a trade-mark representing good-will, because that trade-mark is really the only permanent, inalienable asset you can have.

To sit calmly in a barren office and allow one's self and one's mill to drift is the shame of many a mill man. Men so old as to acknowledge their inactivity and their dread of any change manage properties with a single eye to the immediate future and its immediate dividends. The line of least resistance — providing it is lucrative — whether that means selling to a broker, to a catalogue house or to a syndicate buyer, appeals to the sort of mill men who are neither practical manufacturers nor practical sales executives.

If you make goods on contract for this man to-day, for that man to-morrow, your mill, your future, your profits depend entirely and absolutely on one advantage: that of superior manufacturing ability.

Your goods, unless they bear your brand and your trade-mark, are not your goods after they are sold to the store; unless the merits of your line are known to be the merits of your mills, you can't be certain to continue the profit due you. You may make goods for "Perlmutter & Potash" as long as they can't beat your price. When they can, how many of your goods are rejected, what control have you on the situation other than your ability to manufacture more cheaply or your willingness to take less profit?

The means and methods for simple practical trade-marking have been fully developed. The jobber has, with a few exceptions, been willing to "push" the sale of a mill-brand goods, when these goods were of a quality to justify the consumers' demands that had been previously created for them. The retail dealers — I have stated that there are more than one hundred and eighty-five thousand who sell hosiery and underwear — with the exception of about twenty-five of the leading metropolitan department stores, are glad to carry and sell honest goods bearing a mill identity for which an honest and genuine consumer demand has been created. Even these twenty-five stores carry many of the different lines under the mill brands because the demand has been made so insistent.

The machinery and methods for creating a consumer demand for quality goods bearing the brand of the manufacturer are basically alike with all great lines of merchandise.

The Retailers Cannot Be Forced

But, notwithstanding the element of similarity in selling methods, there are certain differences in textile conditions which must be reckoned with and arranged for intelligently. The jobbers are fewer in number and far more powerful and important than in any other industries. The department stores with their great prestige and following had their birth in the drygoods line. Their individual investments in their own advertising in any great city dwarf in amount the national appropriation of any three textile manufacturers. The importance of these factors make their "coercion" well nigh impossible and widely impolitic. No method of "clubbing the dealer into line" can be used in the textile field. But with changes in all the factors in textile distribution — commission house changes, jobber changes, cutting-up changes — there is only one changeless factor: the ultimate consumer. To his wants and to her wants we all cater; because of him and because of her competition exists.

All our stores compete for the consumer's trade; so do the Perlmutters and Potashs; so do the mills. Every selling factor studies to please the consumer; the wishes of the consumers are more potent than the commands of an emperor. The consumer wants quality and honesty in the fabrics purchased; the consumer wants to buy intelligently; the consumer believes that the men who make the goods know most about them. If you make honest goods and if you put your name on these goods, and if you help the consumer to discover these two facts, the wish to buy your goods will be expressed so unmistakably that a large percentage of the retail stores will be glad to buy and sell your goods under your trade-mark to the only permanent friend any manufacturer can have — the ultimate consumer.

One of the most successful cases of fortunate choice of trade-mark policy, and skilful development of the policy once chosen, in a textile line is to be found in the case of "Onyx Hosiery," which is a jobber's brand placed on hosiery manufactured for the Lord & Taylor Company, of New York. Joseph H. Emery, president of the company, has the following to say about the policy which the company has religiously preserved since it began exploiting the Onyx trade-mark:

The Case of Onyx Hosiery

*I am sometimes asked about the upbuilding of the "Onyx" hosiery business by people whose questions seem to indicate that they suppose every success must contain the elements either of the mysterious or the sensational. Now there may be great successes in the commercial world which have been achieved through the art of the conjurer — I do not know. But when it comes to the history of "Onyx" hosiery, the record is wholly devoid of pyrotechnics.

And it is a rather satisfying history to look back upon. We are about ready to celebrate our quarter-centennial. In the twenty-five years the business has grown from $340,000 to $8,512,024 a year, and the pleasantest part of it is that the growth has taken the form of a steady, healthy progress. There has never been a time when nitro-glycerine had to be injected to save the patient. . . .

We started in moderately at first, believing that in order to

Printers' Ink, January 18, 1912, p. 3.

create a demand among the dealers in hosiery we should have to gain the approval of the public. We also believed that, though we had a fine selling organization and the best possible goods on the shelves, without advertising we should attain only a moderate success. Therefore we considered it necessary to combine with the two assets — a high standard of product and an efficient selling organization — advertising which should reflect the same qualities which we believed we put into the product.

We did not start with any thrillers or record-breakers. We appealed to the public just the same as an individual salesman would appeal to his customers, without undue dignity on the one hand, nor sensationalism on the other. We told the story of Onyx quality and Onyx honesty in plain and direct language — and with very gratifying results.

From the start we have maintained the policy of co-operating with dealers to the fullest extent possible. We did not permit the "Onyx" brand to be used as a football in the indiscriminate cutting of prices. We adopted every improvement that experience could suggest in order to keep the standards continually at high-water mark, and so that our dealers, with the advertising helps and our ability to deliver all duplicate orders promptly, could keep up regular lines of merchandise and make a satisfactory turnover.

How the Brand Was Started

The adoption of our brand-name was decided upon after a great many different suggestions were rejected, all of which tended toward a descriptive term which would signify a fast black. While "Onyx" is the name of a stone of various hues, it is usually identified with an indelible black, hence its adoption. Whether it suggests a fast black color to the public or not, it is a short word, quickly recognized, and easy to remember, and is solidly identified with hosiery of our manufacture. In fact, it is known to-day in practically all quarters of the civilized world.

Our choice of a trade-mark is another instance of the principles described above. Note how simple it is — only four letters of the alphabet are employed and anybody can pronounce it on sight. It would have been easy to have selected something more sensational — and incidentally more complicated. It is a theory in art that the simplest things are the most difficult to do, and the most worth while after they are done.

A feature of "Onyx" policy is to avoid friction with the dealer. A common source of disaffection on the part of retailers is the manufacturer's inability to fill orders promptly. This is especially apt to be the case in such a line as hosiery where there are many different styles, each style in a variety of colors, and each color in a diversity of sizes. We keep a large capital locked up in reserve stock. Some people might think we could run on a smaller margin but we figure that it is just so much invested for dealer good-will.

Again we go to much pains to keep posted on every phase of hosiery information, which is culled from many sources. We know the viewpoint of the consumer, the dealer, and the distributor. We study fashions. We have shades to match every costume and shoe. Our selling organization keeps us posted as regards conditions, and any new demands which are springing up are instantly reported. We are always ready to add any new line for which there is a demand in any quarter. It is our constant endeavor to maintain our business at the point where a customer can secure under the "Onyx" brand any kind of hosiery desired. That, too, binds us closer to the dealer.

Advertising Continuity

Advertising continuity is another reason — perhaps the main reason — for the wide recognition of the "Onyx" trademark. When the advertising question was taken up with our concern, we realized that to make it a success it was necessary to start small and broaden out as the seasons advanced. We knew it required patience. We did not expect miracles. The public takes time to render its decisions, and it must be absolutely sure before it consents to give lasting approval. We regarded the money spent for advertising as an investment, and not an expense. We realized that it was impossible to make any lasting success by a "whirlwind" campaign.

Due thought has always been given to the dealer's end of the advertising campaign. We have been careful to advise him of every advertising benefit we were putting forth, enabling him to keep in touch with these efforts and reap the benefit of the increased demand.

Advertising helps are furnished to all dealers; copies of magazine advertisements; advertising co-operation in local newspapers; assistance in the matter of special sales, etc.; co-operation in every possible manner which will help the dealer in selling his own goods, so that the selling of the "Onyx" brand is a matter of keen satisfaction to him. We have always believed in making the merchandising operations as simple and direct as possible, and in using every known means of promoting the sale of an honest product with profit to all concerned.

The conditions in the past year have been the most difficult we have ever had to overcome. There has been a tremendous lot of advertising of guaranteed hosiery, but through it all our sales have steadily increased. It is very likely that the percentage of increase was affected somewhat by the guaranteed hose advertising, but the rebound during the past year has, we believe more than made it up. The intelligent and critical public has weighed up the guaranteed hose proposition pretty thoroughly, and, we believe, is returning to its first love. The vast sums of money we spent through many years have not been wasted.

When Competition Grew Strong

In meeting competition of this and other varieties, we never go out of our way to fight it with its own weapons. We simply redouble our efforts to be absolutely fair with our customers, and to convince them that we are working for their interest as well as our own. We have always made the statement that any buyer could come on our sales floor and go over the entire line blindfolded, with the assistance of any one of our salesmen, and feel perfectly safe.

Our appeal throughout, as is evidenced in the copy which has been run for "Onyx" hosiery, has been to the refined middle class — neither the exclusive portion of the trade which will buy only that which is high in price, nor the part which is bargain hungry. We have avoided the sensational and the exclusive alike. Our endeavor has been to give every announcement the atmosphere and the flavor of quality, without going so far as to suggest that the price must be beyond the reach of people of ordinary means.

We feel that our business, in one sense, is only in its infancy, and we look forward to general and steady increase. Twenty-five years of experience has only served to strengthen us in our belief that a staple product can and should be advertised, and that it is not only unnecessary but a mistaken policy to search for "features" which may be made the basis for a sensational appeal.

The principles of successful salesmanship apply to successful advertising. You will find the best salesmen do not introduce "side issues" into their talk. They try to make the prospect *concentrate* on the most vital idea. The salesman who introduces many irrelevant things into his talk and asks the possible customer to follow him on a mental hare-and-hounds' race does not build up a reputation as a "closer." That is why we keep our advertising on a straight middle-of-the-road policy.

The Moral of Onyx Advertising

If any one were trying to extract a moral from the history of "Onyx" success, I suppose it could best be summed up in the single word, "Consistency." We have tried to be consistent in the general tone of our talk to the public, consistent in adhering to a plain, common-sense policy of merchandising and consistent in never giving the people a chance to forget our trade-mark.

If modern developments in advertising mean anything they mean that advertising is nothing more than an adequate interpretation to possible buyers of your goods. This being so, Lord & Taylor have consistently endeavored to so write their advertising that it will not misinterpret the product into the making of which we have put a quarter-century of our efforts. It seems to me that any element of extravagance, or even hysteria, is most unwise. Straining after effect has its inevitable result in copy which does not honestly represent the goods; indeed the shrewd American man or woman, instinctively, is apt to discount such "emphasis" and visit an unconscious suspicion on the product.

TRADE-MARK PROBLEMS

The problems of trade-mark selection, registration and exploiting are only three of many groups which are encountered very early in his work by the developer of any trade-mark. H. L. Allen, who has already been quoted in regard to trade-marks, gives the following account of how some difficult and unusual problems in trade-mark development were met and solved:

*It is necessarily one of the provisions of the trade-mark law that a trade-mark must be affixed to the goods for which

**Advertising and Selling,* June, 1912, p. 12.

it is registered; otherwise the courts will not allow its validity when cases of infringement arise.

There are various ways in which trade-marks are affixed to goods. They may either be printed, stamped, stenciled, branded, cast, pasted, sewed or woven on the product; or, as a general rule, in case the trade-mark cannot be affixed in any of these ways to the product itself, as in the case of a liquid, it may be affixed in any one of a number of ways to the container of that product.

It is very interesting to study the ingenious ways in which some manufacturers affix distinguishing marks to their products. Perhaps one of the most remarkable instances, and yet one which creates no wonderment at all because it is so common, is the trade-marking of paper by means of water-marks. These have been so long in use that we do not realize that the first manufacturer of paper to evolve a method of water-marking his output was very ingenious, inasmuch as the water-mark is an inseparable part of the paper without in the least diminishing its worth.

Sometimes simply a change in the method of marketing a product means that it will be difficult to trade-mark. This is particularly so in the case of drinks. When a drink is put up in bottles which reach the ultimate consumer, the problem of trade-marking is easy. All one has to do is to paste a trade-mark label to the bottle.

True, there is the unscrupulous dealer who stoops to refilling bottles with spurious substitutes and who sells them as the genuine trade-marked product. But there are various devices to make this impossible, such as bottles that cannot be refilled and stoppers that cannot be replaced. Many of the better champagne producers have evolved the unique scheme of affixing their trade-mark to the bottom of the corks used in the mouths of their bottles. When the consumer has been educated to look for this trade-mark on the cork, it makes it impractical for the dealer to soak a label off an empty bottle which once contained that champagne and to paste it on a substitute champagne. It should be realized that the trade-mark cork cannot be removed without being mutilated or broken by a corkscrew.

But suppose that the drink does not reach the ultimate consumer in the original bottle but in bulk. How can a manufacturer evolve a plan of trade-marking a liquid not in a container? It sounds difficult and it *is* difficult. The more one studies it, the more exasperating it seems. Apparently one might as easily paint one's advertisement on the flowing waters of Niagara Falls as to affix a trade-mark to a liquid product that is not marketed in a container.

Putting a Trade-mark on Draught Ale

This is exactly the problem which confronted Reuter & Co., ale and porter brewers of Boston, several years ago, in selling Sterling Ale as a draught drink over the counter. Yet to-day, according to every outward evidence, and according to the testimony of B. A. Smalley, the advertising manager of that company, Sterling Ale is a great success as a trade-marked draught drink and substitution by dealers of other ales, the bugaboo of the business, is a negligible quantity.

In this instance the seemingly impossible has been accomplished by means of a special faucet, designed, patented, owned, and controlled by Reuter & Co., and also by means of a policy in connection with the installation and use of that faucet.

The latter has an essential principle about its construction which is unique and thus patentable. But the all-important part about it is that it has a big blue and white handle on it, which carries on two sides prominently, so that it can be easily seen and recognized by the consumer, a circular trade-mark emblem.

This faucet is not sold to the dealer; it is loaned to him under certain strict legal provisions as to its use for serving Sterling Ale and *only* Sterling Ale. The fact that it is a patented device further strengthens the right of Reuter & Co. to legally stipulate the manner in which the faucet shall be used.

A patent is a monopoly of monopolies. Letters patent grant their owners monopolistic rights of manufacture. Therefore the courts allow that anything which "flows out" of a patent, such as a license to the dealer even though highly monopolistic in nature, is substantiated and authorized by the law.

And this principle applies not only to licenses covering *the maintenance of price on* but to licenses covering the *use of* patented devices. And this is especially the case when a device is not sold but is loaned, as in the case of the Sterling Ale faucet.

It has, of course, been necessary for Reuter & Co. to educate the public to look for this faucet, to realize what it stands for, and to insist upon its use. This has been accomplished by means of steady and extensive advertising in the newspapers. . . .

The faucet is called "The Official Faucet" and is invariably illustrated as large as practical in each advertisement. The size of the copy is usually three columns by from 6 to 10 inches in depth.

Hire's Root Beer and similar drinks have been trade-marked very similarly as over-the-soda-counter draught drinks by the employment of special trade-marked urns which are loaned the dealers and by the strict legal enforcement of regulations prohibiting the use of such urns as receptacles for other than such authorized drinks. . . .

Getting a Textile Trade-mark on Ready-made Clothes

Not essentially different from Reuter & Co.'s method of trade-marking their draught ale have been the methods of certain of our more enterprising textile manufacturers and converters to make certain that their marks of identification shall remain with their textiles even after the latter have been cut and fashioned into garments by the makers-up. Probably the most shining example in this field is B. Priestly & Co., of Cravenette fame. Strictly speaking, this company should not be classed among the textile manufacturers, for the word "Cravenette" represents a process rather than any particular textile. The process is one of waterproofing, and any manufacturer's textiles can be "Cravenetted." To trade-mark such a process so that the consumer shall insist that it be employed is no easy matter.

In this instance the "Open Sesame" into the ranks of the successful trade-markers has been effected by means of a garment label given to the garment maker whose textiles are being made waterproof, and then advertising that label to the consumer so insistently that the garment maker can ill afford *not* to link up his garments, by sewing that label in its proper place, with the strong consumer demand which the Priestley advertising has created.

There was no compulsion used; no threats made or promises exacted. The only compelling power has been that greatest of all pullers in business, the desire for bigger profits and larger sales.

To-day the trade-marking of Cravenetted garments is so successful that the word "Cravenette" has been elected to a place among the select coterie of words which have come to have a generic sense as a result of much publicity, such as Vaseline, Kodak, Celluloid and a few others.

The same general scheme of a widely advertised trade-mark label has been at the bottom of the success of A. G. Hyde & Sons with Heatherbloom Petticoats. But the ways and means in this instance have been a little different. A. G. Hyde & Sons do not make Heatherbloom Petticoats; they simply supply the textile to the trade with loose garment labels. But instead of showing the garment maker the unwisdom of not linking up with Heatherbloom advertising by attaching the label, as in the case of Cravenette, the screws are used and the garment worker is compelled to sew on the label in the case of Heatherbloom Petticoats or else get no more textile.

Heatherbloom Petticoats

Heatherbloom, a taffeta, was first advertised simply as a novelty, with no mention made of petticoats. Instead, its virtues as a textile for petticoats were only brought out by chance. And, even then, it was only when competitive articles began to appear on the market with similar sounding names, that A. G. Hyde & Sons foresaw the wisdom of carrying their case to the consumer as the court of last resort in order to create a consumer demand. And it was not long before this concern not only found itself in a position to successfully insist that garment makers attach the advertised trade-mark label, but in a position also to dictate the minimum selling price of petticoats and even the number of yards such petticoats must contain, as well as several other ultimatums such as it would not have dared suggest before.

Belding Bros. & Co., making Belding's Satin, which is used for linings to garments, have attained the same end by means of a guarantee tag which is provided for those garment makers who use Belding's Satin. The tag reads: "This tag insures the wear of your lining. Should the lining give unsatisfactory wear, return the garment to us, express paid, together with this tag and we will re-line without charge." This tag has been widely advertised to the trade and to the consumer, so that to-day it has come to be a definite and positive evidence of quality in a garment and that garment maker who would prefer not to attach it, or that dealer who would not take the pains to have his customer see it when attached, are not good business men.

E. B. Moore & Co., New York, making all wool fabrics for men's clothing, have aimed at the same end by supplying the garment makers with their trade-marked buttons for use on the garments they make, and then by advertising that button to the general public.

Wire Cloth and Cordage Trade-marks

The Clinton Wire Cloth Company, making Pompeiian Bronze Cloth for use on window screens used to keep insects out, had a peculiar problem when attempting to settle upon a distinctive and sure trade-mark guide to the purchaser. The problem was happily and successfully solved when a removable red string in the selvage of the wire cloth was decided upon as a mark of identification. Because of the nature of the product no trade-mark could be stamped upon it unless large, and if large it would be obtrusive and objectionable.

The Samson Cordage Company trade-marks its clothes line by means of another ingenious device which consists of one red strand of yarn braided in among the white in such a way that it comes to the surface just so often in the form of a diamond. And, what is more, this mark has been made inseparable with the goods by incorporating a reference to it in the name of the goods which is Samson Spot Clothes Line.

The method of inserting the trade-mark into the selvage is not uncommon. It is the method usually used by fabric makers and carpet makers. In some cases it is stamped on; in others it is woven in; in the case of Brenlin Window Shades it is placed on every yard of the goods on the selvage at either side in small perforated letters. The difficult aim in all such instances as these is, of course, to adopt a mark which will be conspicuous and valuable as a trade-mark, while at the same time unobtrusive and subordinated as a part of the fabric and its design.

As opposed to this is the case of the Firestone Tire for automobiles, in which case there has been no need for making the trade-mark unobtrusive and the word "Firestone," moulded in high relief and many times repeated, has been made to serve the practical purpose of minimizing skidding and increasing wearing qualities as well as of identification.

London Plumes, which are sold by the London Feather Company, have been ingeniously trade-marked by means of a small label of celluloid sewed inside the stem of each ostrich plume in such a way that the plume will fall apart if the label is cut out.

Siegel, Rothchild & Co. ask purchasers in their advertising to identify their Perfect Shape Parasols by the name, which is inserted on the inside of the ribs.

Even coal is being successfully trade-marked by the City Fuel Company, of Chicago. This company has conceived a City Fuel Man, so-called. He is made entirely of coal — body, face, arms, and all. He is being used in all this company's advertising, and is constantly associated with a guarantee certificate which in one case he is signing, in another holding up to view, etc. The consumer is asked to insist upon getting the guarantee certificate of the City Fuel Man when getting coal either from the City Fuel Company direct or from his own dealer.

Indeed there seems to be no end to the ingenious methods which are being conceived to trade-mark this, that, and the other thing. We have music trade-marked by the Columbia and Victor Phonograph people. We have cartoons trade-marked with small dogs and similar marks of the artist. There are even those who maintain that the graduates of certain of our universities are trade-marked by their walks.

It is not unreasonable to think that ere long we will refuse to eat a lamb chop unless it carries a tag showing it is our favorite brand, nor a slice of roast beef without "the mark on the selvage." The tendency seems to be toward so trade-marking products that they will be certainly recognized whether in or out of their containers

In short, the business world has got to such a stage that this question may well be raised: Just how many trade-marks can the average person be expected to remember, even though they may be advertised in every publication and on every hillside? Never before were the qualities of simplicity, distinction, and appropriateness so essential to a successful trade-mark as now.

REVIEW QUESTIONS — CHAPTER XI

1. What are some of the main uses of the trade-mark?
2. How can the trade-mark be used as a weapon for offence or defence?
3. What is the use of registering a trade-mark?
4. What are the legal requirements for trade-mark registry?
5. What are the essentials of a good trade-mark?

PROBLEM QUESTIONS — CHAPTER XI

1. Do you think it was a good move for the Rubberset Company to exploit dental cream under its trade-mark? What are the best arguments for and against doing this?

2. Could the trade-mark plan employed by Reuter & Co., and Charles E. Hires, in use in connection with draught beverages, be applied to other liquid products, for instance, to petroleum or vinegar? What would be the defects in the plan as applied to those products? How could it be modified to suit?

3. As a buyer of a ready-made overcoat what form of label would give you the strongest possible sense of confidence in your purchase? Suppose the maker of the cloth, the dyer, the cutter, the jobber, and the retailer each had his label on the coat somewhere, would they influence you to choose that coat in preference to another exactly like it in appearance, but bearing only the retailer's label? Would any of the other labels alone have more influence with you than does the retailer's label?

CHAPTER XII

PRICE MAINTENANCE

THE question, What is a fair price? leads at once to the more complicated question, How is a fair price to be preserved? Neither of these questions can be answered without due regard for their legal aspects. And the legal side is only one of many phases which these questions present.

To get the subject before us in perfectly concrete form, suppose we look at a list of wholesale and retail prices covering articles some of which are sold under restrictions as to price, while others are sold without such restrictions. This table and the discussion of it by Roy W. Johnson of the *Printers' Ink* staff will serve to get the main features clearly in mind as they bear on advertising:

Price Maintenance and the Advertiser

*Maybe the advertising man says, "What have I to do with fixing the price? That belongs to the production departments. My job is to sell the goods." And it sounds reasonable enough until you begin to think seriously about it.

With some classes of goods the price is fixed to all intents and purposes by conditions outside the individual business. Chewing gum, for example, is priced practically uniformly at five cents a package to the consumer, cigars are five cents or ten cents, three for a quarter or two for a quarter, men's collars are fifteen cents, two for a quarter, and so on. But these are prices to the consumer. Jobbers' and dealers' prices are not thus fixed by trade customs, and those prices have considerable influence upon distribution, with which the advertising man is more and more concerned as time goes on.

With yet another class of goods the price is "all the traffic

*Printers' Ink, June 27, 1912, p. 3.

will bear." In other words, the price is made to fit the purchasing power of the class of people to be reached. These goods, as a rule, are specialties which represent entirely new inventions, or new combinations for special purposes. They are sold mostly direct to the consumer through house salesmen, though in some cases, like piano-players and phonographs, they are handled by retail dealers, or dealers and jobbers. But even with goods of this class the advertising man has or should have a vital interest in the price. What is the purchasing power of the class to be reached? Would a small reduction in the price bring the goods within the purchasing power of enough more people to earn greater aggregate profits? Would a lower price save enough selling expense to pay for itself? Those are some questions — and vitally important questions, too — which the advertising man is best fitted to answer.

But the great majority of products are sold by the jobber-retailer route, in competition with other similar products. They must meet the competition of consumer-advertised goods and goods which are not advertised to the consumer, the competition of price-restricted goods and goods upon which the price is not maintained. Each form of competition has a direct bearing upon distribution, as well as upon sales to the consumer, and the advertising man cannot afford to let somebody fix the price on the goods without considering those factors which belong to his province.

One Simple Rule

One very simple rule — and as dangerous as it is simple — consists in taking the prices of competitors and averaging them, or going a bit below them. It is dangerous because the fact that one man can make something for fifteen cents is no sign that another can do it for the same money. Unless it is possible to duplicate or improve upon the efficiency of rival organizations it is folly to duplicate rival prices. It is the same ditch so many printers have fallen into: "If he can do it for that, I can do it for less."

It certainly is necessary to compare prices of competitors, but they are a basis of comparison only. If it is found that a competitor can sell his goods at a lower price than they can profitably be sold by one's self under present conditions, it is necessary to change the condition before meeting the price; that is, unless it is possible to sell the goods at a loss, and make it up on something else. Individual conditions must regulate individual prices; not somebody else's conditions.

The actual cost of production is, of course, the basis for a price. But it is only a basis. To it must be added the overhead — depreciation of equipment, interest on the investment, lighting and heating, insurance, etc. — and a tentative profit, the "profit we want to make." Thus far the board of directors or the general manager can safely go by themselves, if they have the figures of a competent cost accountant as a guide. Though even this basis is arbitrary to a large extent it is reasonably accurate. But at that point selling cost steps in, and with it the advertising man.

The Basis of Price

Nobody knows how much it is going to cost to sell the goods, but the advertising man should have a clearer notion than anybody else. In the aggregate, selling cost, in advance of actual sales, must be an estimate, but there are certain fixed factors which enter into it.

For example, it costs the jobber 15 to 20 per cent. to do business. It costs the retailer, on the average, 30 per cent. Those percentages represent definite, concrete amounts which must be added to the selling cost of every article which goes through jobbers' and dealers' hands. Some articles are sold on smaller margins than these, but they are commodities which are advertised to such an extent that demand for them is practically automatic, so that they entail no selling effort on the part of the dealer or jobber, and the price is strictly maintained so that the dealer gets the full margin every time and does not have to meet cut prices.

As an illustration of this method of price fixing, Daniel Kops, of Kops Bros., makers of Nemo corsets, states that a profit of 7½ per cent. on the investment *according to inventory* is considered by his firm a good business. The cost of production of the corsets is from sixteen to seventeen dollars per dozen. The dealer (jobbers do not figure in these goods) pays twenty-four dollars a dozen, and sells the corsets for three dollars apiece. The comparatively high rate of dealer profit on a widely advertised line is explained by Mr. Kops as being necessary because the high price of the goods entails a certain risk on the dealer's part for which he must be recompensed.

As a general rule, the higher the price of the goods the greater the dealer's margin of profit, but there are exceptions. The Gillette razor is one, which, selling for five dollars to the consumer, brings the dealer only 25 per cent. gross profit, and the jobber gets a discount of but 10 per cent., or 10 and 5 in large quantity orders. The razor costs to manufacture, *including selling expense and overhead*, approximately $2.25, and the jobber pays $3.10 for it. It should be mentioned, however, that the prices to the jobber are *delivered prices*, as the Gillette people pay all carrying charges.

The Ingersoll dollar watch is sold to the dealer at a discount ranging from 25 to 35 per cent. The cost of production is from fifty to fifty-five cents, the jobber pays sixty cents and the dealer seventy-five cents. Dealers who buy in large quantities can get a better price — seventy cents and in some cases sixty-five.

Some Other Cases

The Bissell carpet sweeper costs $1.50 to $2.50 to produce, according to style. The jobber makes a profit of approximately $3.50 per dozen, and the dealer 25 to 35 per cent.

The terms on which the goods are sold have considerable effect upon the dealer's profits. For example, fifty-cent hose at $4.15 a dozen, terms 1 per cent. discount for cash in ten days, sixty days net, costs the dealer more than fifty-cent hose at $4.25, 6 per cent., $\frac{10}{60}$, provided he discounts his bills. A good many small dealers do not realize the advantage of getting the cash discount, though most of the large stores understand that it represents an extra profit on the goods. In arranging the matter of terms the class of retailer it is desired to reach is important. The small man who is not in the habit of discounting his bills would believe that the hose at $4.15 were actually cheaper, and a sale might be lost. As the advertising man is to be entrusted with a large share of the task of getting distribution, it is necessary that he have some knowledge of the subject of terms and some voice in their selection.

Too high a margin of profit for the dealer is a direct encouragement to cut the price. The manufacturer may say that he doesn't care how much the price is cut, so long as he gets his. But he does care, because it has a very definite effect upon distribution.

The Ingersoll watch, for example, is sold in upward of 60,000 stores, all over the country. That includes a great number of very small country stores, who handle the goods because the price is the same everywhere, and there is no inducement for their customers to go to the city for a watch. The margin of profit for these small stores is not magnificent, but it is absolutely sure, and the goods are so widely advertised and so well known that a fifteen-year old girl at three dollars a week can sell them as well as a high-priced salesman. Moreover, the dealer does not have to spend any of his own money advertising them.

But let a big store cut the price, and inevitably the little fellow must discontinue the line. He can't afford to carry it unless he is willing to meet the prices in the other store. By and by distribution is concentrated in a few of the larger stores, and when they get tired carrying the goods — as they will, because there is no glory in selling goods for long without profit — the distribution is gone. Not only that, but consumers have been educated to expect a lower price, and that handicap must be overcome.

So it doesn't pay to offer too much profit, unless one is in the position where a cut price will infringe patent rights.

Dangers of Too Small Profit

Too small a profit is equally dangerous, for the simple reason that the small dealer cannot afford to carry the goods, and the big dealer and the jobber are afforded an excellent temptation to get out a private brand in which there will be more profit. The advertising man ought to know what profit the dealer makes, and what profit he ought to make, for this reason if for no other. He doesn't want to be placed in a position where he is going ahead creating demand for goods which is being filled with somebody's private brand.

In considering selling cost, advertising expense cuts considerable figure, and here again the advertising man is interested. It is a mistake, however, to consider advertising expense as a matter wholly separate from dealer and jobber discounts, and as something which must be added to the price. It is part of the selling cost — true, but it will not only cut down the cost of production by increasing demand, but also make it possible to do business on a smaller margin of profit to dealer and jobber.

Take the Big Ben alarm clock, for example. It sells to the retailer for $1.50 and to the consumer for $2.50. It is nationally advertised. Another alarm clock, very similar in appearance, which sells to the consumer at the same price, is sold to the retailer at $1.30. It is not advertised nationally, hence it is necessary to give the retailer a bigger margin to allow him to advertise it himself in his local papers, and to cover the greater effort necessary to sell it. Twenty cents per clock would do a lot of national advertising, and leave a tidy sum to go into profits. Indeed in many lines the saving which may be effected right there will more than pay for the advertising done.

And it does not "come out of" the dealer, either. J. P. Archibald, a member of the executive committee of the Pennsylvania Retail Jewelers' Association, speaking for the retailers, says: "We favor the fixed price on all standard goods. We can reduce the cost of doing business very materially by selling price-fixed goods. A boy or girl at a salary of $3 or $4 a week can sell advertised, fixed-price goods as well as the high-priced salesman, thus the retailer reduces his cost of doing business. Moreover, it is not necessary for the retailer himself to advertise goods which are nationally advertised."

Another instance in which an advertising "expense" proved an actual saving is that of the Dover Manufacturing Company, of Canal Dover, Ohio, makers of asbestos sad-irons. When the asbestos iron was first put on the market it was priced high in order to give the dealer a good margin of profit. It was not nationally advertised, and some dealers pushed the goods, making an exorbitant profit, while others cut the price. Many did not carry the line at all because of the price cutters. Later the average price at which the irons were being sold was taken as the price to be maintained — it was considerably lower than the original price — and advertised to the consumer. Distribution was immediately strengthened, and while some dealers made less profit per set on the irons they made more money in the end because it cost less to sell them. Moreover, dealers who never would touch the goods before now took them on, because the price was protected. The resulting increase in sales more than offset the advertising expense, even though it meant an (apparent) reduction in the dealer's profits.

Another instance, which is familiar to everybody. The retail dealer makes from 50 to 100 per cent. gross profit on the old-style, open-blade razor. He makes only 25 per cent. on the Gillette. If the Gillette were not advertised, the retailer wouldn't touch it at a less margin than he is allowed on other razors which are not advertised. The difference between 25 and 50 per cent. on an investment of $3.75 (the amount the dealer pays for the Gillette razor) will pay for a good deal of advertising. There is, moreover, the jobber to consider. He could hardly be expected to handle an unadvertised article on a 10 per cent. margin!

The table of prices based upon data collected by William H. Ingersoll, of Robert H. Ingersoll & Brother, is suggestive. It is interesting to note the dealers' profits on the unadvertised articles as compared with that on the advertised goods. There seems to be some ground for the conclusion that the man who will not advertise is paying for it just the same:

Table of Prices on Articles Sold With and Without Price Maintenance

Representative list of goods sold by various lines of retail stores, some of which have the resale price restricted and some unrestricted. Arranged to show the comparative profits on the restricted and unrestricted articles as they are sold ordinarily by the average stores throughout the country. The percentage of profit given are only approximate, since the terms on which the goods are sold vary from time to time, and in different sections of the country. Most manufacturers allow a cash discount off the invoice prices here given.

Food Products	RESTRICTED			UNRESTRICTED		
Articles	Price paid by retailer	Consumers' price	Approx. per cent. profit	Price paid by retailer	Consumers' price	Approx. per cent. profit
Beech Nut Bacon (per jar)	.25	.30	$16\frac{2}{3}$	....	....	....
Beech Nut Beef (per jar)...	.25	.30	$16\frac{2}{3}$	....	....	....
Beech Nut Peanut Butter..	.20	.25	20	....	....	....
Beech Nut Chewing Gum .	.03	.05	40	....	....	....
Mother's Oats..........	(18 packages $1.45)			.081	.10	19
Franco-Amer. Soup, tomato:						
$\frac{1}{2}$ pint	......	......	......	.075	.10	25
Pints..............	......	......	......	$.14\frac{1}{6}$	.18	21
Quarts	......	......	......	.25	.30	$16\frac{2}{3}$
Franco-Amer. Plum Pudding No. 1 size.......	......	......	......	.25	.30	$16\frac{2}{3}$
Campbell's Soups	(1 doz. 81 cents)			.067	.10	33
Kellogg's Corn Flakes ...	(36 to a case $2.80)			....	....	....
	.077	.10	23	....	....	....
Kellogg's Rice Flakes	.076	.10	24	....	....	....
Post Toasties	(2 doz. at $2.80)			.117	.15	$23\frac{1}{2}$
Maple Wheat Flakes......	(36 packages for $2.80)			.077	.10	23
Coffee	......	......	......	.21	.28	25
Coffee out of another bin..	......	......	......	.21	.30	30
Coffee out of another bin..	......	......	......	.21	.35	40
Cinnamon	......	......	......	.28	.60	$53\frac{1}{3}$
Brighton Salt, 3 lb. bag ..	(100 bags in a barrel)			.037	.05	26
Brighton Salt, $2\frac{1}{2}$ lb. bag .	(115 bags in a barrel $3.75)			.033	.05	34
Crosse & Blackwell's Pickles	($\frac{1}{2}$ pint dozen $2.10			.175	.25	30
Worcestershire sauce	......	......	......	.141	.25	$43\frac{3}{5}$

Food Products—Cont. Articles	RESTRICTED Price paid by retailer	Consumers' price	Approx. per cent. profit	UNRESTRICTED Price paid by retailer	Consumers' price	Approx. per cent. profit
Royal Baking Powder	......	......	......	.071	.10	29
Royal Baking Powder, 1 lb. size	......	......	......	.387	.60	$35\frac{1}{2}$
Another baking powder, similar formula	(doz. cans $3.75)			.312	.60	48
Dutch Hand Soap	(48 10c.pkg.in case $3.40)			.07	.10	30
Dutch Hand Soap, smaller size	......	......	......	.038	.05	24
Fels-Naptha Soap West of Mississippi dealer's price is slightly higher.	(100 in box, $4.00)			.04	.05	20
Can Corn, 10c. straight	(dozen 80c.)			.067	.10	33
Premier Brand Corn	......	......	......	.096	.15	36
Premier Pineapple No. 2	......	......	......	.167	.25	$33\frac{1}{5}$
Premier Lemon Cling Peaches No. $2\frac{1}{2}$	......	......	......	.25	.35	$28\frac{4}{7}$
Tea	......	......	......	.50	.75	$33\frac{1}{3}$
Toastettes, No. 2 size (2 doz. to the case)	......	......	......	.104	.15	$30\frac{2}{3}$
Cracker Jack	(100 packages $3.25)			.0325	.05	37
Huyler's Triscuit	(doz. 10c. pack. 88c.)			.073	.10	27
Walter Baker's Cocoa, $\frac{1}{2}$ lb. tin	(6 lb. to box)			.18	.27	$33\frac{1}{3}$
Walter Baker's Chocolate, $\frac{1}{2}$ lb.	($24\frac{1}{2}$ lb. to the case)			.14	.20	30
Hershey's Milk Chocolate	(48 5c. pack. $1.60)			.033	.05	34
Continental Sardines	(1 doz. to case)			.07	.10	30
Salada Tea, $\frac{1}{4}$ lb.	......	......	......	.45	.60	25
Postum Cereal No. 1	(24 to case $2.70)			.112	.15	$25\frac{1}{3}$
Jello	(3 doz. to case $2.70)			.075	.10	25
Snider's Catsup, $\frac{1}{2}$ pt.	(New York City prices)			.104	.12-.15	$13\frac{1}{3}$-$17\frac{1}{3}$

Wearing Apparel

Beacon Shoe	......	......	......	2.25	3.00	25
Beacon Shoe	......	......	......	2.60	3.50	$25\frac{5}{7}$
Beacon Shoe	......	......	......	2.85	4.00	$28\frac{3}{4}$
Cross Gloves	......	......	......	1.18	1.50	$21\frac{1}{3}$
Cross Gloves	......	......	......	1.24	2.00	38
Warner's Rust Proof Corsets	......	......	......	.71	1.00	29
Warner's Rust Proof Corsets	......	......	......	1.00	1.50	$33\frac{1}{3}$
Silver Brand Collars	......	....	......	.09	$.12\frac{1}{2}$	28
Silver Brand Shirts	......	......	......	.75	1.00	25
Ide Brand Shirts	......	......	......	1.04	1.50	$30\frac{2}{3}$
Ide Brand Shirts	......	......	......	1 $12\frac{1}{2}$	1.50	25

Wearing Apparel—Cont. Articles	RESTRICTED Price paid by retailer	Consumers' price	Approx. per cent. profit	UNRESTRICTED Price paid by retailer	Consumers' price	Approx. per cent. profit
Ide Brand Shirts				$1.37\frac{1}{2}$	2.00	31
President Suspenders				$.35\frac{1}{2}$	.50	29
Neckwear				$.37\frac{1}{2}$	.50	25
Paris Garters				$.33\frac{1}{2}$	.50	33
Paris Garters				.15	.25	40
Pajamas				.71	1.00	29
N. B. Umbrellas				.75	1.00	25
B. B. Bathrobe				2.50	3.50	$28\frac{4}{7}$
Monarch Belts				.35	.50	30
Monarch Belts				$.37\frac{1}{2}$	.75	50
Onyx Hosiery				.18	.25	28
Onyx Hosiery				$.23\frac{1}{2}$	.35	33
Merode Underwear				$.35\frac{1}{3}$	.50	29
Merode Underwear				.70	1.00	30
Hardware:						
Gem Jr. Razor	.75	1.00	25	....	....	....
Carborundum Stones	.75	1.25	40	....	....	....
Ever-Ready Razor	.75	1.00	25	....	....	....
Moore Push Pins	.75doz.	1.20doz.	$37\frac{1}{2}$	....	....	....
Asbestos Sad-Irons No. 1.50	1.50	2.25	$33\frac{2}{3}$	....	....	....
Asbestos Sad-Irons No. 80	1.00	1.50	$33\frac{1}{3}$	....	....	....
No. 3 Stanley Plane				1.00	1.36	$26\frac{1}{2}$
Starrett Caliper				.48	.64	25
Starrett Micrometer				4.05	5.00	19
50 ft. Steel Tape Measure				1.87	2.62	$28\frac{1}{2}$
Cotton Waste				$.07\frac{1}{2}$	$.08\frac{3}{4}$	14
Dodge Pulley				4.32	5.70	24
No. 14 Stillson Wrench				.57	.81	30
No. 3 Blount Door Check				3.00	3.75	20
$\frac{1}{2}$ in. Manila Rope				$.07\frac{1}{2}$	.12	$37\frac{1}{2}$
Phila. Lawn Mower				4.00	6.00	$33\frac{1}{3}$
Rubberset Brushes				1.00	1.50	$33\frac{1}{3}$
Atlanta Wash Boilers				1.00	1.50	$33\frac{1}{3}$
Three-in-One Oil				.15	.25	40
Major's Cement				.10	.15	$33\frac{1}{3}$
Liquid Veneer				$.33\frac{1}{3}$	.50	$33\frac{1}{3}$
Jap-a-lac	.27	.45	40	....	....	....
Yale Night Latch				.92	1.25	27
Yale Locks				1.00	1.35	$23\frac{1}{3}$
Welsbach Mantles				.06	.10	40
Welsbach Mantles				.09	.15	40
Welsbach Mantles				.18	.30	40
Le Page's Glue				.08	.10	20
Le Page's Glue				.15	.20	25
Le Page's Glue				.12	.15	20
Le Page's Glue				.20	.25	20

	RESTRICTED			UNRESTRICTED		
Stationery:	Price paid by retailer	Consumers' price	Approx- per cent. profit	Price paid by retailer	Consumers' price	Approx- per cent. profit
Venus Pencils	......	......	......	.05½	.10	45
E. Faber Mongul	......	......	......	.04	.05	20
Spencerian Pens	......	......	......	.72gr.	1.00	28
Stafford Ink	......	......	......	.42qt.	.60	30
(In the West the price of ink per quart is usually 75c.)						
Simplex Pencil Sharpener	.06	.10	40	....	....	...
Alexis Bond	......	......	......	.15	.19	21
Alexis Ledger	......	......	......	.15½	.19½	21
Stratford Cover	......	......	......	3.75	5.00	25
Y. & E. Cabinets	2.10	3.00	30	....	....	....
Sporting Goods:						
Spalding League Ball	1.00	1.25	20	....	....	....
Peck & Snyder Skates	.40	.75	46⅔	....	....	....
Smith & Wesson Revolver	13.00	15.50	16	....	....	....
3 A. Kodak	13.33	20.00	33⅓	....	....	....
Kodak Films	.13½	.20	32½	....	....	....
W. & D. Tennis Ball	4.25doz.	5.00	15	....	....	....
W. & D. Tennis Racket	6.00	8.00	25	....	....	....
Edison Phonograph	10.50	15.00	30	....	....	....
Columbia Graphophone	15.00	25.00	40	....	....	....
Iver-Johnson Revolver	4.00	6.00	33⅓	....	....	....
Gillette Razor	3.75	5.00	25	....	....	....
Seed Dry Plates	......	......	......	.80doz.	1.10	27
Stanley Plates	......	......	......	.50	.55	9
Photo Albums	......	......	......	.50	.85	41
Stereopticons	......	......	......	39.00	65.00	40
C. C. Tennis Ball	......	......	......	1.80doz.	3.60	50
Tennis Racket	......	......	......	4.25	7.00	39
Eureka Golf Ball	......	......	....	.15	.35	57
Ansco Cameras No. 1	......	......	......	3.34	5.00	33
Cyko Paper	......	......	......	.20	.30	33⅓
Ansco Films	......	......	......	.15	.20	25
Union Hardward Skates	......	......	......	1.00	1.25	20
Electric Flash Light	......	......	......	.21	.30	30
Fishing Rods	......	......	......	.85	1.25	32
Thermos Bottles	1.50	2.00	25	....	....	....
Keen Kutter Knives	4.00	6.00	33⅓	....	....	....
Keen Kutter Camp Axe	......	......	......	.33	.50	34
Klaxon Warning Signal	26.25	35.00	25	....	....	....
Klaxonet	15.00	20.00	25	....	....	....
Ingersoll Watch	.75	1.00	25	....	....	....

Drugs	RESTRICTED Price paid by retailer	Con-sumers' price	Approx. per cent. profit	UNRESTRICTED Price paid by retailer	Con-sumers' price	Approx. per cent. profit
Alcohol Stove	......	......	......	$33\frac{1}{3}$.	.50	$33\frac{1}{3}$
Sanatogen	.75	1.00	25	....	....	....
Miles' Medicine	.66	1.00	34	....	....	....
Vinol	......	......	......	.70	1.00	30
Williams' Shaving Stick	......	......	......	.16	.25	36
Jersey Cream Soap	......	......	......	.11	.15	$26\frac{2}{3}$
Prophylactic Tooth Brush	.164	.25	34	....	....	....
De Wilbus Atomizer	.66	1.00	34	....	....	....
Sanitax Brushes	.70	1.00	30	....	....	....
Eskay's Food (Large size — list price 75 cents, but sold in some places as low as 60 cents.)						
In dozen lots	......	......	......	.541	.60-.75	10-28
$12 worth at a time	......	......	......	.467	.60-.75	22-38
$25 worth at a time	......	......	.....	.454	.60-.75	$24\frac{1}{3}$-40
Palmolive Soap	......	......	.....	.07	.10	27
Hot Water Bottles	1.00	1.50	$33\frac{1}{3}$		....	....
Fountain Syringes	1.00	1.50	$33\frac{1}{3}$		....	....
Ice Bags	.90	1.35	$33\frac{1}{3}$		....	....
Lyon's Toothpowder	......	......	......	$.15\frac{1}{2}$	.25	38
Belladonna Plasters	......	......	......	$.08\frac{1}{2}$	.15	$43\frac{1}{3}$
Inf. Syringes	$.37\frac{1}{2}$	.50	25	......	......	....
Box Paper	......	......	......	.30	.50	40

PRICE MAINTENANCE AT THE PATENT HEARING

During the spring of 1912 the Patents Committee of the House of Representatives held hearings in Washington on various questions involved in a proposed recodification of the United States patent laws. One of the features discussed was the extent to which a patent carried the right of price control. The "Dick case" decision made this section of the committee's hearings one of the most spirited parts of its work. That decision had confirmed the right of the seller of a patented article to a degree of control over it after sale. This made the committee particularly eager to get from manufacturers definite statements of their views on price maintenance. As a result some new experience records were made public.

*Of the business men who have appeared before the House Committee in Washington at its hearings on the proposed new patent legislation none has made a more favorable impression than William H. Ingersoll, of the firm of R. H. Ingersoll & Bro., of New York, watch manufacturers. It was intimated to Mr. Ingersoll in the course of his testimony that he had made out a pretty good case and members of the committee said more to the same purport in private conversation following the hearing. Mr. Ingersoll had to stand the rather severe cross-examination that has been the fate of almost every manufacturer who has appeared before the committee and he found the committee characteristically inquisitive regarding the business secrets of the firm. In answer to questions he stated that the dollar watch costs between 50 and 55 cents to produce — a little more than formerly owing to the increased cost of material — and that the retail outlet embraces somewhere between 60,000 and 100,000 stores.

Conversation on the part of your correspondent with members of the committee following the appearance of Mr. Ingersoll disclosed the fact that there was one feature of his testimony which has aroused the deepest interest as seemingly significant of the business policy of the future — a straw, as it were, that shows the trend of the trade wind. This disclosure was the testimony of Mr. Ingersoll that whereas his firm markets its dollar watch, a long-time, standard article, on the old sliding scale of discounts whereby the small retailer has to pay 75 cents, whereas, the big retailer who buys in quantity can get a price as low as 65 cents, it has, in placing on the market its newer products, adopted an absolutely uniform price policy. The instance in point, that particularly impressed the committee as cited by Mr. Ingersoll, was the method employed in the distribution of the watch that retails at $25. Here the jobber is virtually eliminated and the watch is supplied to the retailer at $16.67 net — an absolutely net price that is universal in application no matter whether the retailer buys one watch or a thousand. . . .

Charles T. Johnson, president of the Dover Manufacturing Company, of Canal Dover, Ohio, in the course of testimony before the committee outlined step by step the evolution of sad-iron manufacture as developed by his concern which now

---

Printers' Ink, May 30, 1912, p. 40.

ranks as the largest exclusive sad-iron concern in the world. He told how, looking about for a business opening, he had been impelled, fifteen years ago, to enter upon his present line because he became convinced that the sad-iron was something that needed evolution and improvement. Sad-irons as a commodity had so degenerated that irons which had once sold for prices ranging from $2 to $5 per set were selling, full nickel-plated, at 50 cents per set and 42 to 45 cents on sale days in the Chicago department stores. Thereupon he conceived the idea of bringing out a good, modern sad-iron.

It took him six years to get his original basic patent, and that patent, thanks to official red tape, etc., cost between $2,000 and $3,000. This was the "Asbestos sad-iron." Some years ago, in response to popular demand, the concern grappled with the problem of the self-heating iron, and after five years of experimenting brought out the "A-Best-O automatic, heat-controlled electric iron." These latter retail at $6.50 and are sold to the trade at 27½ and 30 per cent. off, the former quotation for lots of one dozen or more. The retail price is fixed under the usual license plan. A representative model of the asbestos sad-irons retail at $1.75 per set and the extreme jobber's price is $11.67 per dozen, while the price to the retailer is $14.40 per dozen. There is a provision in the jobber's agreement under which they agree not to quote or sell catalogue house or department store trade.

Asked how he came to adopt the fixed-price policy, Mr. Johnson said: "In the early stage in putting out goods on the market, they were looked upon as high-priced, compared with other commodities of the same type which already dominated the market. After a term of years we found that certain merchants were selling our goods at or below cost, whereas others were making a reasonable profit. Upon investigating matters we found that the dealers who were getting a reasonable profit on the goods were meeting with a ready sale, whereas those who were selling them at or about their cost considered them dead stock and were having a hard time to dispose of them at any price.

"This not alone confused, but had a tendency to discourage the dealer who was really distributing the goods. We arrived at the fixed price by adopting the average price at which the successful merchants were selling the goods and found that this gave them a reasonable profit. Some of the most successful merchants were getting considerably more. Our object in adopting the fixed price was to protect the successful distributor and to protect the product from being demoralized in price so that we could continue to make high-grade article. A fixed price means many added burdens to the manufacturer, as we protect the dealer in his profits without getting any additional price from him. At least that is the way it has worked out in our case. After adopting the fixed price, we found that it was obligatory on our part to take back any goods which had become damaged in any way, shopworn, or which a merchant said he could not sell at the fixed price."

In response to questions from the chairman of the committee the sad-iron manufacturer and that, after deducting all expenses, including advertising, the manufacturer's net profit on the asbestos irons averages 5 to 8 cents per set. He declared that his company has already expended several times its capital stock of $250,000 in advertising and selling expense. The annual output of irons by the Ohio concern was given as between 300,000 and 500,000, and it was stated that the company has paid 6 per cent. cash dividends and 7 or 8 per cent. stock dividends, say, an average of 12 to 15 per cent., annually since the company was organized.

Some Profit Figures

Mr. Johnson was especially interesting when he took the ground that there are few commodities with which you can go to the consumer direct, and that if you withdraw support from either the jobber or retailer, or both, you might almost as well discontinue manufacturing. While on this topic, he pointed out the advantages of "quality goods" and said: "Beginning in the seventies with the advent of the department store and catalogue house and ending with the nineties, we had, in this country, what might be termed a 'price market.' That is, quality was sacrificed to price and the cry of the retailer as well as the jobber was for something cheap, cheaper, cheapest, and it was a hard matter to get a good article, even though you were willing to pay for it, as the dealers did not dare to carry them for fear they would be called 'high-priced.' Beginning in the nineties, there developed what might be called a 'quality market,' and this has made rapid strides. In fact, the major portion of the consuming public now demands quality and does not haggle on price."

The History of the Price Market

The sad-iron manufacturer dwelt at some length upon the experience of his firm with the Fair, of Chicago. At the outset, dealings with the Chicago store allowed the store a profit of 40 per cent. and the manufacturer paid the expense of the demonstrator installed at the store. Then the Fair declined to purchase any more goods unless they were granted the jobbers' prices. The manufacturer offered them 50 per cent., but this was not satisfactory, and to bring him to time the Fair advertised and sold the goods at a cut price. Later a truce was effected, but after a year or so the same trouble was precipitated and continued until the sad-iron manufacturers sued the Fair and won its suits. In conclusion, Mr. Johnson said: "I am convinced that the Fair buys many of their goods at less than the extreme jobbers' price, as they are in a position to demoralize the market on almost any well-known commodity unless the manufacturer satisfies them. A profit of 50 per cent. on the average commodity does not appeal to the average department store. I understand that many of them have a rule not to advertise an article which does not pay them 60 per cent. or better, unless the advertising is done to attract people to their store, when the article will be sold for considerable less than cost."

In marked contrast, naturally, to the views of Mr. Johnson, were those of Walter H. Chamberlin, a Chicago attorney, who appeared on behalf of the Fair, Siegel-Cooper Co., Rothschild Co., the Boston Store and Hillman's — all department stores located in Chicago. He was, of course, against price maintenance and the burden of his plaint was that the actions for infringement started by manufacturers to protect and enforce their resale prices were, as he put it, "fake" suits and that there was not enough involved in any particular suit to warrant a department store in expending from $5,000 to $15,000 to contest the case. His plea was that a manufacturer is entitled to only so much protection as a valid contract gives him and not to any protection in his retail prices, and on the score of patent infringement. This, it may be added, is a view of the situation which seems to find favor with some of the more radical members of the Patent Committee. . . .

The concern of the retailers of the country for a continuance of the practice of price maintenance has been voiced by several witnesses, prominent among the number being John M. Roberts, president, and J. P. Archibald, member of the executive board of the Pennsylvania Retail Jewelers' Association. The latter brought out the fact that the retailers are partial to the well-known, priee-protected articles, even though the margin of profit be narrower, because of the fact that such articles reduce the retailer's advertising expenses. Said he: "We consider it a great advantage to handle those goods that are nationally advertised. We retail jewelers have to spend money advertising our goods that are not nationally advertised. We do not have to spend money advertising goods like the Big Ben alarm clock. I never put it in my local advertising because everybody knows it so well."

Mr. Noyes, president of the Oneida Community, told, in the course of his testimony before the Committee, of his conversation with a groceryman who said: "We have got to get 15 to 18 per cent. on most of the articles that we handle in order to make anything at all, but I would be tickled to death to take every one of the standard, established lines — we will say Quaker Oats and that class of goods — and do the business for 8 per cent. and make more than I can now with a 15 per eent. margin on goods I have to talk."

Having thus presented some of the main features of the questions which are intimately allied with priee maintenance we shall divide our diseussion of the subjeet into four main seetions:

1. Some arguments for price maintenance by those who have adopted the policy.
2. Some arguments against price maintenance by those who are opposed to it.
3. Some of the legal aspeets of the policy.
4. Some methods employed in maintaining prices and some of the results secured.

ARGUMENTS FOR PRICE MAINTENANCE

The Kellogg Toasted Corn Flake Company, of Battle Creek, Mich., has already been mentioned in various places as an advocate not only of priee maintenance but of its corollary, the no-quantity price — that is, the principle of maintaining one price, without regard to the volume of the purchase. This concern through R. O. Eastman, its advertising manager, has made public the result of a census of dealers taken with a view to ascertaining how many favored the price maintenance policy. Mr. Eastman writes of these results as follows:

*"Ninety-nine and $\frac{44}{100}$ per cent." in favor of price protection. That's the attitude of the dealers handling Kellogg's Toasted Corn Flakes, if the vote which we have taken may be accepted as a criterion.

At the request of *Printers' Ink* I have just made a count of the ballots received on what might be termed a "straw vote" taken by this company. The votes referred to were in the form of coupons taken from a circular which was placed for a time in the cases as they left our factory. We received, all told, 1,405 votes from every state in the Union with the exception of Nevada, ranging from two in Delaware and Alaska to 137 in New York and 146 in Michigan. We received 1,397 favorable votes and only eight against the protected price, a little more than one-half of 1 per cent.

Besides these ballots, we received a great many letters from merchants, expressing their views on the subject more or less emphatically. Here are a few of the letters taken almost at random and representing widely scattered sections of the country.

Some Satisfied Retailers

Thode Bros., of San Francisco, Cal.: "We do not cut anything, and we protect prices wherever we can. Your firm made a good move when they fought Weinstein. I see them cutting on Royal Baking Powder. It's time for *them* to wake up and start something in the protecting line. We have turned customers away because we wouldn't sell an article three for twenty-five cents." . . .

Wright & Weatherly, of Osage, Ia.: "Replying to your circular, we wish to say that we think that the protected price is the proper thing, inasmuch as there are so many people in business who do not even know they are losing while others do so to draw business, as they think, but do not seem to have sense enough to see that if they cut the price the others will be

Printers' Ink, March 14, 1912, p. 60.

forced to do the same, and they have gained nothing, but have spoiled the profit for themselves and every one else. Therefore, the merchant seeks to find more attractive profits in some other brands which have not been cut. You can count our vote as decidedly YES."

H. H. Hill, of Allright, Ill.: "We wish to say that we are strongly in favor of the protected price on everything, as that is the only way that the small dealer can survive his price-cutting competitor who has the capital to buy in quantity lots and get the benefit of the free goods many concerns are offering. The reason that we are handling your products is that no one in the county is buying them on free deals and cutting the price. As soon as some one goes to cutting the price on goods of this kind we quit handling it if possible. We only wish we were as well protected on other staples as we are on Kellogg's Corn Flakes."

J. L. Anderson, of Galena, Kan.: "As to the enclosed ballot, will say I have three different articles in my store selling under the protected price plan, and have goods of same quality not under protected price plans and am selling $33\frac{1}{3}$ per cent. more of protected goods than those that are not."

J. C. Bushey, of Lebanon, Pa.: "Just a word about your protected price plan: I would be in favor of such a plan not only in Corn Flakes but in other goods, as I think it would put the small retailer on the same level with the larger retailer."

Thomas E. Bawden, of Laurium, Mich.: "Replying to your circular, I beg to say I heartily support the Sticker, especially on the Kellogg Corn Flake. The woods are full of so-called Corn Flakes that may be bought in quantity for a punched dime. In my experience the consumer is willing to pay the 'price' for the 'quality' and as 99 per cent. of my patrons who use Corn Flakes ask for Kellogg's, I am 'sot' enough to believe they know what is good and no chatter about the price. Keep the quality up and your flake is safe." . . .

J. M. Holmes, of Kennewick, Wash.: "I want to congratulate you on the stand you have taken in protecting your price on your Corn Flakes. This is the only salvation for the small retail dealer. I sell about five cases of your goods every month and will push no other as long as you stand by the price and a square deal." . . .

C. M. Underhill, of Lakewood, N. J.: "I think it a wise plan to protect the price of an article of such merit as Kellogg's

Corn Flakes. I have handled the article for a number of years, and take pride in offering it to my trade. I find nothing equal to it among the many imitations. I think it unfair after introducing an article of merit to have some price cutter come in and cut the price until one feels like setting it aside for something else in order to get a living profit. This happened several times with good articles, and it is unfair to the manufacturer, to the grocer, and to the consumer. We cannot work for nothing, and are sometimes compelled to do things which would not be done if we had the protection which some manufacturers give the jobbers."

The votes we have thus far received were distributed as follows:

STATES	YES	NO	STATES	YES	NO
Alabama	8		Nebraska	7	
Alaska	2		Nevada		
Arkansas	11		New Hampshire	20	
Arizona	5		New Jersey	48	
California	52		New Mexico	4	
Colorado	37		New York	137	1
Connecticut	29		North Carolina	3	
Delaware	2		North Dakota	13	
Dist. of Columbia	1		Ohio	89	1
Florida	14		Oklahoma	3	
Georgia	4		Oregon	20	
Idaho	10		Pennsylvania	134	
Illinois	82		Rhode Island	7	
Indiana	46		South Carolina	6	1
Iowa	13		South Dakota	17	
Kansas	16	1	Tennessee	5	
Kentucky	6		Texas	6	
Louisiana	5		Utah	13	
Maine	14		Vermont	10	
Maryland	14		Virginia	15	
Massachusetts	46		Washington	51	
Michigan	146		West Virginia	12	
Minnesota	29		Wisconsin	49	1
Mississippi	11		Wyoming	5	
Missouri	16	1	Scattering	95	
Montana	10				
			Total	1397	8
					1405

Another case taken from the grocery trade is that of the coffee house of B. Fischer & Company, of New York, exploiters of the Hotel Astor coffee. The advertising manager of this company, Frederick W. Nash, discusses the experience of that company in the following terms:

*Editorial Note.— B. Fischer & Co.'s retail price protection policy has grown out of fifty years of experience as importers, manufacturers and packers for the grocery trade. In view of the increasing agitation the country over to have the next Congress pass a law that shall allow reasonable price maintenance on advertised brands, the data herewith are valuable.

"The very germ of civilized industry is the idea of well-ordered mutual work instead of disordered antagoniste work—a helpful and common-sense co-operation rather than a riotous and haphazard competition." So writes Former United States Senator Albert J. Beveridge, discussing the Sherman law and its misapplication to modern business. He also quotes history as showing that failures and hard times are unfailing results of unintelligent, unrestrained competition of hundreds of thousands of little enterprises.

W. K. Kellogg, of the Kellogg Toasted Corn Flake Company, confirms this view from practical experience as a manufacturer and distributor of food. He says in *Printers' Ink*, December 7 issue: "I know of no better way — indeed, I know of no other way — to ensure a *living profit* to the dealer than to protect the price. . . . The grocery business is a great, big, loosely organized trade. For every one real business man in the trade there are many who do not know their cost of doing business. Nine out of ten want to sell at a fair price, but when one cuts the price of a well-known article the rest feel they must meet the cut and the whole trade on that one item is brought to a no-profit level. Leave it to them to work out their own salvation, and nine times out of ten they will work out their own destruction instead, and while they are doing it they also work out the destruction of the article they are cutting — that's why the manufacturer must protect his goods."

The Results of Cutting Prices

He might have gone further and said truly also that the working out of such matters, if left to the dealers, results in deterioration of quality or substitution of inferior goods to meet purely price competition, with consequent disadvantage to consumers as well as to retailers and manufacturers of quality products.

*Printers' Ink, February 1, 1912, p. 56.

The grocery trade is a typical example of the need for maintaining the principle of legitimate price protection, especially on advertised and trade-marked merchandise. Here are a few facts and figures that are illuminating as to the actual conditions among grocers in the United States:

Number having capital of $1,000 to $3,000	56,000
Number having capital of $3,000 to $5,000	28,000
Number having capital of over $5,000	16,000
Total, exclusively grocers (not including stores carrying other lines, such as general stores, department stores, etc.)	100,000

In addition to these 100,000 which constitute the successful class, there are more than 100,000 additional listed and classified as grocers with less than $1,000 investment or resource.

The normal cost of doing a grocery business under modern conditions (now that the housewife must have everything delivered for her on short notice, even to a five-cent box of crackers or a penny yeast cake) varies from 15 to 18 per cent. of gross sales — 17 per cent. is considered a fair average. The grocer's gross profit on all sales averages only 20 per cent. rarely more, often less. Hence he can figure on an actual net profit of only 3 per cent.

Let us suppose that the successful 100,000 grocers manage to turn over their entire capital monthly on this basis:

Business with $1,000 capital, $12,000 annual sales, earns	$ 360
Business with $2,000 capital, $24,000 annual sales, earns	720
Business with $3,000 capital, $36,000 annual sales, earns	1,080
Business with $5,000 capital, $60,000 annual sales, earns	1,800

Contrast these returns for investment, risks, long hours and hard work required in the grocery trade as compared with profits and conditions in other lines of business, and all the talk about the grocer's large profits being a chief cause of the high cost of living seems pure piffle. One can count on two hands' fingers about all the men in the United States who have really gotten rich in the retail grocery business in the last generation

But this is not the worst of the grocer's troubles. Consider the army of small, unbusinesslike, unsuccessful grocers, who come and go, in and out of the business annually. There is nearly 20 per cent. change in the personnel of dealers; *i. e.*, including those in the business and those who come in and go out within a year. This fearful rate of mortality and change keeps the trade in an unsettled, unorganized condition, and renders next to impossible the working out by retailers themselves of any effective price maintenance reform — especially as they are to run afoul of the Sherman law if they combine to that end.

With full realization of these conditions through more than half a century's grocery trade experience, B. Fischer & Co. stand squarely committed to the principle of legitimate and reasonable price protection for the retailer of Hotel Astor Coffee and other advertised specialties.

Reasonable Restraint of Prices

This policy was adopted in the beginning and has been adhered to as a necessary and "reasonable restraint" of retail price making, both above and below the standard considered fair and most advantageous to all concerned. Not only is the dealer protected in making a legitimate profit on Hotel Astor Coffee, but he is protected from asking an excessive, unbusinesslike profit — a policy only too common, and one that only increases his competition from special tea stores and the premium coffee schemes which have been the natural outgrowth of the average family grocer's mistaken policy in trying to make up through excessive profits on teas and coffees for lost profits on sugar and similar no-profit lines.

B. Fischer & Co. believe in advertising the retail price to the consumer, for this reason (and others), and while there are the usual trade exceptions in the way of "hide-bound private-brand stores," "long-profit, long-credit accounts," etc., that object to this method of regulating their profits, our experience is that the better class grocery trade in general are in sympathy with a policy which provides for a "square deal for everybody."

Dealers Not Left To Struggle Alone

When it was necessary recently to advance the price of Hotel Astor Coffee the dealer was not left to struggle with the problem of getting the advanced retail price alone, but B. Fischer & Co. assumed entire responsibility for making the advance to consumer, and explained the reasons fully in a series of 140-line newspaper advertisements.

The writer concurs fully with Mr. Kellogg in his view that "when the principle of price protection is brought into court by a litigant having clean skirts, engaged in a legitimate business and maintaining a schedule of prices solely to ensure a safe economic plan of distribution, it will be upheld and vindicated."

It is alleged that the purpose of the Sherman law is to correct certain abuses growing out of associated effort, but not prevalent in competitive effort. There seems to be general agreement among those who have studied the subject and are in positions which enable them to speak with authority that these abuses are chiefly:

1. Over-capitalization, with its watered stock influences.
2. Arbitrary price raising, and lowering especially to stifle legitimate competition.

If this is the correct view, it certainly would require a good deal of stretching to apply the Sherman law to the grocery trade in connection with a co-operative price maintenance policy operated on a fair basis for consumer, retailer, and manufacturer — especially when there is no monopoly of business on the goods protected.

ARGUMENTS AGAINST PRICE MAINTENANCE

Duke C. Bowers, of Memphis, Tenn., is among the earnest and outspoken opponents of price maintenance. Mr. Bowers has established a chain of grocery stores in Memphis in which he has attempted to work out a policy of uniform rate of profit on all lines of goods which he handles. This he does without regard to the effect which this policy might have upon the prices to the consumer of goods on which the manufacturers attempt to maintain the price. Mr. Bowers takes the ground that, as far as possible, sugar, tea and every other line handled in his store ought to bear an equal share of the cost of doing business. This makes him necessarily a very active opponent of price maintenance plans. He expresses his views in the following terms:

*I take it for granted that *Printers' Ink* readers are posted as to the growing tendency of manufacturers to fix, not only the jobbing, but the retail price as well, on articles of their manufacture. Hence, I shall try to confine my talk

***Printers' Ink*, January 5, 1911, p. 42.

to the, what I believe to be, unfair, unjust and selfish price maintenance plan.

As I see it, it is selfish because the retailer wants it because it keeps his competitor from underselling him and the manufacturer adopts it because it is a fine bait to get the retailer to push his goods.

As I see it, it is unfair for the reason that it prevents a merchant from giving his customers advantage of his money-saving system. It is a plan to put more money in the coffers of the merchant, hence, squeezing more money out of the customers. A man's customers are his best friends, hence, when he joins in the price maintenance plan and agrees to not sell to his customers for less than a certain fixed price, then, to my mind, he makes a mistake.

A merchant's ideal should be, always "looking out for the interest of his customers." You think such an idea silly?

What would be your opinion of the physician who thought more of the fee that he would get out of you for an operation than he would of performing the operation with the hope of benefiting you?

What would be your opinion of the minister of the gospel, who was preaching for the money there was in it instead of the saving of souls?

Isn't it reasonable to suppose that the merchant owes a duty to his customers, just as much as does a physician to his patients, or the preacher to his flock?

If you will agree with me that he does, then how can you disagree with me when I say that when a merchant joins any kind of a combination that prevents him from guarding the interests of his customers, he is most likely thinking of his own selfish greed, thereby letting Avarice instead of Duty be his master.

The manufacturer may feel that the merchant is his customer, therefore he should look out for his interest. In one sense of the word, the manufacturer is right, yet, he should stop to consider that the user of his product is the one that is his best friend, hence he should never lose sight of his (the user's) interest, and when he (the manufacturer) dictates to a retailer that he shall not sell his product to the consumer for less than a certain price, he, the manufacturer, has undoubtedly in this instance lost sight of the interest of the users of his product. . . .

Mr. Bowers, in this discussion, does not cover more than the single argument against price maintenance — the cost to the consumer. But that is the one argument which still resists the logic and the skill of the fixed-price advocates. Many wholesalers have given their approval to the price-maintenance principle, and we have already seen how retailers regard the plan as it is operated by the Kellogg Company. Many consumers, too, may be persuaded that their interests might be served better in the long run if everybody in the selling system were satisfied with fixed terms and profits for buying and selling. But when a 25-cent tooth powder of guaranteed quality can be bought for 19 cents, or when a 15-cent breakfast food can be bought for 10 cents, the consumer is prone to forget his logic and buy where the prices are low. He is very apt to feel that if the price cutter is so clever that he can profitably deliver the goods at a lower price, or so stupid that he is willing to sell them at a loss, the result to him, as a consumer, is much the same. And thoughtful, indeed, is the consumer who turns his back on these savings, taxing himself, by that much, to save his less able, or less foolish, local storekeeper from annihilation.

Whether this position of the consumer be sound or not, it is surprisingly general, and it has split more than one very stanch price-maintenance craft.

Thus far, practically all of the illustrations which we have employed in the price-maintenance field have been confined to the grocery business, but the same problems are met in virtually every line of trade going out into consumption through the retailer. The attitude of large department stores finds typical illustration in the views of R. H. Macy Company, of New York:

*Of all the rebels among retailers who have seceded from the manufacturer's policy of price protection, R. H. Macy & Co., New York, are, perhaps, the most rebellious. Ask any

Printers' Ink, August 4, 1910, p. 8.

manufacturer who has been trying to maintain his prices what success he has met with, and, in a goodly number of cases, if he has experienced difficulty in any direction, it has been with this well-known department store.

A Department Store's View of Price Maintenance

Scores of manufacturers have refused to sell it any more of their goods. But that has only proved the beginning of their troubles. As likely as not, the house of Macy has apparently managed to get indirectly, by some devious and inexplicable manner, the goods which have been refused it directly. Complicated business ramifications and connections have made this possible. The manufacturers have been quite in the dark as to how it has been managed. Only those of them whose products have been of such a nature that they could be serially numbered (a big expense at best) or who have sold their goods direct, and not through the jobbers, have had any certain means of insuring their position, as a rule.

There was a time, when the Macy store was located farther downtown, when it was much smaller and much less pretentious. Whether it has been due to the removal uptown to Thirty-fourth Street and into a new and large building, or to the proverbial Macy attitude toward prices, or to something else, the fact remains that R. H. Macy & Co. has prospered rapidly.

The concern's monumental instance of opposition to the wishes of the producers in the matter of prices has been in the book department. Admittedly, this concern plans to carry the matter of book prices to a final conclusion in and out of the courts. When it is once disposed of, the officials of the store propose to concentrate their efforts along other lines, where the manufacturers have also been particularly insistent as to price standards. In drug lines, now, Macy is a persistent and bold opponent of price maintenance.

In order to give its readers an authoritative idea of the point of view of a retail concern which is such a leading dyed-in-the-wool opponent of price maintenance, *Printers' Ink* has obtained some pertinent statements from one of the men who formulate the Macy policies, who has good-naturedly explained the price-maintenance idea as it looks from the Macy perspective, the other side of the fence.

"In the first place," he said, "let me explain that we do not look upon ourselves as *price cutters*. We are not that, we believe. To our point of view, we are rather *opponents of price boosting.* Take our book prices, for example, which are so often referred to. We were selling current fiction at 98 cents regularly before the book people made a combine and tried to force us to boost our prices to $1.08, the price other dealers regularly ask for new copyright fiction. This we have refused to do. We have gone to every possible extreme to get books, when they have been refused us directly, which, we believe, we have been perfectly justified in doing. We have obtained our books and have sold them as we have seen fit. That is all there is to it.

"What the book people have tried to do is only an example of the situation as regards practically all the self-styled 'price-maintainers.' These manufacturers trade-mark their goods; then they advertise the trade-mark and finally they attempt to boost the prices, when the public has learned to want what they make, asking the retailer to combine with them in their schemes to squeeze the purses.

"There is one thing which should be especially kept in mind in connection with the Macy establishment," he continued. "It is the fact that we sell here on a cash basis strictly. In every instance we have the buyer's money before the buyer gets our goods. This means that we have no charge accounts, and that we are unable to offer to the public those facilities which go hand-in-hand with the credit privilege. Without these, we *must* offer some substitute inducement to bring the public to us. Otherwise the public would not come. That 'something' must be even more attractive than the credit privilege. Years ago we decided that it should be price inducements.

"It is our business working-principle to sell everything lower than it can be bought for elsewhere in any other competing retail establishment. We have a corps of workers, I may add, who make it their constant endeavor to go into our competitor's stores and learn what prices are being asked. We won't sign price-maintenance agreements. And, as far as that goes, I may say that, looking at the matter broadly, *we much prefer not to sell an article at all if we cannot sell it at a lower price than others.* It was on this basis, for example, that we sold Cuticura soap at a big loss for a long period of time.

"And there is another important point which should be kept in mind in connection with Macy's. We are a one-price house.

By that we mean that we sell all-comers at the same price. You may think that that is only to be expected, that the day of the store of many prices has long since passed. But it has not. The fact is, and our investigations have gone to prove it in any number of cases, that most of our competitors, whose reputation for maintaining prices is generally established more illustrious than ours, make a practice of selling price-restricted articles at a considerable discount to clergymen, dressmakers and a host of others who make up a number of special classes. Claims to membership in these privileged classes need not be proven.

The Macy authority was asked if he did not consider that a progressive retailer owed something to the progressive manufacturer in the matter of protecting prices.

When Obligation Ceases

"Let me answer that question," he replied, "by asking a question in return. Do your readers who are enthusiastic believers in price maintenance feel that they are under any obligation, moral or legal, to Macy's after they have bought something here and have paid for it? Wouldn't they feel that we were presuming upon our prerogatives if we attempted to instruct them as to how they should use, or on what basis they should resell, whatever they have bought of us? There is really nothing different, from our point of view, in our relation with, and our obligations to, the manufacturers.

"The manufacturer gets from us the prices they ask of us, and we certainly consider our obligations to them ended when we make financial settlement with them."

The Macy head was asked whether, inasmuch as he claims to be a friend of the consumer, he considers it for the best interest of the consumer for prices to be maintained; whether, if prices are not maintained by Macy's and other big retailers, the ultimate result is not that thousands of small dealers refuse to handle the goods in question at all, because they cannot sell them in competition, all of which means smaller aggregate sales for the manufacturers, necessitating that they, in turn, either cheapen quality or go out of business, a disastrous outcome from an economic standpoint, in either event.

"But *is* this the case?" he asked in way of reply. "I have one proprietary article in mind — I'll tell you its name, Listerine — which has not been price-maintained and which has been cut and cut by the retail dealers. Yet I have heard that the sales of Listerine have been going up and up, all the time the cutting has continued. These manufacturers have always got the price they have asked. They have had no reason for complaint. It hasn't been poor economics.

"But, while we are on the general subject of quality in relation to price maintenance," he continued, "isn't quality really a relative matter at best? I can grant you, perhaps, that advertised goods are high in quality, even that they could not be successfully advertised if they were not so. But we believe that advertised goods are not, as a rule, better in quality than it is *imperative* they should be in order to make them a paying proposition.

Price Maintenance and Quality

"It has been our experience that most manufacturers who advertise attempt, in one way or another, to boost prices higher than they normally should, in order to meet the cost of their advertising. Because of a certain false pride, we buy a lady a box of 80-cent candy of one of two or three widely advertised brands. Yet I am positive that there is candy selling at 59 cents which is the equal of any 80-cent variety ever made. The difference in price goes toward paying for the advertising."

The Macy head was asked if there were not instances of advertised goods which are sold at prices as low or lower than those asked for any unadvertised goods. A certain widely advertised cracker was mentioned as an instance which, without a doubt, is well worth the five cents asked for it. It was pointed out that Macy's frequently sold this cracker and other like goods at less than the advertised prices. He was asked for an explanation of such merchandising.

"I cannot say with certainty as regards the goods referred to," was the reply. "But I *do* know of a number of instances where manufacturers of price-advertised goods have come to us and requested that we sell their goods at whatever price we wish if only we will give publicity to the fact that we are handling them. This is particularly often the case with manufacturers of new products for which they are striving to get a first market. Manufacturers appreciate that when a store such as Macy's advertises their articles it means an immense amount of free and authoritative publicity for them. When the public comes to learn the mere fact that a store like ours is carrying certain new products, that fact helps the sale of those products everywhere to a material degree.

"And, in general," he concluded, "we believe that the tendency of the times, or rather the tendency of the courts which reflect the tendencies of the times, is away from price-maintenance and toward free, unrestricted merchandising and retailing.

LEGAL ASPECTS OF PRICE-MAINTENANCE

The Miles vs. Park Decision

The advocates of price-maintenance have been obliged to revise some of their accepted methods as a result of the decision rendered by the Supreme Court of the United States April 3, 1911, in the case of *Dr. Miles Medical Company vs. John D. Park & Sons Company*, of Cincinnati, Ohio. The Miles company are makers of proprietary medicines prepared under secret formulas but sold in packages identified by a trade-mark. They alleged that their trade had been interfered with and their profits reduced by price cutting by the Park company.

The Miles company method of sale was an ingenious one, the sale to the wholesale trade being conducted on an agency basis. The goods by the terms of the agency contract did not belong to the wholesaler and were sent to him only on consignment. Title did not pass from the manufacturer until the goods were sold to the retailer. This was believed to make it possible for the manufacturer to dictate the price at which the goods should be consigned to the wholesaler and also the price at which he was to convey them to the retailer. The wholesale contract further stipulated that the goods were to be released by the wholesaler only to designated retail agents of the manufacturer.

There was also a retail agency contract which similarly tied up the retailer and stipulated wholesale price, quantity discounts and retail price, and provided for penalties for violations. The Miles company was selling its goods under the terms of these contracts through 400 jobbers and 25,000 retailers.

When the Park company cut the retail price on some of the goods in violation of the term of the contract, the Miles company asked for an injunction restraining them from attempting to induce any of the wholesale or retail agencies, under contract, to violate the terms of their contract agreement. Justice Hughes prepared the opinion of the Court. Justice Holmes dissented, and Justice Lurton did not sit in the case. Otherwise the Court agreed with Justice Hughes. The decision first analyzed the two contracts and takes the ground that the "agency" terms in them were only a subterfuge, and that they were in restraint of trade. It further declared that even the secret processes of the company did not give it a right to fix the price. The decision then sums up the case as follows:

Part of the Supreme Court's Decision

The present case is not analogous to that of a sale of good will, or of an interest in a business, or of the grant of a right to use a process of manufacture. The complainant has not parted with any interest in its business or instrumentalities of production. It has conferred no right by virtue of which purchasers of its products may compete with it. It retains complete control over the business in which it is engaged, manufacturing what it pleases and fixing such prices for its own sales as it may desire. Nor are we dealing with a single transaction, conceivably unrelated to the public interest. The agreements are designed to maintain prices, after the complainant has parted with the title to the articles, and to prevent competition among those who trade in them.

The bill asserts the importance of a standard retail price and alleges generally that confusion and damage have resulted from the sales at less than the prices fixed. But the advantage of established retail prices primarily concerns the dealers. The enlarged profits which would result from adherence to the established rates would go to them and not to the complainant. It is through the inability of the favored dealers to realize these profits, on account of the described competition, that the complainant works out its alleged injury. If there be any advantage to a manufacturer in the maintenance of fixed retail prices, the question remains whether it is one which he is entitled to secure by agreements restricting the freedom of trade on the part of dealers who own what they sell. As to this, the complainant can fare no better with its plan of identical contracts than could the dealers themselves if they formed a combination and endeavored to establish the same restrictions, and thus to achieve the same result, by agreement with each other. If the immediate advantage they would thus obtain would not be sufficient to sustain such a direct agreement, the asserted ulterior benefit to the complainant cannot be regarded as sufficient to support its system.

But agreements or combinations between dealers, having for their sole purpose the destruction of competition and the fixing of prices, are injurious to the public interest and void. They are not saved by the advantages which the participants expect to derive from the enhanced price to the consumer. *People* v. *Sheldon*, 139 N. Y., 251; *Judd* v. *Harrington*, 139 N. Y. 105; *People* v. *Milk Exchange*, 145 N. Y. 267; *United States* v. *Addyston Pipe & Steel Co.*, 85 Fed. 271; on app. 175 U. S. 211; *Montague & Co.* v. *Lowry*, 193 U. S. 38: *Chapin* v. *Brown*, 83 Iowa, 156; *Craft* v. *McConoughy*, 79 Ill. 346; *W. H. Hill Co.* v. *Gray & Worcester*, 127 N. W. Rep. (Mich.) 803.

The complainant's plan falls within the principle which condemns contracts of this class. It, in effect, creates a combination for the prohibited purposes. No distinction can properly be made by reason of the particular character of the commodity in question. It is not entitled to special privilege or immunity. It is an article of commerce and the rules concerning the freedom of trade must be held to apply to it. Nor does the fact that the margin of freedom is reduced by the control of production make the protection of what remains, in such a case, a negligible matter. And where commodities have passed into the channels of trade and are owned by dealers, the validity of agreements to prevent competition and to maintain prices is not to be determined by the circumstance whether they were produced by several manufacturers or by one, or whether they were previously owned by one or by many. The complainant having sold its product at prices satisfactory to itself, the public is entitled to whatever advantage may be derived from competition in the subsequent traffic.

On March 11, 1912, the Supreme Court of the United States handed down its decision in the case of *Sydney Henry* vs. *A. B. Dick Co.*, which served to further establish the accepted ideas of price-controlling power of makers of patented articles. This decision, in brief, took the ground that the monopoly power granted by the patent gave the patentee the right to enforce restrictions covering the article subsequent to sale. This decision has led the makers of patented articles to feel much freer to enforce price-restrictions than they were between the time of the *Miles* vs. *Park* decision and the date of this new decision — which is commonly referred to as the *Dick* case, or the *Rotary Mimeograph* case. This decision was reached by a 4 to 3 vote, there being one vacancy on the Bench, and Justice Day not participating in the case on account of illness. An ineffectual effort was made to have the case given a rehearing, and the House Committee on Patents has submitted to Congress (largely as a result of this case) the Oldfield Bill defining the limits of control over an article after it is sold — even if it is sold under a patent monopoly. This bill is against the trend of previous decisions; if it is passed the price-controlling power of the seller of a patented article will not long enjoy its present degree of freedom from legal restriction.*

Price Maintenance on Patented Articles

The *Miles* vs. *Park* decision necessarily upset the selling arrangements of many manufacturers, and the question as to how far a manufacturer of unpatented articles can go in the matter of maintaining his price and still keep within the law is by no means settled even yet. An illustration of what took place in many concerns is found in the following letter which was sent out by the Eastman Kodak Company to its retailers, and the announcement which followed it:

*The "*Bath-Tub Case*" decision rendered November 18, 1912, denies the right to restrict the terms of sale of unpatented articles produced on patented machinery.

EASTMAN KODAK COMPANY,
ROCHESTER, N. Y., Nov.15, 1911.

**To the Trade*

New Terms of Sale

The Eastman Kodak Policy

Until recently it has been our belief that any manufacturer had the right to control the merchandising of his goods containing secret compositions, as well as his patented goods. It was also our opinion, and for that matter it is still our opinion, that such control works to the ultimate advantage of all concerned — consumer, dealer, and manufacturer — because it means that the manufacturer puts his whole endeavor into making his goods better in order to meet competition instead of attempting to meet it by cutting the cost, generally at the expense of quality.

However, the Supreme Court of the United States has recently decided that a manufacturer cannot enforce a contract by which he attempts to control the retail selling price of his goods made by secret processes, but not patented.

Desiring to conform to the spirit as well as the letter of the law, we shall from this date remove all restrictions which have heretofore prevailed in connection with non-patented goods.

We are sending herewith our new Terms of Sale, showing the changes that have been made.

With the restrictions removed from our unpatented goods we fear that there will be a tendency in some quarters to reduce, by price cutting, the dealers' profits.

Desiring to do what we can to offset the loss from such price cutting, and thus help the dealer to a reasonable profit, we have decided to increase the discount of *Kodak film* from *25* per cent. to *25 and 10 per cent.*

Our business has been built up on a quality basis. Making goods just as well as we know how has become a fixed habit. We shall continue to serve our customers with the best photographic goods that are made, shall continue to help our consumer customers with our schools and our demonstrating force, and our dealer customers with even bigger and broader advertising than we have done before.

**Printers' Ink*, November 23, 1911, p. 24.

Our change in sales policy is simply made in order that we may conform with the recent decision of the Supreme Court of the United States.

We consider this an opportune time to obtain an expression from the trade as to the desirability, from its standpoint, of our continuing our price-restriction and exclusive sale policy so far as patented goods are concerned. We are, therefore, enclosing herewith a post-card which we ask that you use in recording your view of the matter. If, as a result of the vote of the trade, we do not find a strong sentiment in favor of a maintenance of these restrictions on patented goods, we shall remove them without delay.

We ask the favor of a prompt reply.

The Eastman company's Trade Circular for January, 1912, contained the following announcement of the results of this appeal to its dealers:

** Terms Upheld*

DEALERS PRACTICALLY UNANIMOUS FOR OUR PRICE MAINTENANCE AND EXCLUSIVE SALE POLICY

There is to be no change in our sales policy as to patented goods.

Our dealers, by their recent vote, have gone on record as almost unanimously in favor of a continuation of our sales policy. Recent decisions of the United States courts have confirmed a number of similar decisions made during the past ten years, upholding the right of a manufacturer to control the resale price on patented goods.

With our dealers strongly in favor of our policy, with recent decisions upholding the legality of the price maintenance policy on patented goods, and with our own belief that such policy is fairest for all concerned — consumer, dealer, and manufacturer — the course to pursue is plain: Our patented goods are to be handled only upon the conditions given in our Terms of Sale, dated November 15, 1911.

We have been confident all along that the general attitude of the trade was favorable to our policy. Had we not believed ourselves to be acting in harmony with our dealers, our policy would have been discontinued long ago, but even so we were

*Printers' Ink, January 4, 1912, p. 55.

gratified at the almost unanimous support received in the recent referendum.

Up to date $90\frac{3}{4}$ per cent. of our dealers have voted, and of the votes received, *over 98 per cent. are in favor of a continuation of our price restriction and exclusive sale policy.*

METHODS OF MAINTAINING PRICE

All plans for price maintenance in the case of unpatented articles are more or less affected by the *Miles* vs. *Park* decision. Many are still engaged in readjusting themselves to the decision. The various bonus plans which provided for an extra discount to be given to those who could show that they had maintained prices on a given lot of goods were most common. Then there was the "Freeman" plan which did legally and actually what the Miles plan did nominally — put out the goods on consignment. These and various other methods attempted to secure legal sanction to the idea of control over the price of the goods as long as they were in process of distribution.

Throughout the rearrangement of price maintenance plans which has followed the *Miles* vs. *Park* decision there has run one general principle, and that is, to substitute for any attempt at legal restraint, an appeal to the sense of honor and personal interest in the various features of the selling system. This substitutes for the legal restrictions of the contracts the moral restrictions based on the personal interests of the distributor. This seems to be the only feasible solution of the difficulty under the present legal conditions in the United States. If any law should be passed more clearly defining the limits of price maintenance, and the rights of the producer and seller to place restrictions on the handling of his goods, of course the situation would be modified; but as it now stands about the only feasible price maintenance system is one which substitutes for legal restraint some effective appeal to the distributor's self-interest and his moral obligation to protect those who are attempting to protect him.

A suggestive case showing how this was done by one manufacturer even before the *Miles* vs. *Park* decision is told by Frank H. Holman:

*A white-haired, grizzled veteran of business not long ago smiled philosophically at a square-jawed young manufacturer who was exhibiting with great satisfaction a bunch of contracts for price maintenance with dealers and jobbers. "Your contracts," said the old man, with an air of wisdom, "aren't worth the paper they're written on."

The young manufacturer snorted dissent.

"Every honest man whose name you've got signed to those contracts," continued the old man unabashed, "would maintain prices if he promised to do so, contract or no contract; while the crooks and the wishy-washies will break your prices, contract or no contract. Personal honor is a stronger force than imposing contracts, legal seals, and foxy clauses. There has never yet been written a contract that couldn't be broken by legal quibble and dishonorable intent. The law is not as omnipotent as you think — and personal honor is a practical business factor that has as yet to get its full share of credit."

And then that philosopher-manufacturer quietly pulled out some card index drawers which were simply overflowing with cards containing the names of many thousands of retailers throughout this country, many of them the same as had signed price-maintenance contracts with the young manufacturer.

"With every one of these dealers," said the elder manufacturer, "I have a gentleman's understanding that they will not cut prices, and by far the greater part of them stand by their word — I've tested them for years. I've never asked them to sign their name to a thing."

This is no tale from Arcadia — the firm in question is world-renowned and does a tremendous annual volume of business in a wide variety of lines of goods. One of these is soap — a line in which price cutting is usually especially acute; yet so effectual is the system that the company's Eastern manager states that in the course of years of experience he has never met with a single failure to finally line up the dealers upon a strict price-maintenance policy based solely upon spoken pledges.

Personal Pledges of Honor

Printers' Ink, June 16, 1910, p. 50.

The men who would admit that they are wilfully dishonest or that their spoken word is not to be trusted are few and far between, if really they are ever to be met with among prospering business men. In that fact lies the secret of the success of the policy of this soap house. When one of the latter's salesmen closes with a dealer for the initial order, the interview invariably ends with the salesman explaining that it is the established policy of his house to insist upon strict price maintenance and asking the dealer point-blank if he pledges, upon his honor, not to cut prices.

Sometimes, indeed very often, such a dealer will haughtily answer that he is not a "price cutter" and "never has cut prices." But such an answer is not accepted as final. Every salesman is explicitly instructed to insist upon a firm "Yes-or-No" answer to his question. If it is "Yes," all right; if it is "No," the salesman's line-o'-talk runs something like this: "Well, Mr. Dealer, I am sorry you cannot see it as we do, and realize that it is to your own advantage *not* to cut prices. But, if you persist in your refusal, I am going to ask you not to order any of our goods. In that event, we don't want your order, and really you don't want our goods, for, if you began cutting, all your competitors would have to do the same thing, and there would be no end to it. You are selling enough soap, as it is, upon which you are not meeting selling expenses or are even losing money."

It is to be noted that goods are not *directly refused* the man. The proposition is thus never taken off the *personal basis*, it being up to the personal integrity of the dealer to do The Square Thing. And it may overjoy the optimist and the believer in the sense of integrity of average humanity to learn that, in the case of this soap house, it is said that not one dealer in the course of years of experience has failed to come to the chalk-mark when the matter has been put to him on this personal basis.

Stronger than a Contract

This is not saying that there have not been violations, however, and instances of price cutting. Such instances have been easily detected, as a rule; and have even been anticipated. The reputation of a dealer who is known as a price cutter usually goes before him. His contemporaries will give him away. "Are you selling goods to Jones?" is the question asked by Price-cutter Jones's competitor. "Then we don't want any, because there can't be any question what he will do." Such an argument is met with the proposition that, if the competitor will telegraph, charges reversed, to the soap house the first time Jones is caught cutting prices, and agree not to cut in the interim himself, the soap house will hustle a salesman to the spot by the very next train to bring Jones to terms. Being a liberal proposal, the suggestion is usually accepted, and thereupon the detective work begins and continues automatically.

When a specific instance of price cutting, contrary to the spoken-word agreement, is shown, the first possible moment for a personal interview is seized. In many cases the man detected in the act of cutting prices is found in a rather pugnacious mood at the time of such an interview. In not a small percentage of cases he will stoutly deny having ever agreed to maintain prices anyway. He is then never allowed to believe that his bluff will pass for an instant. "I can see how it may be possible, Mr. Dealer," says the salesman, "that you may really *believe* you never made an agreement not to cut prices, but I am *absolutely positive* that you *did* give your word in the matter — I have not the least shadow of a doubt." Not having been called a liar in so many words, the dealer will then usually come down from his "high-horse," it is found, and meekly admit that "the matter *may* have slipped his mind."

Then the whole proposition is approached anew, and a second spoken pledge, as between two gentlemen, is asked. In case it is refused, which is not often, a little "heavy tradegy" is brought to bear — even a cuss word or two and a show of valor on the part of the salesman. "Oh, well," says the latter, "if that is the kind of a business man you are, sir, and if that is all your word is worth, why, all right. But we took you for a gentleman." It is the Bullet that Hits the Invulnerable Spot. Even the grimmest dealer has a sort of commercial Tendon of Achilles where he is sensitive. It is self-respect, his pride in his personal reputation for honesty and for being a man of his word and an honorable man among men. Sneer as the pessimist may at this manner of approach, and this way of doing business, yet the fact remains, and it is testified to by the commercial philosopher referred to, that *this appeal has never yet failed to reach its mark.* And every new success naturally makes the succeeding one the easier.

In some instances a slightly different angle of approach is taken in case of a point-blank refusal to maintain price. This manager tells the story of how he lately went to Pittsfield, Mass., to see a recreant dealer, and sat in his office, in company with one of his under-salesmen, during business hours, from 11 o'clock one morning until the next noon in a successful effort to bring the man to terms. It did the trick. "Sometimes it is better to besiege the enemy and starve them into submission," he says with a smile of reminiscence, "than it is to attempt to attack them directly and blow them to smithereens. That fellow agreed to get rid of us. I'd have camped out there a month otherwise."

This same personal appeal to a dealer's sense of right actions has been extensively used by this same soap house along a little different line in the matter of sampling, too. One of its recent big moves was a monster appeal through the mails to the consumer whose names were provided by the dealers. Along with the letter to them went a coupon redeemable at their dealer's store for a regulation-sized cake of soap, the dealer having been provided in advance with the latter in the necessary quantities. It was cheaper to provide a regulation-sized cake than to make up a special smaller one. As is always the case, the great temptation was for the dealer to steal these sample-cakes, assert that he had not received them from the manufacturer when coupon-holders came, and add them to his regular stock of salable soap.

The Effects of Personal Appeals

"But a little careful argument on our part," says the manager, "and a little more manipulation of the Appeal-Personal, sufficed to offset this dealer's temptation. By personal interviews and by mail we explained how we fully appreciated that the dealer in question 'was personally above any such practices,' even if it were not for the fact that it was for his best interests in the end that the soap should be given out as originally intended, *as samples*. We explained that for him not to give out the soap as samples would mean but to curtail the growth of his ultimate sales just so much in proportion and to miss the Golden Opportunity. And the appeal struck home and, as far as I know, the sample-cakes were used as originally intended in every case."

In this, too, too legal age when lawyers in grim battalions and safes loaded with parchments bearing doubly witnessed signatures are so frequently relied upon to push through price protection and other sales policies, it seems as if the harking back to the fundamental, personal, and moral appeal is both better business and more agreeable and optimistic. It is certainly true that a better feeling must exist between a retailer and a manufacturer whose relations are put on the plane of pure loyalty and honor than between the manufacturer who hand cuffs dealers with steel chains of legal documents.

Long ago, in pedagogy, it has been established that you build morality quicker by putting questions up to the personal honor of pupils than by any grim systems of punishment and rules. Evidently business can make use of the same principle.

The Consumer Has the Final Decision

The final word which will decide whether price maintenance is to continue as a trade policy or whether it must be abandoned will, in the long run, come from the consumer. The maker of breakfast foods may convince the wholesaler and the retailer that maintained prices are good business, but as long as the consumer feels no effective moral obligation in the matter, and is ready to buy his goods where he can secure them at the lowext price, any price-maintenance plan is bound to have elements of serious weakness. Louis Kaminsky, president of the Make-Man Tablet Company, describes his experience in attempting to influence the consumer in this matter in the following terms:

*Our direct appeal to the public to assist us in maintaining our fixed selling price on Make-Man Tablets will, we believe meet with their hearty approval. The congratulatory expressions which have reached us from the trade convince us that they are in perfect accord with us on this point. These expressions show to our satisfaction that we are on the right track, and strengthen our determination to continue our policy of strict price protection. If all manufacturers who have a fixed price on their products should follow the same course of reasoning in their advertisements, and show that the price fixed by them on their goods affords the retailer only fair

Printers' Ink, January 5, 1911, p. 40.

living profits, it would undoubtedly result in obtaining more readily full price protection on all articles sold by druggists.

It must not be overlooked that nearly all users of proprietary medicines belong to that class to whom protection is constantly preached. As members of labor organizations they seek to protect the price of labor, and they are taught that it is both unwise and wrong to patronize the dealer who carries and sells unprotected products in which labor enters to any extent. A direct appeal to them cannot fail of results, and these results should be beneficial. It is our intention to follow up this direct appeal to the public in all our future general advertising. While this may not bring immediate results we believe its moral effect will be lasting.

It appears that the public has a mistaken idea, which has grown with the years of ignorance and misrepresentation, that the retail druggist is the only man in any branch of business who always makes a thousand per cent. on everything he handles; and quite naturally the public felt in sympathy with the movement of price cutting on proprietary articles, for they reasoned no matter what a druggist sold an article for, he was still making his enormous profit, and this prevailing idea, in the minds of so many, is what really gave price demoralizers the support which they have received, for it has been their object to leave the impression with the public that they had been robbed by the retail druggists in the past, and that they had come as a savior to rescue them from exorbitant prices.

The first great effort that the retailer should aim at ought to be a general appeal to the public, through newspapers and otherwise, that the average profit in a retail drug store is not as large as it is in the average retail store in other lines of business. . .

THE EFFECTS OF PRICE MAINTENANCE

The question as to the effect on the volume of sales, produced by the arbitrary maintenance of a price, is one which has never ceased to offer a field for speculation. The following discussion of this subject gives the views of "The Advertising Manager of a Widely-known Toilet Specialty" whose name is not given:

In a recent issue of *Printers' Ink* Jesse Straus, of Macy's, gave your readers a most interesting article concerning price cutting from the standpoint of the big department store using price as its principle argument to win trade.

Most of our readers will probably disagree with Mr. Straus in many particulars, assuming that a price-protected article gains the closer co-operation of the dealers as a whole because of the assured profit.

But let us consider this matter now from the standpoint of the manufacturer of an article simply protected by trade-mark, and not by patent, and, therefore, exposed to the army of imitators who are always ready to step in and take advantage of a demand created by some one else. There are many manufacturers of trade-marked goods in the drug, food, and other fields who do not believe in forcing the consumer to pay the big dealer what amounts in his case to an abnormal profit simply that the little dealer may make what for him is a normal profit.

The theorist says, "The manufacturer ought to protect the little fellow, otherwise he cannot exist." But from a practical standpoint does the manufacturer *want* the little fellow to exist? Aren't there hundreds and thousands of small retail stores in every class of business which *have no reason* for existence? Wouldn't the manufacturers, the dealers themselves, and the consumers all be better off if all retail merchandising could be concentrated in one half or one quarter the number of stores now struggling to make both ends meet?

The manufacturer's problems of distribution and of selling would be simplified, the retailers left in business would, by their increased volume of trade, be able to reduce selling expense and be able to give better service than it is possible for the small store to give.

It is a noticeable fact that in all lines the small dealer is the one who talks most about the advantage of price protection; the dealers with the really "worth while" business feel that they are able to conduct their own affairs and make their own prices without dictation or advice from outside sources. The small dealer, on the other hand, isn't strong enough to bear the brunt of the battle for business alone; he not only lacks output, but he lacks capital

Protecting the Small Dealer

**Printers' Ink*, August 25, 1910, p. 8.

and, as a rule, lacks business acumen. He is not the man the manufacturer must look to for a really profitable business. By protecting his prices, the manufacturer may get the good-will of trade of this class but it won't help him with the big dealer, who in most cases opposes any plan that puts him on an equal footing with the little dealer with his small capital, his imperfect organization, and his general business incompetency.

Then, too, there is the public's side of it. Most advertised specialties are in a certain sense luxuries. Luxuries are largely purchased by those who can afford them, and the lower the price of the luxury to the consumer the wider its field of sale. It is a case of "the higher, the fewer."

Nearly every advertised, trade-marked specialty has its unadvertised, untrade-marked imitators selling at lower prices than the original. If the advertised article is price protected, and the imitation is sold for considerably less, price protection makes the difference in the cost to the consumer between the original and the imitation a pretty strong factor.

The Relation of Price to the Volume of Sales

In proof of the writer's opinion that price maintenance by raising the cost to the consumer tends to decrease the consumption of an advertised specialty, I have only to state the actual experience of the trade-marked toilet specialty advertised by my firm. In those cities where price agreements exist between dealers themselves — where all are getting "full prices" — our per capita sales without exception are the smallest. In the cities and towns where cut prices are in vogue our per capita sale is the largest, though concentrated in fewer stores.

In the full-price town the rank and file of small dealers are, indeed, "more friendly," but this friendship *doesn't show up in their sales.* In the cut-price town the rank and file are "unfriendly" — all advocating and advising "price protection" — but in those towns the sales of the few big dealers selling our product on a comparatively small margin are so large and so satisfactory as to make us almost willing to forget that the small dealers are there at all.

Another thing which makes "price protection" a poor business policy for the advertised specialty — that is the unpatented specialty — is the opportunity it affords the dealer to make an abnormal profit on the imitations. For examplè, suppose

"Mrs. Blank's Face Cream" is a widely advertised, price-protected article, and suppose the retail selling price is fixed and advertised at 50 cents. The dealer with his cheap and inferior "own label" face cream sees a chance to make a harvest by just under-selling Mrs. Blank's cream a trifle or even getting the same price for both.

How can he do it? The druggists, and dealers in other lines to a lesser degree, located in residential districts or in small towns, have enough personal influence with at least 50 per cent. of their trade to divert a considerable demand for Mrs. Blank's cream to their own kind. The dealer has a big incentive to do this because Mrs. Blank's advertised and protected price has established a face cream value which enables him to sell his own label product for possibly 300 per cent. profit as compared with 75 per cent. on Mrs. Blank's.

In other words price protection is more than likely to defeat its own object and *in*crease rather than *de*crease attempts at substitution. It enables the dealer to charge much higher prices for the imitation than we would charge or could get were it not for the known price of the original.

I am aware of the fact that these ideas are radical in the extreme, and some of your readers will probably say that the principles advocated give the small dealer little chance to make a living. I admit that my facts — for they *are facts* and not theories — make no allowance for sentiment. Business under present-day conditions is a "cold-blooded" proposition, and price protection for the trade-marked but not patented specialty is pure sentiment, a positive handicap in creating a maximum sale of such products.

After this presentation of some of the main arguments for and against the price-maintenance policy, it may be only fair to give the advocates of the policy one final word "in rebuttal." L. B. Jones, advertising manager of the Eastman Kodak Company, of Rochester, N. Y., sums up the arguments in favor of price maintenance from the standpoint of manufacturers, retailer, and consumer, as follows:

*Does the restriction of retail prices benefit or injure the public?

Printers' Ink, May 4, 1911, p. 2.

The right of the manufacturer to maintain a restricted price policy must, in the last analysis, depend upon the answer to that question. If such price restriction actually throttles competition, it is a bad thing — if, on the other hand, it encourages competition in quality and in service, it is a good thing.

Price Maintenance and the Public

There is more than one kind of commercial competition. There is competition in price, with its ever attendant danger of loss in quality. There is, where established, maintained, and published prices prevail, a healthy competition in quality. The former is sometimes and the latter almost universally to the benefit of the ultimate consumer.

The manufacturer, who restricts the prices at which his goods are to be retailed to a certain figure, is just as much in competition with other manufacturers of similar goods as are those who do not restrict prices — but in a more healthful way. Bear in mind, however, that this discussion refers only to an *individual* concern or corporation — not to a combination between natural competitors to create an artificial price. That's another and quite foreign subject, though, unfortunately, likely to be confused by some people with the real question at issue.

The manufacturer who publishes a price list on his goods, allows a certain discount to the dealer in those goods and then insists on that dealer selling his goods at the list price, is by no means free from competition. If he sells wisely, he has familiarized himself with the average percentage that it costs the dealer to handle his goods, and he makes his discount large enough to pay the dealer a normal profit — a profit that will be satisfactory to him, but not big enough to prove a constant temptation to cut prices. In making his list price, this wise manufacturer will put it at a figure that will pay him a normal profit, after giving a discount to the dealer that will likewise pay him his normal profit. Such manufacturer is as much in competition with other makers of goods as though he had no established price — but his consumer customers get a square deal; they all buy his goods at the same price.

The retailer must make a certain percentage of profit over and above the cost of doing business or go into bankruptcy. Isn't it manifestly fairer to the consumer, if the dealer nets 5 per cent. on what he sells to Smith and 5 per cent. on what he sells to Brown than it is for him to lose 5 per cent.

on what he sells Brown and make it up by netting 10 per cent. on what he sells Smith? And that's just what happens every day where retail prices are restricted. Every retailer knows this, though the buying public does not. The restricted price plan is, in fact, particularly favorable to the small consumer, the man whom the courts are ostensibly trying to protect. It has been decreed that the railroads shall not discriminate against the small shipper by giving a lower rate, whether directly or by rebate, to the big shipper than the small shipper enjoys.

The Retailer and the fixed Price

Carried to its logical conclusion, the price restriction policy means the same thing. All retail purchasers are treated alike. It means the square deal.

And how is the manufacturer affected. He has a widely advertised article at, say, ten dollars. It is generally known that his goods are sold at list price only. The dealer is already receiving a normal discount. This manufacturer usually keeps ahead in improvements in his line, but, for the sake of argument, we will admit that a competitor announces an important and genuine improvement. What happens? One of three things: An improvement in the article in question to meet the competition, a cut price in order to pick up the cheaper trade in this line, or, if the margin of profit will not admit this, an entire abandonment of the manufacture of such article. In cutting the price, if that method be followed, the price at which the goods are to be retailed may still be restricted at whatever lower level may be decided upon as a *normal price at the new level forced by the competing improved product.* Price restriction has in no way prevented a general lowering of price; it has simply maintained a *uniform* price.

From the Manufacturer's Standpoint

A restricted price means that the goods are to be sold at a *certain* price, that the retailer is not to go either above or below that price; but if the established price is abnormally high for the quality of the goods, it cannot live. No mere restricting of price can annul the laws of supply and demand or of commercial competition. Indeed, goods that are sold at known prices offer themselves to the keenest competition because it is so easy for the manufacturers of competing articles to figure just what can and must be done.

The result is that the manufacturer of restricted price goods is alive to the fact that he must constantly back up his prices with quality. He is averse to changing his methods or permitting the retailers to change their methods of handling his goods, because he takes an honest pride in his one-price-to-all policy. The result is a constant effort to better his products, a constant effort to give his customers more for their money. It is a competition just as keen and far-reaching, as bitter if you like, as a competition in price-cutting. Because one manufacturer of automobiles restricts the retail price of his car to $4,000, another to $3,000, another to $2,000, and another to $1,000 does any one maintain that there is no competition in automobiles? And similarly there is competition between dealers even though they maintain prices — a competition in service to their customers that makes or ruins their business, and, locally, the business of the concerns whose cars they handle.

Take hats. Dunlap and Knox derbies are restricted at five dollars. You can't buy one for less, yet you can buy a pretty good-looking derby for a dollar and a better one for two dollars, and sometimes really good for three. But Dunlap and Knox are by no means free from competition. It's a competition of quality. They just put style and goodness into their hats, else men would buy the cheaper ones. They compete with each other and with the imported hats and with, perhaps, come other five-dollar hats. They compete with the cheaper hats by offering better style and quality. But it would be absurd to say that hats cost more because Knox and Dunlap don't permit the retailer to cut prices on their goods until the season is over.

To the careful observer there can be but one conclusion as to the merits of the policy of price restriction. That policy means a square deal to the ultimate consumer. It means that one man's money is as good as another's. It means that those manufacturers who adopt the policy must make good goods in order to maintain their prestige, must be ever on their mettle to anticipate competition, must forestall it by making improvements and making them before the other man does. The market is still open for those who do business on the other basis, but if their goods do not equal or better the restricted price goods the public will buy the restricted price goods.

Competition began with commerce. Competition must continue to exist so long as there are two or more separate concerns manufacturing similar goods for the same market. If one of these concerns makes highly superior goods and is equally alert in its selling methods, it will, by reason of the law of the survival of the fittest, get the big share of the trade. Whether prices are restricted or not has nothing to do with the case further than the fact that the concern that makes the goods of known quality is in a position to make its prices known and stick to them. Having quality, it can afford to compete on a quality basis. No underhanded methods by which one customer is gained at the expense of another need be resorted to.

The price restriction policy means a square deal for the consumer, a reasonable profit to the dealer, and a constant effort toward betterment of the product on the part of the manufacturer.

REVIEW QUESTIONS — CHAPTER XII

1. How does price maintenance affect the advertising man?
2. What is the basis of price? What part does distribution cost play?
3. What are the dangers from bad choice of price policy?
4. What are the best arguments for price maintenance: (1) From the standpoint of the manufacturer? (2) The jobber? (3) The retailer? (4) The consumer?
5. What are the strongest arguments against it in each case?
6. How does price maintenance affect the volume of sales?

CHAPTER XIII

DISPOSAL OF ADVERTISING COSTS

THE question, "Who pays for advertising?" is often discussed and seldom with any profit. The fruitlessness of these discussions is more often due to lack of a clear statement of the problem than to any other single cause. Before any such discussion has gone far it often becomes clear that neither the term "pays" nor the term "advertising" represents identical ideas in the minds of the disputants.

It is generally agreed that the direct outlay for advertising the United States runs far over $600,000,000 a year, and there is a very strong temptation to undertake to say categorically that that amount comes directly out of the pockets of some one element of the distribution system. We have been told many times that this bill is paid by the consumer. Somewhat less frequently, but with equal emphasis, it has been declared that the competitor who does not advertise foots the advertising bill of the man who does. And these are only two of many explanations.

Who Pays for the Advertising

It will not be the purpose of this chapter to undertake to close this interesting question. The most that will be undertaken will be a suggestion as to what ought to be clearly understood by "paying" and by "advertising" before any attempt to answer the question is made.

WHAT IS MEANT BY "PAYING"

Let us take the hypothetical case of a hardware manufacturer with a going plant and an established distribution, having among his products a patented stove-cover lifter retailing at 25 cents. This specialty never has been specially advertised, and it has been handled as a side line, sold in connection with other products of the concern. The output is 100,000 a year. The price to the retailer is 15 cents, and to the wholesaler 10 cents, and the actual cost of production based on an output of 100,000 is 7 cents each. The elements of production and distribution cost could then be represented roughly by Fig. A.

Doubled Business and Production Costs

Now suppose the manufacturer, who has been figuring on a net profit of 3 cents on each lifter decides to spend two thirds of this profit in advertising this lifter. Until that advertising produces some kind of a tangible result we can represent it as coming entirely out of the manufacturer's profits (Fig. B).

But suppose this outlay has been so judicious as to double the original demand and raise the output to 200,000 lifters instead of 100,000. By doubling his output the manufacturer can produce each lifter at a reduced cost. If we call this new cost 5 cents, instead of the original 7 cents, we see that the net profit on each lifter after paying for the advertising is restored to 3 cents (Fig. C) as it was before the advertising. But with the same net profit on each lifter and a doubled output the manufacturer's total profit is doubled.

Effects on Distribution Costs

At the same time the doubled business due to the advertising has produced similar effects in the distribution system. The wholesaler's expense of doing business on each lifter on a basis of 100,000 produced was 2 cents. But if the volume of the business be doubled (supposing the increase to be distributed proportionately among the wholesalers) each wholesaler handling the lifter will find some reduction in his cost of doing business on each lifter sold. His saving will not be as large as that of the manufacturer, but his expense will be reduced. And the same is true of the retailer (Fig. D).

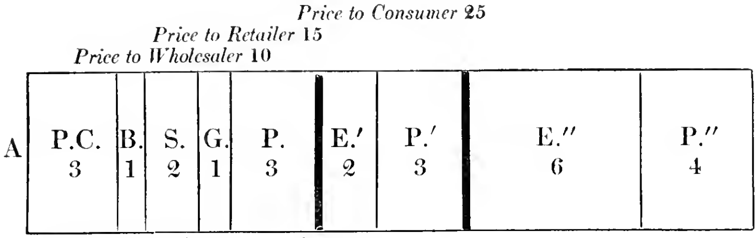


Figure A — Before advertising.

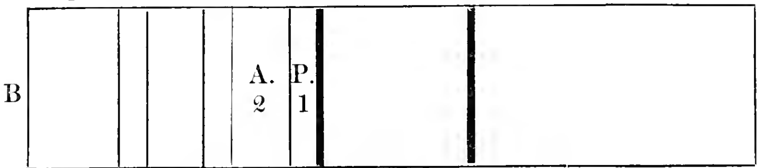


Figure B — Advertising cost taken from manufacturer's profit.

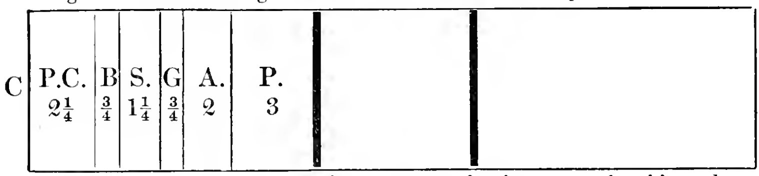


Figure C — Increased production lowers production costs, absorbing advertising cost.

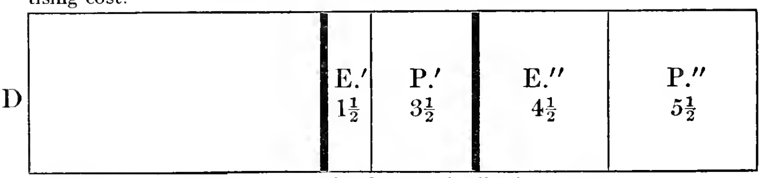


Figure D — Increased production lowers distribution costs.

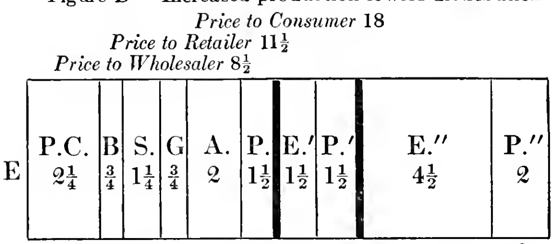


Figure E—Effect of lowered price on costs and profits.

		OUTPUT 100,000		OUTPUT 200,000		
		Fig. 1	Fig. 2	Fig. 3	Fig. 4	Fig. 5
	Manufacturer					
P.C.	Prime cost	3	3	$2\frac{1}{4}$	$2\frac{1}{4}$	$2\frac{1}{4}$
B.	Burden.	1	1	$\frac{3}{4}$	$\frac{3}{4}$	$\frac{3}{4}$
S.	Special selling	2	2	$1\frac{1}{4}$	$1\frac{1}{4}$	$1\frac{1}{4}$
G.	General	1	1	$\frac{3}{4}$	$\frac{3}{4}$	$\frac{3}{4}$
A.	Advertising	. .	2	2	2	2
P.	Profit.	3	1	3	3	$1\frac{1}{2}$
	Price to wholesaler.	10	10	10	10	$8\frac{1}{2}$
	Wholesaler					
	Cost.	10	10	10	10	$8\frac{1}{2}$
E′	Expense of doing business .	2	2	. .	$1\frac{1}{2}$	$1\frac{1}{2}$
P′	Profit.	3	3	. .	$3\frac{1}{2}$	$1\frac{1}{2}$
	Price to retailer	15	15	. .	15	$11\frac{1}{2}$
	Retailer					
	Cost.	15	15	. .	15	$11\frac{1}{2}$
E″	Expense of doing business.	6	6	. .	$4\frac{1}{2}$	$4\frac{1}{2}$
P″	Profit.	4	4	. .	$5\frac{1}{2}$	2
	Price to consumer	25	25	. .	25	18

Each of these cases, so far, presupposes that all prices are to be maintained — 10 cents to the wholesaler, 15 cents to the retailer, and 25 cents to the consumer. So long as the prices are maintained and demand is not weakened each handler of the goods makes more total profit when the output is increased. Some of this increase is due to decreased selling expense per lifter, and some to the greater volume of sales. In the case of the wholesalers we see that the actual profit margin has increased from 3 to $3\frac{1}{3}$ cents on each lifter, and, with the number of sales doubled it appears that the wholesaler is making 7 cents out of this lifter trade where he formerly made 3 cents. By the same process the retailer's total profit has increased from 4 cents to two times $5\frac{1}{2}$ cents, or 11 cents.

Thus the manufacturer is making as much as he did, before advertising, on each lifter, and twice as much on the entire business. And the wholesaler and retailer are each making more on each article and are selling twice as many. The consumer, on the other hand, is paying no more than he did before. Now the question is, who is "paying" for the advertising in this case?

If Prices Were Recduced

And now suppose that, through one cause or another, the prices are reduced (Fig. E) to 18 cents to the consumer, $11\frac{1}{2}$ cents to the retailer and $8\frac{1}{2}$ cents to the wholesaler. The output now being at 200,000 with corresponding costs, the price reduction leaves to each of these handlers of the goods, and to the manufacturer, only one half of the profits they originally made on each piece. But each is selling twice as many as he did originally and hence is making total profits which are exactly the same as those they were making before the advertising. The consumer, however, is now paying 7 cents less for lifters than he did originally. The question as to who "pays" now takes on an entirely different aspect.

We now see that the problem of "paying" for the advertising has to do, not only with the actual outlay for advertising, but also with the relation between that outlay and the reduction in manufacturing and distribution costs coming from the increased demand which that outlay produces.

And this case takes no account of the potential future reductions of the same kind which may follow from new demand which has been aroused by the advertising but which is not yet converted into sales. Nor has any account been taken of the effect of this stimulation of demand for one single manufacturer's output upon the trade of his competitors. And these are only two out of many other factors which have been left out of this case for the sake of making this one point clear.*

*Throughout this case we have given attention only to advertising by the producer. It will make profitable exercise work to develop similar diagrams showing the effects of advertising by wholesalers and retailers.

No one can say who has paid for any piece of advertising outlay until he knows what has been its effect on demand — and consequently on production and distribution costs, and on production and distribution profits.

George Frank Lord, writing under the title "Manufacturer's and Dealer's Margins of Profit," brings out some of these points quite conclusively. He makes it perfectly clear how, in concrete cases, effective advertising has brought about an actual reduction in manufacturing and distribution costs:

*This is a subject of vital interest to every advertising man, manufacturer, and merchant. In order to consider it with a clear mind it is first necessary to realize the difference between "margin of profit" and "margin for profit."

Manufacturer's and Dealer's Margins of Profit

Margin of profit is the net percentage or portion of the selling price of an article that accrues to the seller, after all his selling expense has been deducted. *Margin for profit* is the gross difference between the selling price and the cost price.

One of the chief reasons for the "substitution evil" is the failure of the average dealer to appreciate the above distinction.

One of the chief reasons why some manufacturers do not advertise is because they do not appreciate the difference.

A manufacturer of a patent medicine costing 10 cents a bottle, wholesaling at 67 cents and retailing for $1, has a gross margin for profit of 57 cents. If he spends 50 cents per bottle for advertising and all other selling expenses, his net margin of profit is 7 cents a bottle.

The dealer or druggist buys at 67 cents. If he maintains the list price of $1 his margin for profit is 33 cents. His net margin of profit is 33 cents less any variation from list price, less the proportionate charge against this sale for store rent, clerk hire, and miscellaneous expenses. Therefore, his net margin may be 15 cents, or nothing, or a minus quantity, depending entirely on how much it costs to sell the medicine.

It is obvious that the sale of any article involves a selling expense.

The difference between the manufacturing cost of an article

Printers' Ink, October 20, 1910, p. 28.

and its retail price is what the consumer pays for the cost of selling and delivering the article to him, and the profits of the manufacturer, dealer, and any other middlemen involved.

No scheme of trading has ever been devised that eliminates the important item of selling cost. Various schemes have been used to reduce it to a minimum.

The one great advantage of advertising is that it reduces selling cost by creating an increased demand without proportionate increase in annual or total selling expense.

The selling expense per sale may be, and frequently is, greater, but not on the total volume of business done per year.

Suppose a dealer sells a non-advertised article for $1 at a gross margin of 33 cents profit, and he sells 500 a year. Then his annual gross profit on this article is $165. But his net profit may be only $65 owing to the proportion of rent, insurance, local advertising, etc., that must be charged against this article, plus the cost of the amount and quality of salesmanship required to sell it.

If the Price Were Raised

Now, if this article is well advertised by the manufacturer, and the wholesale price raised to 75 cents, it is a fallacy for the dealer to figure that his profits on this article are reduced. He will probably sell 1,000 at an annual gross profit of $250 and a possible expense of $100, leaving $150 net profit as against $65 of the year before.

The same argument applies to the manufacturer. If, during the first year, the article cost to manufacture 50 cents, and wholesaled for 67 cents, his gross profit per article would be 17 cents. And if he sold 100,000, his gross annual profit would be $17,000. If his salesmen's and shipping cost amounted to $12,000 his net profit would be only $5,000.

If, in the second year, he spends $20,000 in advertising, and sells 200,000 instead of 100,000, his gross margin of profit at the new wholesale price will be $50,000, provided he has saved nothing in manufacturing cost. But as is well known, doubling the output of a factory largely reduces manufacturing cost, and it is probable that his would be reduced to at most 40 cents. Hence his annual gross profit would be $70,000 and his net profit $70,000 less $20,000 advertising, less perhaps $20,000 salesmen's and shipping cost, or $30,000 net profit as against $5,000 the first year.

Note that in the first year his net profit was $5,000 or 5 cents per article, and that in the second year he spends 10 cents an article for advertising, or twice the amount of the previous year's net profit per article. Yet he winds up the second year with $15,000 more profit than the first year.

It is the failure, in many cases, of both dealer and manufacturer to understand the seeming paradox indicated by the foregoing figures that causes the former to be a substituter and a "knocker" of advertised goods, and the latter to hesitate about becoming an advertiser.

The point for both to keep in mind is that dividends depend not so much on profits per sale as the net annual profits of the business as a whole.

J. George Frederick, in a discussion of selling cost and the factors that reduce it, gives some concrete cases of the effect of advertising upon the costs of distributing goods:

*If the muckrakers ever stumble on to the facts about the selling expense of some concerns, there will be a series of sharp literary explosions.

There is a manufacturing concern in New York whose product is enjoying an international market, and is regarded as having achieved success in every way — *yet its selling cost is still five times its manufacturing cost!*

Now if this product were a luxury, or even a specialty or novelty as yet not universally used, there would conceivably be some justification for this selling cost; but the article referred to is a typewriter, which has come to be practically a staple.

There is another highly successful typewriter whose selling cost is still four times manufacturing cost. There are several other very successful typewriters which have selling expense down to *three* times cost of manufacture, which may be regarded as fairly normal for typewriters or any well-known semi-staple mechanical device where repair and service after purchase is an additional factor.

But, gazing generally over the field of manufacture, selling cost in a surprising number of cases is excessively high. Only in the most staple of staple lines does it come down to a more sane proposition. One or one and a half times the cost of manufacture is a general average for selling staples, while

Printers' Ink, August 4, 1910, p. 3.

in the drug lines, and specialties in all lines, grocery, textile, hardware, etc., the selling cost rises to four, five, and six times the cost of manufacture. Sometimes, for some articles (and not all of them like Col. Sellers' Eyewash, either), the cost of manufacture is a mere nothing, and almost the only expense is selling expense!

Estimates of Selling Expense

The estimates of selling expense just made include office and overhead expense and everything else chargeable to the "selling end." To examine selling cost more in single detail, let us take purely the cost of salesmen and sales departments, exclusive of whatever else might be chargeable to selling.

In hosiery and underwear lines this selling expense (frequently the only kind there is) runs to 6 and 10 per cent. of net return. In men's clothing it runs from 4 to 7 per cent. In office equipment lines it runs to 25 and 33 per cent., and in drug and hardware lines it runs up from 25 to 40 and 60 per cent. and higher. In purely luxury lines selling cost has no roof at all — it is as expansive as the empyrean blue — according to the article, competition and method of distribution. The branch agency is mighty expensive machinery of sales, but it produces *volume* and keeps sales contact with consumers keyed up (things which are vital in competition). It frequently costs $500 to sell an auto, and the average is $100 to sell a piano. In many cases, especially in the piano business, there is precious little profit left after this high selling cost is expended.

This matter of increasing selling cost is becoming more and more vital all the time, because of two things, the widening of markets and the growth of competition. The bigger a manufacturing concern becomes, the greater usually does the selling cost become. This may seem paradoxical, but public accountants will testify to its almost invariable truth. A selling organization adequate to the territory, the policies and the product of a large concern increases selling cost considerably over that of a smaller manufacturer, chiefly because the large manufacturer needs more executives and must meet competition at more points. He has more baskets of eggs to be watched than the small manufacturer.

In the last decade or two, therefore — ever since the beginning of big markets and big enterprises — selling cost has been rising steadily and become a problem with manufacturers. Some have agreeably deluded themselves about the true state of affairs by figuring loosely that reduction of *cost of production* was "helping" to lessen selling cost. But inquisitive modern cost accounting turns the light on such delusions for those manufacturers (none too many) who are modern enough to *have* thoroughgoing cost systems.

The one significant thing about selling costs is still blindly overlooked by many manufacturers, while, meantime, those keener ones who *do* understand it, and have applied it long ago, are the big gainers. *Selling cost goes down in proportion to the reputation of the goods, and the favorable conviction in the mind of the buyer.* You don't have to work nearly so hard to sell me Baker's chocolate as you do to sell me Jones's chocolate. Neither do you have to work so hard to sell dealers and jobbers. In fact, in such exceptional cases, like Baker's and a few others, you could shut down on *all* selling expense for a time and make a lot of money nevertheless.

Effects of Advertising on Selling Costs

The very best proof in the land that advertising decreases selling cost is contained in the situation of Hart, Schaffner & Marx, the famous clothing house, as compared with other clothing houses. Hart, Schaffner & Marx are authoritatively reputed to do an annual volume of business of about $15,000,000. . . .

Good advertising has been their keynote all this time; and to-day their salesmen (who are on salary, not commission) *talk* little else but advertising to dealers. It is related how one dealer who listened to a long and interesting delineation of what the house of Hart, Schaffner & Marx had done, was doing and would do in the way of advertising, suddenly said, "Yes, that's fine, but what about *the clothes?*"

The salesman dismissed this subject with few words. "Ask those who know, or demand any test you choose — the clothes are right. What concerns you most is how those clothes are *advertised*." And Hart, Schaffner & Marx are so beautifully intrenched in their position that they can demand that the dealer who holds the line must *increase* sales every year or make way for some one who will. In magazine advertising alone this spring and last fall Hart, Schaffner & Marx spent $85,000 — about twice what its nearest competitor spent. This figure is not a guess, it is *checked up from the magazines.* One hundred and twenty-five thousand dollars would probably cover the total advertising expenditure, newspaper advertising and all.

Now let us measure up selling costs. For the sales department expense (everything but advertising), I learn from inside sources, Hart, Schaffner & Marx spend *only 2½ to 3 per cent.* See how this measures up beside other clothing houses:

	Magazine Advertising 1910–11	Selling Cost
Hart, Schaffner & Marx	$85,000	2½–3%
B. Kuppenheimer & Co	49,000	4%
Samuel W. Peck & Co.	29,000	6%
Alfred Benjamin	24,000	7%

Cost Comparisons with Other Firms

Here is one of the most powerful object lessons ever tabulated regarding the relation of advertising to sales policies. In almost perfect proportion to the expenditure for advertising, the selling cost has decreased and volume of sales increased. Those clothing manufacturers named above are all advertisers — there is an endless number of other clothing manufacturers whose names are little known to consumers, and whose selling cost ranges all the way from 6 to 9 per cent. They are getting neither the reduced cost of manufacture which comes with larger volume of sales nor the decreased selling cost which comes with trade-marking and consumer advertising.

As the selling cost named above is that of sales department alone, it will be well to examine how much advertising adds to it. An advertising appropriation of $125,000 is but .83 per cent. of a volume of business of fifteen million. Even supposing that the advertising is underestimated and the volume of business overestimated, the difference could not be larger than 1 per cent. The total Hart, Schaffner & Marx selling cost would then stand at 3½ to 4 per cent. — which is unquestionably tremendously low. There still remains a large gap between the low selling cost achieved by the two clothing firms advertising most extensively and the higher cost necessary now to non-advertising firms.

A most interesting thing about this relation of advertising to selling cost is that it is cumulative in its effect. The table of figures quoted shows how the selling costs of clothing firms varied in proportion to the double ratio of amount spent and length of time since first consumer advertising began.

When you get right down to it, the division of selling cost into a separate advertising classification is pretty difficult. The average accountant in manufacturing concerns is more or less at sea, and there has not yet been worked out much uniformity of cost accounting on this subject. Live sales forces have men who travel with the purely secondary object of taking orders. They are out on the road to suggest a new sign, a rearrangement of a dealer's store, or anything to clinch the dealer's good-will and *advertise the house.* Now, is this selling or is it advertising?

Likewise, when a special catalogue or folder, enclosing order blanks, etc., is sent from the advertising department, and orders come in as a result, is that advertising or selling? How can the two possibly be separated? *They can't* — the productive result of the two working together must be measured in contrast with a similar concern where one works alone. And that contrast is strikingly afforded in the clothing figures quoted.

Selling Expenses for a Novelty

As a matter of fact, the *entire* "selling expense" for any specialty or novelty is *advertising expense.* It must be advertised in some way before it can be sold at all, for it must educate its prospective buyers and create a demand which has not before existed. Any trademarked staple which sells on individual merit has the same road before it. If it would rise above the dead level distinctions of quantity and common name, it has to turn its selling expense into advertising channels. It must sell not to buyers of a generic commodity but to buyers of a marked *quality.* And the selling expense of doing this has a "come-back" action like insurance renewal commissions — it compounds itself without effort as time goes on — making the cost of selling per unit less and less. The selling cost per unit of Ivory soap must be pretty nearly infinitesimal by this time, else the size of the cake and the retail price would have been changed to conform to the increased cost of raw materials, labor, advertising, salesmen, etc. — which is making it practically impossible for any other soap concern to give consumers as much per cake for their money as Ivory.

The serious problem now before the large company of manufacturers who comprehend the economies of advertising is to so study advertising methods as to decrease selling costs still further, and achieve in the shortest time and for the smallest sum, the largest volume of business. Without the slightest doubt, there is a greater waste of wealth and "natural resources" through unduly high selling costs than all the Pinchots and Garfields and Brandeis ever painted on their imaginations. From a careful average of selling costs in many lines of manufacture, I think it would be conservative to say that selling cost averages in general twice the cost of manufacture, staples included; which means that America spends annually at present *forty billion dollars on selling*, based on census estimates of $21,000,000,000 now expended for wages, salaries, raw materials, etc.

Clean-cut, well-considered, and closely-adapted advertising is bound in the future to cut this enormous selling expense very materially, and put manufacturing on a more stable and effective plane.

From these discussions of the costs and profits in the distribution of merchandise there stands out clearly one point. It is that the definition of the word "pays" in the question "Who pays for advertising?" depends very largely on the effects of the advertising. A statement made concerning advertising outlay which produces absolutely no results would not hold at all for advertising expense which brought in moderate returns, nor would a statement made for advertising outlay which brought in moderate returns hold for a similar outlay which resulted in the creation of a wide, permanent market for a new product.

WHAT IS ADVERTISING?

The term "advertising" in the sense in which it is used in the larger question, "Who pays for advertising?" requires analysis just as does the term "pays." Here, again, we find that our definition depends almost entirely on the character of that which passes under the name. If the advertising takes the form of publicity which yields neither actual or future increase in market, then we are talking about one thing, but if it takes the form of an intelligent outlay for securing definite, valuable results, then we are talking about something entirely different. In either case, the question as to the source of the payment must depend on the desirability of the results aimed at and the effectiveness with which the advertising secures them.

When Is Advertising an Investment?

It is a recognition of the distinction between the reasoning which can be applied to effective advertising compared with that which will hold in the case of unsuccessful advertising that lies under much of the discussion of the question: "When is advertising an investment and when is it an expense?" This question, of course, is merely a corollary of the major problem, "Who pays for advertising?"

It is this question of how advertising ought to be treated on the books of a company that lies back of any attempt to reach conclusions as to what constitutes good-will. If good-will depends largely on the earning capacity of a company, and if the earning capacity depends upon the attitude of the market toward the concern's product, and if this attitude, in turn, is largely influenced by the character of advertising appeal, it at once becomes clear that the question of "How much to spend for advertising?" is very closely associated with the question, "How much to spend for securing good-will?"

HOW MUCH TO SPEND FOR ADVERTISING

The law of diminishing returns works as plainly through the problems of the manufacturer as in any field of production. And in no place is the operation of this law more clearly defined than it is in the matter of advertising outlay. Nearly every manufacturer recognizes that there is a point up to which increased advertising expense will yield, and beyond which it will not yield, adequate returns. This may not be merely the point at which the immediately resulting sales will yield a profit greater than the advertising outlay. It may be that point far beyond this, where all of the elements which go to make good-will cease adding value. This point may be far beyond the present limits of the business and it may be even a movable point. That depends on individual conditions. But every manufacturer realizes that since all of his return from advertising must come either out of increased volume or increased profitability of sales there is a point in his advertising outlay beyond which he cannot go with any reasonable expectation of success.

How Much Can Safely Be Spent for Good-will?

This feature of the interrelation between advertising outlay and the possibilities of return is brought out in the following discussion of the question, "How much shall we spend for advertising?" This question is discussed in the light of the problems it presents to a new concern, which depends in a large part for its answer on the ability of the advertising to secure "good-will."

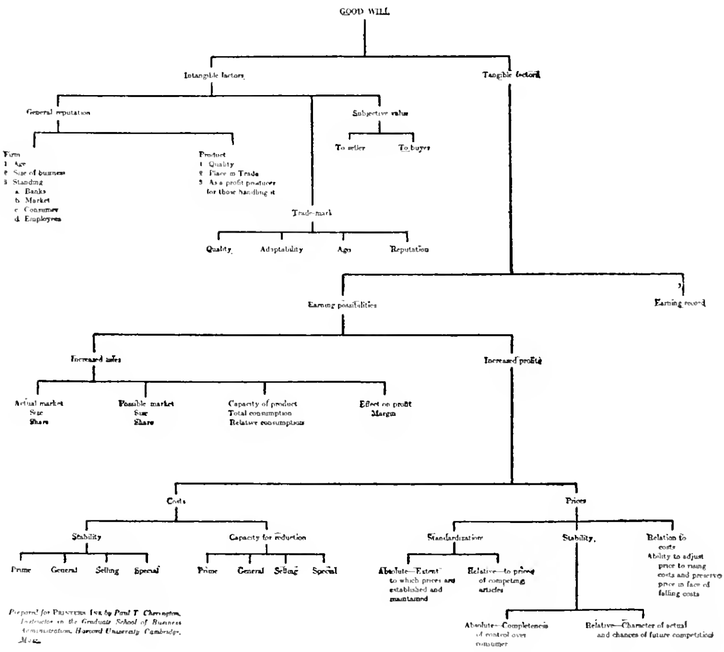
In this article it is taken for granted that the immediate effect on sales cannot yield the amount of the outlay and that, consequently, the return from the advertising must come in the form of "good-will," or, in other words, the possibilities of future earnings for the concern.

*An advertising man who had been reared in the close-paring, department store school where the advertising expenditure was fixed at 3 per cent. of the total sales, was called into a newly established manufacturing business. Upon being given access to the books, he was appalled to find that, whereas, the total sales for the previous year — the fourth of the company's existence — were not quite a quarter of a million dollars, the advertising appropriation for the current year was $50,000 — just 21 per cent. of the sales. His first thought was that he had been called to assist at an autopsy, for these figures would spell ruin with a capital "R" to the department store, and he made remarks to that effect at his first conference with the president.

The latter reassured him with a smile. "We are *investing*

**Printers' Ink*, July 18, 1912, p. 3.

our money," he said. "Remember, this is a comparatively new concern and among other things it must have to succeed is good-will. It must buy that just the same as if it were buying bonds — to return not to-day or to-morrow, but years hence. Good-will to us is even more important than machinery and raw material, for it would profit us nothing to make goods



which we could not sell. So just as we invest a part of our capital in machinery, tools and material with which to *make* a product, we put part of it into good-will to help sell the product.

"You would not exclaim if we put the fifty thousand into salesmen. Yet they might pay a very small return in good-will, comparatively speaking, because they might force the sale of the goods upon many an unwilling purchaser, and we might have to spend more in proportion to the sales as time went on. In this case, however, you will see the ratio gradually decline. With reasonable efficiency in our general management, in five years I expect to see the advertising appropriation reduced to 10 per cent. or possibly a little lower. In this line of business it can hardly be expected to fall be low 8 or 10 per cent."

The view expressed above is the new view — a way of looking at things which would have caused apoplexy some twenty years ago. Even to-day it is heresy in some places.

A writer in one of the current magazines — supposed to be a high authority on financial subjects — strongly advises intending investors against buying the securities of any industrial "greatly dependent upon patents in its manufacturing end, *or advertising in its selling end.*" The assumption is, of course, that just as patents may be rendered obsolete by new inventions and will go out of existence anyway in seventeen years or less, the effect of advertising may be overcome by rival advertising, and the advertising of yesterday is as dead as an expired patent. That it is very much alive, a glance at the good-will columns in the footnote at the bottom of this page will show.

Some of the Valuations Placed on Good-will

A goodly portion of those vast amounts* set down there under the head of good-will are the results of the advertising which has been done — the mill still grinding with the water that is past. Thirteen million dollars of Woolworth's money invested in the highest office building in the world is a stupendous advertisement of his good-will account. The B. F. Goodrich Company, recently consolidated with the Diamond Rubber

---

*THE RELATION OF THE CAPITAL, ASSETS AND GOOD-WILL OF SOME LEADING INDUSTRIAL CORPORATIONS AS REPORTED BY BOSTON NEWS BUREAU

Name	Capital	Assets	Good-will	Assets Per Cent.
Goodrich	$90,000,000	$100,877,604	*$57,000,000	56.5
Woolworth	65,000,000	65,157,155	50,075,000	76.8
Sears-Roebuck	48,500,000	60,768,949	30,000,000	49.3
Studebaker	43,500,000	56,476,143	19,807,277	35.0
May Dept.	20,000,000	21,377,229	14,343,957	67.0
Underwood	13,500,000	15,476,785	7,995,720	52.2
Loose-Wiles	13,000,000	15,247,152	7,970,543	51.6

*Estimated.

Company, capitalizes a cool $57,000,000 of good-will! What does that represent? Patents are of mighty little importance in the rubber business, secret processes of manufacture are practically common property, location cuts very little figure, proprietorship has changed a dozen times, the Goodrich who founded the business having been dead for many years, and no one bearing the name figures in the management. That "good-will" represents advertising, practically entirely. It is the result — or rather one of the results — from the constant repetition of "Best in the Long Run." It is summed up in the attitude of the young lady whom the writer asked to name the make of tires her father used on his car. She didn't know, it happened, but she said "Goodrich, I suppose, the same as they all do." That's good-will, and that is what it pays to spend a mighty substantial proportion of the first few years' sales to get.

What Good-will Means at the Bank

With the object of ascertaining whether this new attitude toward good-will (which includes, of course, the recognition of advertising as an investment) had been assumed by any of the more conservative financial institutions, *Printers' Ink* sent a letter to 250 banks, members of the American Bankers' Association, asking whether there is in financial circles, "a growing disposition to regard with favor an aggressive advertising policy when linked up with a successfully conducted business." The case of the Royal Baking Powder Company was cited, which began with a small capital and "invested" the profits in advertising for a number of years. Eventually this business, which was almost wholly a good-will proposition, was capitalized for $20,000,000, and the common stock has paid for some years 12-per-cent. dividends. The list of bankers addressed were asked if they would consider that sound financing, and were requested to state how a man could determine what proportion of money spent for advertising could be considered a legitimate investment.

Of those bankers who answered, 33 per cent. state that money spent for advertising should be charged to "expense" *in toto*, and, by inference if not by direct statement, that there is no tendency to regard an advertising policy as anything but running expense. The resulting good-will, they affirm, is not to be considered in conservative financing, and has on place on a statement of assets.

Twenty-eight per cent. of the bankers who answered the letter say that good-will secured through an aggressive advertising policy should be given "due consideration" when it came to lending money or financing an enterprise. None of these bankers would go so far as to say that good-will has any place in a financial statement, or that it can be charged to anything except expense, but they all asserted what the 33 per cent. denied — namely, that the good-will of a concern has to be considered very frequently.

Fourteen per cent. of the whole number came out flat-footedly with the assertion that there undoubtedly is a tendency in conservative financial circles to regard advertising as an investment. With one exception they agree that it would be poor bookkeeping to list advertising as an "investment," but they admit that it should be given full consideration in extending credit. The one exception states that a certain portion of the advertising expenditure should be shown on the books as investment, the portion to be determined by a comparison of the results which had been obtained with the reasonable expectation of results to come in the future.

The other 25 per cent. of replies were absolutely non-committal, some stating that they did not care to discuss the question, and others taking refuge in generalities such as "advertising is a necessity to most concerns," etc.

Good-will as a Basis of Credit

That showing is to be considered nothing short of remarkable, when it is remembered that ten years ago the average banker would have scoffed at the idea of advertising at all. He didn't believe in it so far as his own business was concerned, and he was rather inclined to look upon it with suspicion when it was indulged in by other people. When 42 per cent. of a list of bankers can be persuaded to say that good-will secured by advertising should be given at least "due consideration" when determining a line of credit, it shows that the status of advertising in the financial world is rapidly changing. And the wording of the replies shows pretty conclusively that the bankers regard advertising as the chief promoter of good-will. Those who do not side-step the question entirely meet the issue squarely upon that basis. It is not the money spent for patents or for trade-mark rights that they are talking about, but *the money spent for advertising the goods.*

Thus the man who is facing the question, "How much shall

I spend for advertising?" has better and higher authority than ever before for regarding the appropriation as an investment, paying dividends in good-will. It is true that it figures in the books as "advertising expense," but it goes to make up "demonstrated earning power" whenever it is necessary to re-finance or extend the credit of the business. It is reported on the best authority that the National Biscuit Company had been advertising Uneeda Biscuit for three years before the sales of that commodity paid a profit, yet no one in his senses would maintain that it was "merely an expense." Of course the company was selling other crackers at a profit big enough to more than offset the deficit, but even if that were not the case the advertising of Uneeda would have been an investment just the same, and future events have shown that the company could have afforded to pay for that advertising out of the capital of the concern if no other source were available. Since 1905 the dividends paid on the common stock have risen form 4 to 9 per cent. while the physical assets have increased only from sixty-two to sixty-six million dollars. While there are only four million dollars more physical assets than there were in 1905, nobody would be likely to accuse the National Biscuit Company of frenzied finance if it should increase its capitalization ten to fifteen millions. Yet the greater part of the increased capital would be represented by nothing tangible. It is simply the demonstrated earning power, much of which is the result of the advertising expense of last year and the year before.

It is evident, then, that it is not wise to limit the advertising appropriation to an amount which seems likely to "come back" the first year. In other words the money spent for advertising cannot be expected to return at once with a profit in its hand. But it is not wise to plunge so heavily as to endanger the credit of the business, for be it understood, good-will is a fine thing is connection with a going business, while the good-will of a bankrupt concern isn't worth a cent.

Business Momentum

In a sense good-will is a sort of business momentum. As long as the concern keeps going, last year's advertising helps keep up the speed just as the momentum of the last turn of a locomotive's drive wheels helps send them around the next time: but after the concern has once stopped, the good-will it used to have will not help start it again any more than the locomotive's momentum on its last run will help overcome its inertia as it stands in the round-house.

That fact, by the way, makes the new attitude of the bankers all the more striking, since the banker always looks at a financial statement from the standpoint of what the assets would be worth *in case of failure* — not considering at all what they are worth under an aggressive sales policy.

No less an authority than Elijah W. Sells, of Haskins & Sells, Certified Public Accountants of New York, says that "such advertising which has a direct effect in *creating* or measurably *increasing the good-will* of a business may be considered as an *investment*, while that which is done to maintain a normal distribution or call attention to special temporary prices should be considered an *expense*." In other words, the advertising which goes directly to the promotion of the good-will of a new concern can properly be capitalized, and paid for out of money received for stock, while that advertising which is done simply to maintain something already secured should come out of profits.

Hence it is evident that the answer to the question "How much shall we spend for advertising?" is "Enough to secure a demonstrated earning power (good-will), which will produce profits sufficient to pay for the advertising necessary to maintain distribution of the goods." That, of course, is the minimum amount.

Conditions in different businesses vary so greatly that no exact percentages can be given. But the analysis of good-will on page 445 which was prepared for *Printers' Ink* by Paul T. Cherington, instructor in the Graduate School of Business Administration, Harvard University, gives some clues as to the conditions which determine whether the amount spent for advertising at the start shall be a greater or a less part of the capital.

Since we are discussing an entirely new business, none of the "Intangible Factors" will affect the advertising investments, except the product and the trade-mark. The lower the quality of the product, the harder to create good-will, and the more money must be spent. The smaller the profit it pays those handling it, the easier it must be made for them to sell, which of course means more advertising. The quality and adaptability of the trade-mark will affect the advertising in the same manner, though not to the same extent. Of course, being a new trade-mark, its age and reputation are negligible.

When we come to the "tangible factors," under "increased sales" we find the item "possible market." Being a new concern the "actual market" may be assumed to be non-existent. The size of the possible market, of course, affects the size of the appropriation, since the wider the field the more it costs to cover it. But there is another important consideration right here, and that is the number of possible individual buyers in the market.

Good-will in Relation to Earning Capacity

The business with 500 customers is less valuable than the business with 5,000 customers, if the gross sales of both are the same. Thus the good-will of a chewing-gum concern would be worth more than that of a piano house doing the same amount of annual business. The reason for this is that it is easier to lose a substantial percentage of 500 customers than it is to do the same thing with 5,000. So to make the good-will of the piano house equal in value with that of the chewing-gum concern will require more money and more effort. Hence, the new piano concern can afford to spend more money than the new chewing-gum company — more, of course, in proportion to the capital, not necessarily a larger integral amount.

With regard to the share of the possible market, the following is quoted from L. R. Dicksee, professor of Accounting at the University of Birmingham, England, probably the leading authority on the subject of good-will: "Income derived from a monopoly or quasi-monopoly will command a higher rate of good-will than one derived from an industry in which competition is keen." The application, of course, is evident. The monopoly of quasi-monopoly need not spend so much money in advertising as the business in a competitive line.

The Good-will of a Monopoly

The above, however, does not apply with full force to monopolies granted by patent rights, since at any time it is possible that subsequent inventions may depreciate the value of the patents.

The heading "capacity of product" refers to the frequency of purchase. If the product is one which is totally consumed — like soap, shoes, food-products, etc., the customer will be again in the market for similar goods before long. If, however, it is a product which is only partially consumed — like articles of hardware, furniture, utensils, etc., the same customer may not buy more than twice or three times in a lifetime.

In the former case the good-will is worth more than in the latter, and it is easier to get because there is often an argument in the quality of the goods themselves which makes future sales. In considering the amount to be spent for advertising, this factor is relatively unimportant when compared with the size of the market, and the quantity of competition. As a general rule, however, distribution is more important than good-will (at the start) for goods which are bought only once or twice in a lifetime. For if your competitor gets the one sale, you cannot hope to reach that particular person for years if you can reach her at all, whereas if the goods are totally consumed with reasonable quickness a second sale will be ripe for picking shortly which your advertising may land. The goods which are totally consumed need more good-will advertising at the start, to secure the second sale if the first goes elsewhere.

Under the head of "Increased profits," the subject of costs has a bearing on good-will only when the business is to be sold. It is quite true that selling costs have an influence upon prices which in turn affect the consumer, but they have little bearing upon the subject of how much to spend for advertising. In fact the amount spent for advertising (with due regard, of course, for the way in which it is spent) will have more effect upon selling costs than the other way around. And, as a matter of fact, the selling cost for any article cannot be determined in advance anyway.

Good-will and Price Maintenance

The better the maintenance of prices ("standardization" in the table) the greater the good-will — because everybody is treated alike, and nobody has a chance to feel disgruntled. Hence, other things being equal, the concern which is selling at "any old price" will be obliged to spend more money in advertising to get the same result.

There are two other considerations which enter into the good-will analysis, and which have a particular bearing upon the advertising investment. The first is the kind of business engaged in. Does it supply a need which is readily recognized by the public, or must consumers be educated to the use of the product? It is evident that a concern in the latter class will have to spend much more for its good-will than one in the former, other things being equal of course. Just as an example of what is meant, the man who put the first rubber hot water bottle on the market could have piled up good-will at a comparatively small outlay, while the first adding machine was a good many years getting any good-will to speak of. Good-will comes easier in the line of business which is established and recognized than in the new field.

And second is the amount of dependence the public places upon the services of the proprietor or founder of the business. This factor is rarely, if ever, met with in an ordinary merchandizing business, but it is frequent in publishing businesses where the editor or star writer keeps a large portion of the subscription list together.

In such a case, unless the business were to be allowed to slump with the death or retirement of the individual, it would be necessary to spend a comparatively large sum in advertising for good-will. When the good-will of a business is appraised for purposes of sale, it is customary to deduct a sum which represents the estimated cost of replacing the services of the proprietor. Of course in case of death or retirement this amount would automatically deduct itself from the good-will, speaking in terms of dollars and cents.

In brief, the money that is spent for advertising at the start of a new business should be put in as an investment by the persons interested in the business, and should not be taken out of profits. Its exact amount depends upon conditions in the individual business which must be carefully studied, not only as they affect sales conditions but in their relationship to good-will.

With this discussion in mind of the relation between advertising outlay and its possible value in the creation of good-will, it is interesting to see the great variety of opinion expressed by accountants as to the soundest methods of taking care of advertising expenditures on the books of a "going" concern.

At one extreme we have concerns which contend that since advertising results cannot be separately shown on the books the only safe treatment is to handle all advertising outlay as if it were a dead loss.

Again, we find those who contend that an advertised product is already partly sold, and, that therefore advertising outlay should be treated as selling expense.

And yet again we find those who believe that the effects of advertising are mainly on the value of the product in trade, and that therefore these expenses belong among production costs.

And still others believe in treating these outlays as of the nature of an investment.

The following discussions show some of the types of opinion in this matter:

*How do leading concerns actually enter advertising expenditures on their books; as expense or investment?

How Some Accountants Treat Advertising Outlay

A correspondent of *Printers' Ink* writes that an answer to this question would help him more than many reams of theory. "What is done when the expenditures get into the hands of the bookkeeper? What ledger does he open? I am a manufacturer and specific information will help me in appraising the earnings of my advertising expenditure."

Printers' Ink requested the views of some of the well-known advertisers. Following is the reply of Lewis E. Kingman, advertising manager of the Florence Manufacturing Company, making the Prophylactic tooth brush:

"Our advertising expenditures are charged as an expense. We do not see how this could be otherwise handled.

"As a matter of fact, we have a realizable asset in our trade-mark names, brought about by long continued publicity, but it does not seem to us good business to carry this on our books as an actual dollars-and-cents asset."

William H. Ingersoll, advertising manager of Robert H. Ingersoll & Bro. ("Ingersoll Dollar Watch" and "Ingersoll Trenton Watch"), New York, agrees with Mr. Kingman in believing that advertising should not be represented entirely as an operating expense. Mr. Ingersoll says:

"In response to your favor of the 18th, inquiring as to how we charge our advertising, we would say that it is our custom to charge it as an expense. We do not do this because we believe that advertising ought to be charged entirely to expense for we are well aware that our factories and offices could be destroyed completely by fire and yet the biggest asset of our business

**Printers' Ink*, November 30, 1911, p. 3.

would remain, namely, the good-will, and that this is largely due to the advertising which we have done and charged as an expense.

"Our method is due no doubt to the custom of some time ago and probably the prevailing custom now to consider advertising only an expense. We know of no definite way of determining how much of it should be charged to expense and how much as an asset, and we are aware of no house having solved this problem satisfactorily, but it is something that will no doubt receive the attention of the efficiency men and the enlightened accountants in the early future."

E. T. Welch, of the Welch Grape Juice Company, writes as follows:

"To a somewhat similar question that was put to us a short time ago, we replied that we considered advertising partly an expense, partly an investment. So far as the bookkeeping is concerned, we do not see how any concern can do otherwise than charge advertising up to expense for each year. We suppose some concerns carry an amount on their books for good-will, but it has been some years since we took good-will into consideration in our yearly statements."

H. K. McCann, advertising manager of the Standard Oil Company, is of the opinion that practically all advertising, "probably 99 per cent of it," he says, should be charged as an operating expense. He goes on to say:

"Certainly all continuous advertising campaigns that run on from year to year must be considered as such, and I can conceive of but very few instances where it would appear to me to be legitimate to charge advertising into capital account.

"I realize that there are two sides to this question and that exponents of the other side can make out quite a strong argument in favor of capitalizing advertising expense. In my opinion, however, this is a dangerous thing to do."

G. H. Page, advertising manager of The W. N. Lowney Company, of Boston, contends that there should be some systematic attempt to educate the various factors in the distribution system, and particularly the retailers, as to the ways in which advertising outlay is paid for by a reduction in other expense in distribution:

*That we should be willing to write on so personal a subject may surprise some advertisers who play the game as secretly as possible. We believe that it will only do us good if our competitors begin to advertise on account of our experience. Any advertising will be welcomed that increases the consumption of chocolate products and with our quality and price we shall more than get out share. Mr. Lowney always says, as any broad gauge man who really believes in advertising would say, "the more the merrier."

Who Pays for the Advertising?

We live under a competitive system. If we lived under a socialistic or co-operative system there is no doubt that the hundreds of millions spent in advertising yearly might be saved to the consumer, but if so it would be at a heavy cost to civilization which I can only hint at here. The cessation of advertising under a co-operative system would deprive us by bankruptcy of most magazines and newspapers and it would lower the standard of living and the volume of business because consumers would not know what there is in life to enjoy.

But we must adjust ourselves, for the present anyway, to the prevailing competitive system of distribution wherein the fittest survive. One characteristic of fitness is the ability to increase the sale of a fit commodity from year to year to such an extent as to make the growing profit by lessened cost absorb the advertising bills. That this can be done and is being done in not a few instances I am sure.

I take pleasure in amplifying a little the idea behind our trade paper advertising carrying the headline, "Who Pays for Our Advertising?" A warning or confession is in order, however, lest you be misled into supposing that our statements in that advertisement are based on elaborate analyses of costs for the last twenty years. This is not the case. However much this admission may undermine confidence in our conclusions in your mind, we ourselves think we *know* that our customers and dealers do not pay for our advertising.

Some years ago at one of the few meetings of the lamented I. A. A., at the Waldorf, the writer lifted up his voice to protest against the dictum that the consumer always pays for the advertising. Jeers and incredulity were the only

---

**Printers' Ink*, October 6, 1910, p. 24.

answers he got, but since then there has been a noticeable change amongst writers on advertising and the light seems to be breaking.

Twenty years ago Lowney's Chocolates sold for sixty cents a pound in sealed packages and were not advertised. The average cost of labor and materials has not been reduced in any way sufficient to account for the fact that there is still a little profit in spite of the expense of advertising. There is but one obvious conclusion. Growth, increase of quick capital and ownership of all means of production have reduced costs. Those blessings are the results of advertising for the most part. Superintendence, clerk hire and accounting cost more in proportion for a small output than for a large one. The buyer with his own capital at hand can buy in larger quantities and on better terms than the small man.

There is no need to detail the many ways in which savings are effected by the growth of output stimulated by advertising. One that will appeal strongly to every manufacturer who studies his problem is the fact that sustained intelligent advertising will make his machinery more uniformly busy. Think of the saving in costs if every machine can be provided with orders for its product to keep it working every hour of the day year in and year out. This is the ideal situation for the manufacturer, and there is no one thing that comes so near bringing about this happy situation as advertising does. Naturally the proportion of advertising expense paid by the public differs with different commodities. With breakfast foods it is probably large; with patent medicines still larger, amounting no doubt to 100 per cent.

The Effect of Advertising on Price

Consumers buy these things, however, with open eyes, knowing that the cost of distribution is large. From this extreme there are all sorts of variations amongst articles in the particular of what proportion of advertising the consumer pays. At the other extreme I have no doubt that there are goods which have actually been cheapened to the consumer by advertising, but in the absence of facts it is hazardous to guess. To give you something to think of let me ask whether telephone and telegraph service would not have been cheapened sooner if they had been advertised sooner? How about the advertising of fifty-word night letters? Will not that advertising by keeping an idle plant busy at night have the effect of reducing tolls ultimately? I will venture the guess that the consumers of Ivory soap have paid a negligible part of the advertising bills.

To be sure there is the manufacturer who puts his price up after effecting distribution and demand by advertising. The goods are apt, however, to be a patented article or otherwise not subject to competition. In such case the consumer pays the advertising cost and more. Advertising failures have to be paid for by some one, and although the angel who provides the capital is probably the chief loser, no doubt the limited number of consumers pay a good share in some cases.

But it is not my duty to speak for any but ourselves, and I claim that we can truthfully assure our dealers and customers that the advertising expense does not come out of them, but out of the savings in cost owing to growth produced by advertising. If an objector asks, "Why don't you reduce your price then?" he is entirely beside the mark. We cannot reduce the price by dropping publicity without having to increase the price again because of increased cost arising from decreased demand. Finally I want to say that I am not confusing the cost of salesmanship by advertising with the cost of ordinary salesmanship. It is true that advertising reduces the cost of salesmanship, but I am not hiding behind the fact. I claim that in our business, at least, the record of all costs and the record of our prices will convincingly show that our advertising bills are absorbed in the saving "in cost of salesmen, superintendence, rent, interest and use of our plant," and in cost of materials.

As to our use of this argument in trade journals to put the retailer in better mood to buy, I have no excuses to offer. The average grocer misses the point of advertising. He thinks that the money spent in advertising might better be his in the form of a larger profit or a deal so dear to his heart. He does not realize that the disorganized competition of his form of business would not permit him to enjoy a larger profit if it were given to him — at least on package goods. If he is becoming more and more a mere filler of baskets he has his fellow grocers chiefly to thank for it. No manufacturer can permanently effect distribution through the grocer, but must make his appeal direct to the consumer. By the rigid laws of trade as they exist under present conditions he has done all he can do when he insures the retailer a fair profit which does not admit of much cutting and then further insures a steady demand by advertising to keep his goods moving and maintain a steady profit for the handling.

To the salesman the complaint is familiar that the cost of advertising comes out of the retailer and the consumer. The salesman, of course, uses the perfectly valid argument that there is a saving of time and in the end a greater profit in selling goods that are easy to sell because they are advertised, rather than in wasting time by trying to push the unadvertised. But the salesman is not in the position to say with the authority with which we can say it that the cost of advertising is absorbed in the growth of the business and does not come out of the grocer. Why, then, is it not, good trade advertising to try to educate the retailer out of a mistaken notion that he is being buncoed? By all means let us appeal to the retailer in the most effective way we can and let us join hands in making a better business man out of him.

A somewhat broad discussion of the question of payment of advertising costs is that written by C. L. Grigg of the Norvell-Shapleigh Hardware Company, of St. Louis. It is a question whether all of Mr. Grigg's illustrations are well drawn, but his discussion is extremely suggestive. Among the suggestions contained in it none is more important than the implication which he makes that part of the cost of advertising appeal is taken care of by the social advantage inhering in new wants. This recalls us to the point made in our discussion on the Effects of Advertising on the Consumer. This point is the fact that the really important question in regard to advertising is not: "Who finally pays the $600,000,000 spent in advertising?" but "What is the economic effect upon the community of all of these appeals designed to stimulate wants?" Mr. Grigg says

*"Who pays for advertising?"

Let this question read, "Who pays for *creative* advertising?" and the answer is simple. All who benefit by creative advertising pay for it.

Printers' Ink, July 27, 1911, p. 30.

While the benefit may be direct to the individual consumer in the way of quality, style, service and the resulting satisfaction derived from the article advertised, society at large benefits by the improved social conditions.

Social Effects of Advertising

The safety razor advertising has made us a nation of clean faces; of daily shaving. Society as a whole has benefited. A clean-shaven man becomes a better man — a better man to see at least, and is usually more likable.

Creative advertising made the market for safety razors. The advertising of safety razors should not be charged to the razors nor to the individual, but to *social uplift.*

The demand for clean faces had been latent in the public for years. The cost in money, time and trouble of visiting the barber daily prevented the early realization.

Advertising made the market and by educating society to the safe, pleasant, and economical shaving process, made the safety razor.

Advertising not only awakened the latent desire, but so *cheapened* the process as to make the one-time luxury a common necessity.

Creative advertising is *telling* the *public* of a thing good for society as a whole.

Competitive advertising, on the other hand, tells the public, after the desire is created, "This is just as good," then fails to deliver the goods. It benefits no one. It causes the novice in the use of the thing advertised to lose faith, and is a danger to society as it deceives, discourages and destroys the educational work of creative advertising. This sort of advertising is economical waste.

The high cost of living is the result of businesslike readjustment of distribution. For years the rule was to make luxuries bear the cost of distributing necessities. As luxuries grew into necessities, the price was lowered by competition and other luxuries were expected to provide the net profit.

Advertising has converted so many of the former luxuries into necessities that the readjustment of distributing cost becomes necessary. Business resolved to make everything carry its own cost and in the readjustment staples were put on their cost, resulting in high prices on the unadvertised staples.

Of all the articles that have advanced in price, advertised articles show the least advance, while the unadvertised staples show the greatest advance. That creative advertising *does not cost society a penny* is conclusively proven by this one fact.

Last spring the packers took a four-million-dollar loss on eggs. Had they organized and spent one million dollars in making a market; in telling the public that eggs at the price were yet the most economical food; telling them how to use eggs in new ways and educating the public, they would have saved three million dollars and at the same time *have established a staple market.*

The result of that break in prices has been a general demoralization of all factors identified with the production and distribution of eggs. Instead of four million dollars loss, several times four millions dollars has been lost this season by the men who own the chickens. A million-dollar campaign would have made a market, not only for the stored goods but for all that have followed.

REVIEW QUESTIONS— CHAPTER XIII

1. How is advertising outlay covered by reduction in production and selling costs?

2. How is advertising outlay treated by accountants? Which theory about this do you consider safest?

3. When does advertising outlay cease to be an expense and become an investment?

PROBLEM QUESTIONS — CHAPTER XIII

1. One big electric manufacturing concern figures its "good-will" at $6,000,000 among its assets, another with patents quite as valuable figures its good will at $1. Which would you consider to be the better policy if all other conditions were equal?

2. If advertising, by increasing output, brings down production and distribution expenses and increases total profits of makers and distributors, is the consumer "paying" for the advertising because the price to him is not reduced? If the quality of the goods is bettered, or the quality of sales-service is improved can these be considered as part of the consumer's return for the maintained price?

CHAPTER XIV

THE ADVERTISING MANAGER

IN the case of the Multigraph Sales Company we saw the advertising manager working side by side with the sales manager. While this degree of emphasis on the advertising manager's importance may not be feasible in all lines of business, its success in the case of this company shows something of its possibilities.

Whether the advertising manager is ranked as one of the planning heads of the concern or not, it is becoming increasingly evident that his work no longer can be regarded as a mere incident in the selling plans of most companies. This means, of course, that there is coming to be a much better understanding than has prevailed of the uses and possibilities of advertising on the part of the sales manager, and at the same time it means that the advertising manager is going to find increasing need for a proper understanding of selling problems.

THE WORK OF THE ADVERTISING MANAGER

Myrtle Tower Snell, who is on the staff of George B. Spencer, in New York City, has the following to say about what an advertising manager ought to know about selling conditions: This is told under the title: "What a Woman Saw from Behind the Counter."

*The letter from Mr. Judson in your October 19th issue interested me. Mr. Judson's idea that advertising managers should go behind the counter in search of light on their sales

Printers' Ink, November 9, 1911, p. 44.

and distribution problems has been acted upon, I imagine, more times than he happens to have a record of.

I don't know at all if you want to hear from a woman on this subject, but the fact remains that I have had some rather illuminating experiences along the line suggested by Mr. Judson.

For example, in my capacity as advertising counsel, I have been called upon to diagnose and prescribe for sick store departments, upon many occasions. In such cases it is a part of my plan to hang up my hat and go on the floor or behind the counter as a saleswoman in the department needing help. In this way I get at the actual facts from every view-point, including my own. I am able to suggest to the merchant what I believe to be best from actual experience in his own store.

I fully agree with Mr. Johns in his article [see p. 465] on "The Real Functions of an Advertising Manager." "Show me an advertising manager who cannot take a sample case and go out on the road and personally sell a bill of goods, and I will show you one who is superficial in practically everything else he does, except split infinitives, or the proportion of top and side margins on a two-color mailing card."

And, by the same unfailing token, show me an advertising manager who cannot go on the floor of a store or behind the counter and sell to the consumer the goods manufactured by his house, and I will show you an advertising manager who has no business to attempt to formulate the selling policy for the merchant who buys his goods, or to suggest selling plans for him.

Such an advertising manager is not even capable of writing newspaper copy for his merchants. His efforts are at best only theories, he doesn't *know* what he knows, and his guess-work makes his experiments expensive, both for his house and its customers.

If I had space I could tell you the actual vital facts brought to light through my experiences behind the counter while making these investigations.

I could tell you of the infinite possibilities which that method has revealed for the sort of co-operation that means a priceless gain to both merchant and manufacturer, and of how tremendously it eliminates friction and promotes good feeling. . . .

In some instances the man behind the gun, who, in large measure, controls the buying in these stores, is not familiar enough with the conditions surrounding his own business. He will often accept the judgment of the outside counsel, when the opinions of his own people would be ignored. This happens in the smaller cities where the merchant is the nominal head of all departments.

In one instance, I found this most interesting phase of the problem: A member of the firm, who has died within the past few years, had influenced and attracted to his store a large foreign trade. Since his death, the patronage of the store had been undergoing a sort of transformation. When I went on the floor, I found we were serving the wives of professional and political men — members of the best families of the town.

The merchant was on the ground all the time, day after day and week after week, and was scarcely conscious of the change that was gradually taking place in his business. He realized dimly that the stock they used to carry didn't seem to be so readily disposed of as in other years — and he wondered why. He was trying to fit a medium and low grade stock to a high class trade, and it was distinctly a misfit.

Adjusting the Goods to the Market

The change was vital, both to him and his buyers, and even more vital to the manufacturers selling him his stock.

How could the manufacturer or his advertising manager know such conditions without getting directly into the fray and digging them up for himself?

True enough, the manufacturer's salesman goes to the town probably four times a year or more. But he opens up his samples down at the Dingley House or up on the top floor of the building, and he carries away what information the proprietor and his buyers choose to give him.

If he chance to be very wide awake he'll make some observations for himself while he's waiting for the department head to get through with one of his personal friends. But even then he's an alien, he doesn't belong.

And, on the other side of the question, when he goes back to the house, loaded to the guards with information that he swears the house has got to listen to — what happens?

The advertising manager is generally pretty busy and he asks the salesman to please put his information in writing.

By the time the salesman has floundered through the un-accustomed task of *writing* out his ideas, when his stock in trade is his winning way of *talking* — well, you can imagine the result when it reaches the advertising manager's desk. Its very brightest chance for life is to be filed away in a pigeon-hole under "Suggestions from House Salesmen," to be taken up when there is nothing immediate pressing; which heavenly state, by the way, the ordinary advertising manager seldom arrives at this side the little door.

And yet, these small-town conditions constitute an issue which must be met and reckoned with in almost every sales-and-distribution problem.

In one instance, a brief stay on the ground of one of our merchants brought to light friction between our rather tactless salesman and the woman head of the stock.

What then? We might have wasted tons of advertising matter trying to cram our goods down the throats of that house all to no purpose. Some other method must be applied.

Again, one manufacturing concern had been working for years to induce merchants to handle its product exclusively, in that line. A few trips among the stores of the merchants, a few hours sometimes on the floor, convinced me that one merchant in ten could make a success of a department confined to that one line. And if the department was not a success, what use could the store be to the manufacturer?

It meant simply one of two things — increasing the manufacturer's line to give it greater variety, or specializing on their present line and pushing it *as "a specialty."*

Such information as this, I consider, is necessary for the advertising manager to have as a foundation upon which to build practical plans and campaigns. And I do not believe his department will ever reach its fullest efficiency until he is in possession of just such information, gained through his own experience.

The Information the Advertising Manager Needs

Even his light upon the subject gained through his national advertising will be clearing and more searching, his appeal will be more direct, his argument more convincing, because he has faced his customers with his product in his hands.

Somehow this direct personal contact with actual sales sweeps away all the advertising manager's fine literary illusions, pricks the bubble of his impractical theories and clears his vision. In his plans and his copy he has deduced, or better, has *elevated*, himself to fundamentals, to first principles, to true salesmanship, which is all advertising is or ever can be.

Let the advertising manager get out and *sell goods* on the road and behind the counter. If it doesn't accomplish another earthly thing, he will find that it will lessen the friction between himself and the sales force, both wholesale and retail, forevermore. And his understanding of their problems, transformed from fairy tales to everyday facts, will make a mighty sight better advertising manager of him and an infinitely broader and more helpful man, both commercially and personally.

William H. Johns, vice-president of the George Batten Company, in discussing what he calls the "real function of an advertising manager," gives one or two illustrations of what the advertising manager's services are coming to include under present-day selling conditions.

*The advertising manager of a nationally advertised proposition, placing his business through a responsible advertising agency, is in a position to further or hinder a success, according to *his conception* of his proper function.

It is true that a success is sometimes made by sheer force of other influences, in spite of the advertising manager, who, in such cases, bears the title without fulfilling the real functions which might be reasonably assumed as belonging to the office.

And, again, the advertising man stands as a connecting link between conflicting forces, and by acting as a deciding vote can often swing policies and plans in the direction of success, in spite of other influences that otherwise would hamper the business.

I recently had occasion to give considerable thought to the question, "What part of an advertising manager's work should be personally performed by him?" — that being the subject under discussion before the Technical Publicity Association of New York in which discussion I was asked to participate. In this connection I had occasion to consider in writing, in a general way, what his proper functions are, how he should cooperate with the sales department, and how his work should fit in with the work of the advertising agency.

**Printers' Ink*, October 19, 1911, p. 3.

Of course, in the last analysis, it all depends on the man and the proposition and the agency, and the temperament of the principles of the business advertised; and yet, within the limits of the typical advertised proposition, and the typical advertising manager, there are certain general observations that may be worth noting.

The advertising manager soon discovers that there are but twenty-four hours in a day, and that even if he uses all of them, he can't do everything personally, and the question comes up: "What part of the work should he do himself?"

It is the privilege of any man in such a position to experiment a little before finally adjusting himself, and in fact nothing but experiment and experience can show him where he can apply his personal efforts with the assurance that they will count for the most.

With all these and similar modifying considerations out of the way, he finds, if he rises to the proper conception of his position, that there are certain things which he simply cannot delegate, and yet retain the inner conviction that he really is what his title proclaims him to be.

What the Advertising Manager Cannot Delegate

In the first place he must have the "vision" of the proposition and its relation to the public. Without it he is sure to be a hinderance rather than a help to the business. But to get it he must study the business in all its phases, talking with the factory foreman, the salesman on the road, the sales manager, the president, the comptroller, and wherever possible with typical consumers. He must know as nearly as possible what the dealer thinks, and how much inertia there is to overcome in getting the dealer to give distinctive attention to his goods. He must certainly know something of competitive products, and what is being done with them. He must work hard for this because truly vital information doesn't lie on the surface to be scooped up with a spoon in passing. Without this conception of the proposition his judgment is warped and inefficient, and is more likely to put the emphasis in the wrong place than it is to hit upon the right idea. And yet, having the title of an advertising manager, his opinions are apt to be given fuller credit, both by his principles, and his agency, than his actual knowledge warrants.

Now, if he sets himself to get this adequate conception of the proposition, as a basis for sound judgment, he simply cannot and must not spend all his time at his desk mulling over papers. And yet there are always papers that must be mulled over, and it becomes his problem to know where to draw the line. He will find that certain kinds of papers give vital information, that go to develop sound judgment, and these he certainly cannot afford to pass over. And certain other papers need his attention because they afford an opportunity to utilize his judgment at a vital point, and that being the main reason for acquiring that judgment, it follows that this is certainly a part of his work.

But show me an advertising manager who cannot take a sample case and go out on the road and personally sell a bill of his goods, and I will show you one who is superficial on practically everything else he does, except perhaps the question of split infinitives, or the proportion of top and side margins on a two-color mailing card.

Carrying Out the Selling Policy

Somebody has got to stand pat on the question of policy. When a plan has been agreed upon, somebody has to see to it that it is carried out, and that it is not deflected by clever advertising solicitation, nor by the chance suggestions of some one who either hasn't thought deeply into the matter, or who has another way of doing it that may be no better. And somebody has to know when a plan has been tried out enough to change, or go ahead with on a bigger scale. If it is the province of an advertising agency to keep one eye open for the time to change a plan, it is the rightful duty of the advertising manager to keep both eyes open, and both ears open, and his finger on the pulse of the consumer, with an occasional look at his tongue.

Somebody has got to outline the campaign. But as this involves so much more than the average advertising manager has ever personally had an opportunity to learn, it can be done best only through conferences. The advertising manager should have enough of that vision to make tentative plans, as a basis for discussion, and yet enough good judgment to understand that his vision cannot cover the whole thing. Here is where the sales manager needs to be brought into the advertising. And it is where the advertising manager has that much-talked-of chance to co-operate with the sales manager. And, again, here is where an agency, by reason of its accumulated experience in hundreds of campaigns, is entitled to a thorough hearing. And yet a sound campaign must be based on facts such as can be known only to men of long experience on the inside of business. Hence, the logic of a conference in which the president, the advertising manager, the sales manager, and the advertising agent all have a part.

Taking Council With Others

Using mere authority to enforce decisions, regardless of the judgment involved, is the bane of business procedure. Here is where one type of advertising manager is in danger of being a stumbling block instead of a progressive force. Being a "buyer" in fact, and yet a "seller" in theory, he is prone to take on the typical "buyer" attitude and get dictatorial, pompous, self-centred. I ascribe true greatness to the advertising manager who knows when he is a help and when he is a hinderance to the success of his own proposition. It is easy enough for the advertising manager to see when the sales manager, or the president, or the Board of Directors, are blocking the progress of the business by mistaken policy. It is contrary to human nature that he should be able to be a hinderance and know it at the same time. It is often possible for an agency man to see this as clearly as the advertising manager can see how others are blocking him.

Not to have backbone enough to take direct issue with the opinions of "the man higher up" occasionally may often mean disaster; and the advertising manager who can't do a little fighting now and then to defend his honest convictions is a poor guardian of the priceless opportunities of a business.

Some one asked me recently if I did not believe that an agency should have its fundamental dealings with the officers of the concern, and only its detail dealings with the advertising manager. My answer was that the agency should deal in the basic things with the principals *as well as* with the advertising manager. Some advertising managers change jobs without any pangs of conscience, and yet the business and the advertising must go on. It involves the fortunes and the lives of many people. Its roots should certainly go deeper than the temporary interests of any one man. Any advertising man who is willing to face these facts, and put the success of the business before what may seem to be (at first glance) his own personal glory and achievement, will admit that this is so, and will take his rank accordingly. And that will rank him higher — make him a bigger man whether he remains with the same concern or advances to another.

When it comes to selecting mediums the advertising manager should have a hand in it, but to attempt to settle such matters without utilizing the preponderant information on the subject which a real service agency should have is to invite defeat. But the agency should be able to satisfy his reason that the list selected is the most expedient, so that in the end the list is as much approved by him, and his principals, as it is by the agency, so there is no come back. Whenever an advertising manager, by virtue of definite experience, or even of opinion based on sound judgment and knowledge of his own proposition, favors and disfavors certain mediums, there can be little question that his ideas would be given due weight by responsible agency men in making up a list. It is the function of an agency to know as many facts as possible before deciding, and on every proposition the advertising manager should be able to supplement the facts already in hand.

Medium Selection

Whether the copy should be written by the advertising man or by the agency depends largely on circumstances. If the advertising manager can always write better copy than the agency he ought to do it, or change his agency. But in any event, the actual writing of copy is secondary to the decision as to what points shall bear the emphasis, what appeal shall be used, and what method there shall be of connecting up the advertising with the trade. In this decision the "vision" of the advertising manager, his accumulated experience, and his more intimate knowledge of the real selling problem should all have an important place, as also should the experience and judgment of agency men. Copy should embody the best judgment of all concerned, no matter who pens the text.

Ninety-nine out of every one hundred good advertisements are an evolution and not an inspiration.

So my word to the advertising manager on this point is that he should take hold where he can lift the most, and keep out of the way of men who might be able to lift more than he can. As much credit is due to an advertising manager for knowing when to step out of the way and let a big thing go past him as there is due for starting a big thing himself.

Much is said about the co-operation of the advertising and selling forces. In certain directions there is a tendency to combine the two positions into one. But in any event there is a great need, and an adequate tendency, for the two departments to work hand in glove. But it takes a different type of mind to get the maximum efficiency out of either the advertising department or the sales department, and this fact (and it is a fact) should determine how far the two departments should tend to combine. But I do believe that it is clearly within the functions of an advertising manager to be the connecting link that will insure real co-operation between the selling force and the selling plan, and this does not always mean getting the selling department to see his way, but sometimes for him to find out by actual contact what the real problems of the selling department are, and shape his own work to meet those conditions.

Advertising and Selling Co-öperation

If the advertising manager rises to the occasion, and forms his connecting link, his very position in the matter will answer the question as to what part he should personally perform in the follow-up work, co-operation with the selling force, getting in close touch with typical customers and getting the selling force to make the most of the advertising. If he doesn't rise to the occasion, and is content to peg along with detail that might be delegated to subordinates, then it is only a question of time till he loses interest and decides he would rather advertise breakfast foods than automobiles, and so it doesn't matter to him who is the real fountain of interest in making the advertising utilize its full opportunity. One thing is certain, and that is that the follow-up system which coins advertising ore into dollars should be in the hands of the man who really cares. If that is the advertising manager, all right. If it isn't, why let it be done by some one who *does* care.

If I were to gather up all my impressions as to the proper function of an advertising manager, within the limits above agreed upon, I should say that he should partake something of the nature of a barometer, something of the dynamo, something of the pilot on the ship, something of the governor on an engine, something of the orchestra conductor, something of the editor of a newspaper, something of the detective, something of the promoter, and something of the bystander.

The conception of the function of an advertising manager is rising in the scale. It means more to be a real advertising manager to-day than it did ten years ago. And it will mean more the next few years than it does now. The question is, are the men in positions of advertising managers rising to the occasion, and growing as fast as the business and its needs are growing. For to be an advertising manager certainly means to keep pace with the needs and opportunities of the business.

This idea of the broadening scope of the advertising manager is carried out somewhat more fully from the standpoint of the advertising manager himself, in an address before the Technical Publicity Association in New York City, on October 12, 1911, by Charles E. Jones, formerly advertising manager of the National Cash Register Company:

*The subject assigned to me, "The Scope of the Advertising Manager," is an extraordinary one, because the interpretation must be individual. . . .

Seriously speaking, an advertising manager's scope is all that he has given him and then whatever he can or should annex.

You see that I am interpreting scope roughly to mean latitude, and every advertising manager must have latitude enough to accomplish his ends. To have a good advertising department means time, and for an advertising man to have a good boss means time. . . .

He may have to change the name of the product — he should if necessary. He may have to change the product, he may have to change the policy of the house, or he may have to create a name or a product or a policy. All these things I believe come strictly within the scope of the advertising manager, and if he is what he should be he has a more æsthetic taste and a more sensitive taste than any one else in the organization.

However, to be æsthetic or sensitive does not release him from the responsibility of being practical and sensible. To think correctly is success.

The Need of Being Practical

There was a story about George L. Dyer, which has now become a classic in the annals or lore of advertising, that had to do with some advertisements he wrote for Hart, Schaffner & Marx. It goes without saying the advertisements were good; in fact they were so

**Printers' Ink*, October 19, 1911, p. 58.

good that Mr. Schaffner, of the firm, sighed as he said: "I wish our merchandise was equal."

In an instant Mr. Dyer was back at him and said: "Make your merchandise as good as these advertisements. Merchandise less worthy will not sell, and you must not publish these advertisements until the merchandise is up to them."

An automobile owner, driving a car the other night, said: "I wish this car was as good as the firm's advertising."

It struck me that that advertising manager was under a tremendous handicap—that he was doomed to find another job before long, because his concern would have to go into the discard, and if he is not careful, he will find himself associated in the minds of people as having been responsible for a failure.

And so I say the advertising manager should have a scope and a latitude sufficient to make his concern's product or service equal to the best on the market.

He surely must have scope enough to make good for the house and he must take enough to make good for himself. . . .

There are a great many things in modern business that call for dramatic action. They are things that should be done with a hope that they will be satisfactory, and when it is possible it is well to arrange to take care of the results in emergencies.

When a Guarantee Was Changed

I know of an advertising manager who, entering upon his duties, found fault with the guarantee that the concern put upon its goods and he wished to change it to make it more liberal — to make it so liberal that it was a sales argument. Without questioning his latitude in the matter he did this, only to be reprimanded by his boss.

He said: "Why did you change our guarantee? That guarantee was drawn up by our lawyer. It is hard for a man to get around it." The advertising manager looked the boss in the eye and said: "We have no feud with our prospects and with our customers. Let us treat them as though they were part of our family."

Another case: An advertising man was called upon to increase the sales and also the profit of a by-product that had been managed by another for twenty years. The sales were meagre and the profit was always taken up in the selling expense. He offered a complete change in method to the management who met his plan with this remark: "Why we have been doing this for twenty years." The advertising manager smiled and said: "That ought to satisfy you."

When I took charge of the advertising department of the National Cash Register Company, they had been without an active head in that department for some three months, and things were at sixes and sevens. The work was behind. It was Mr. Chalmers' earnest desire that by a certain time the work would be caught up.

As you may know, we had our own printing plant, which was thoroughly equipped and sufficient to get out a daily, which was sent to our salesmen; a weekly, which went to 5,000 people of the factory; several monthlies for different purposes; a house-organ that went to a mailing list of a million; and in addition to this, catalogues, sundry booklets and supplies.

The work was balled up. I had the problem of straightening it out. Those things that were started would have to be finished and new things would have to be put in process.

I never have met a more liberal concern, a concern more willing to spend money or to do things to accomplish their ends.

I looked over my problem, made some calculations and decided the solution of the whole problem was to double the capacity of the press-room. On reporting to Mr. Chalmers that I would do that to get the result a look of anguish came over his face as he quietly said: "We have a quarter of a million tied up in that press-room equipment now. I don't know what the stockholders will say."

Doubling the Capacity of the Press Room

I said: "I am going to double the capacity of the press room without spending a dollar." He asked how. "I am going to print two colors instead of four colors on the house-organ." "Well," said he, "I do not think the president will like that."

I said: "That is something that I will have to be judge of. If the president doesn't like it, I will move on. But I do not want to move on, and I am not making a mistake."

This was an instance of the advertising manager taking the scope and I can say in passing, as you may be interested, that the result was satisfactory.

I think advertising men very often unwittingly shorten their own scope. They circumscribe their own authority. There is no doubt a great deal of reason for submitting, at different times, the advertising matter that they prepare to superiors or to co-workers. But their attitude in submitting the same is an indifferent kind that causes a lack of confidence. They submit their plan or advertisement with this expression: "What do you think of this?" Instead of saying, "This is what we are going to do."

If there is a real honest criticism due the advertisement or plan that is submitted, the latter way of submitting it will bring it out, whereas the first query is an invitation to pull it to pieces and leave it broken up.

The advertising manager very often has not entirely developed his scope. I know of a case in Chicago where a head of the concern had done his own advertising until his business got to such proportions that he felt that he could profitably leave that work to another and go on to more important things. I was in his confidence, and when he hired the young man to take up the work of advertising he asked me to see him as often as I could and to submit to him any ideas or suggestions that would be for the firm's good.

The Need of Initiative

Six months rolled by. The business that I got out of that house fell off to such an extent that I thought that another engraver must be closer to the advertising manager than I was. I took the matter up with the boss, and he said, "No, you are getting all our engraving. Nobody else can get any of it and," he said, "strange as it may seem, I am sorry that we are not spending more money with you but the fact of the matter is that advertising man of mine doesn't get anything done. He hasn't ideas of his own; at least, so far as I can see, and when I or my partner give something to him to do he asks for time to improve upon our idea and in six months we have not spent one third of the money we should have liked to have spent in advertising.

Another story of an advertising manager who ordered a cover for a catalogue: I submitted the rough sketch, he looked at it and said: "Let me show this to the boss. I want to see what he thinks of it." I waited outside the private office and what came out of that private office was language that is certainly not fit to repeat here this evening. The boss told that advertising man, using language that was more lurid than elegant, that he certainly ought to have sense enough to O. K. a cover sketch without bothering him, etc., etc. I felt embarrassed overhearing the call down of the advertising manager and moved as far away from the front office as I could, so that when the young man came out he might feel at ease.

Imagine my surprise when the gentleman smiled and said: "Mr. F. has left this entirely to me. I am to use my own judgment. This is O. K."

THE TRAINING OF THE ADVERTISING MANAGER

With this enlarged scope of the advertising manager's activity, the question naturally arises, Where is the man to be found who can meet these requirements? If the advertising manager is to be called on to perform these exacting functions, it is evident that the time has passed when successful advertising men can be developed without very careful and intelligent preliminary training.

Truman A. DeWeese, director of publicity of the Shredded Wheat Company, discusses, as follows, his idea of what an advertising manager should be, and suggests the general form which he believes his preparation should take: Mr. DeWeese does not, however, give more than a general statement of his ideas on training:

*I am asked to give an expression of opinion as to what should be the training, qualifications, and functions of an advertising manager.

Duties and Training

There is, no doubt, a wide diversity of opinion as to what should be the duties and prerogatives of an advertising manager. But as I am asked for my opinion only, I intend to embody my opinion only in this article. It is obvious that the duties and prerogatives of the position must vary according to the job and the peculiar conditions that are thrown around it by the commodity to be advertised and the sales organization which has charge of its distribution.

Advertising an adding machine or a typewriter that is sold to special customers in business offices is quite a different matter from advertising a food product for world-wide consumption. The functions of the advertising manager will

*Printers' Ink, July 14, 1910, p. 141.

also vary according to his connection with the company which employs him and also according to the kind of advertising that is required to market the commodity advertised. If the commodity is one which, like Shredded Wheat, calls for a vast amount of educational work which he has trained himself to do by long association with the product, much of the detail which is necessary to make that advertising effective must be handled by the advertising agency which places the advertising.

If the advertising of the product, however, is merely a question of poster effect or the constant display of the company's trade-mark, the duties of the advertising manager will obviously consist of the mere management of details, selection of media and co-operation with the sales organization and the placing agency.

In a general way, however, my opinion as to what an advertising manager should be and what he should do may be summarized as follows:

Choosing an Employer

First, the advertising manager should exercise great care in choosing an employer. If he is a man of experience and national reputation he need not go begging for a job, for advertising men who are big enough to handle national propositions are very scarce. It is not beyond the bounds of truth to say that he can almost choose his own employer. The country is "blessed" with a bumper crop of "ad men"; but real advertising men who have demonstrated their ability to sell goods through advertising are not so numerous.

We are in an age of wonderful industrial activity when new manufacturing enterprises are springing up on every hand, all of which are calling for the genius of the man who can make a world-wide market for a commodity through national advertising. An advertising manager should, therefore, be careful to pick an employer who understands the value of advertising and who is willing to pay a salary commensurate with that understanding.

Unfortunately, many national advertisers are big corporations where authority is not concentrated. Advertising is too big a problem for the average business man on the average board of directors. The advertising manager should, therefore, pick an employer who is willing to give him absolute and unqualified authority over the advertising, and in order to carry this out in good faith he should have one man or one committee to confer with. In no department of business management has the one-man-power idea so great an advantage as in the advertising department. Too many advertising managers are mere rubber-stamp clerks, charged with the duty of sending out cuts and electrotype matter. The advertising manager should be the *manager* in fact as well as in name. All correspondence and matters pertaining to advertising should come to his desk.

Second, having selected his employer, the advertising manager should constantly look after the education of that employer with assiduous diligence and care. Members of big corporations which do a national business are busy men. As a rule, they are glad to learn all they possibly can about advertising. Their minds are receptive and it would be well to put into their hands the best literature dealing with practical problems in advertising. This kind of co-operation, combined with results, will bring about a relation that is not only pleasant but is very apt to be permanent and profitable.

Third, having selected a good employer, the advertising manager should receive a salary on the basis of the yearly advertising appropriation to be expended. Nothing less than an annual salary of five thousand dollars should be considered for a moment, and to this salary one thousand dollars should be added for every ten thousand dollars of appropriation above the sum of one hundred thousand dollars. If the management of the department which creates a market for a commodity and which increases sales from year to year is not worth this salary, it isn't worth anything, and the advertising manager should give his services to a corporation which understand the value of advertising.

What the Advertising Manager Should Study

Fourth, the advertising manager should make a careful and conscientious study of the product he is going to advertise and should master all the "selling arguments" that lie behind it. He should have no other interests of any character. He should not be interested in the "advertising business" or in any publication or medium. If he is employed by the Shredded Wheat Company he should be a "Shredded Wheat man"; if by the Eastman Kodak Company he should be a "Kodak man." He ought to know his own advertising proposition above all others, even though he may claim a general knowledge of advertising.

Fifth, the relation between the advertising manager and the sales organization should be one of complete, confidential co-operation. The advertising manager should evolve, originate and formulate the selling arguments that are to be used by the sales organization from year to year and which may change with the development of the business and the trade conditions that govern its sale. If the advertising department is what it should be the salesmen will be merely distributors. It is their job to keep in touch with the trade. They don't need to sell goods. The goods are already sold.

Sixth, the advertising manager should select the agency which is to place the advertising, and the selection of that agency should be governed by a knowledge of its ability to give him individual service and thus make his advertising effective. No other considerations should have any weight in the matter. If the employing corporation hasn't enough confidence in his honesty or his ability to leave this matter entirely to him, it would be wise for him to make some other advertising connection. He is not in the right place for satisfactory growth or development. He should select an agency that handles no competing product and then he should stand by the agency. It is through sympathetic co-operation between the agency and the advertising manager that advertising is made effective. Make the agency work for you, not for the publishers. It is of no consequence to you whether the publisher pays the agency a commission or not. If you handle your business properly you can make the agency *your* agent. If a publisher confidently offers to give you the agency commission and just as low a rate as the agency will give, shun him and keep his publication off the list. If he deals unfairly with the agency, he will deal unfairly with you. The agencies have developed national advertising. You can't wipe them off the map with any resolutions or advertising associations. They are here to stay. The wise advertiser and the wise advertising manager will use them and their accumulated experience and facilities in combination with his own experience and ability for making the advertising effective and far-reaching.

Seventh, whether the advertising manager should write his own copy or originate his own designs for the various kinds of advertising which he is going to employ depends on the nature of the commodity which he is advertising. In many instances where the product calls for a peculiar kind of educational advertising the advertising manager can sometimes write better copy and originate more effective designs than the advertising agency, because of his long acquaintance with the product and because he is in the atmosphere of the factory and in closer touch with the sales organization. In many other instances the agency can get out better copy and originate better advertising ideas than he can because it has made a greater study of the art of impressing the human mind with the desire to possess salable commodities.

Adjusting Advertising Means to Ends

Eighth, the advertising manager should know the special adaptability of newspapers, magazines, and other mediums to his particular product. He should know enough to use magazines for national publicity and newspapers for localizing that publicity, bringing the consumer up to the door of the dealer. The advertising manager is the only man in the advertising business who is in a position to take a rational view of advertising. He is not selling space or circulation. The publisher's representative will talk circulation as though it were a tangible commodity. The man who is advertising a product and spending money for a corporation knows that he is paying for the opportunity to attract the attention of the readers away from editorial and news matter. He is simply buying a chance. The publisher can guarantee that his publication has a certain circulation, but he cannot guarantee that your advertisement will be read. Whether it will be read or not is largely up to you, and even then the "make-up man" may put your ad where nobody can see it. The advertising manager should make a study of all mediums. He should study their editorial character and learn if possible the kind of people who read the different publications. There is no other way in which he can judge of their value as distributing mediums for his particular product. You cannot always depend upon solicitors or representatives for this information. Many of them do not possess this information.

Ninth, having determined upon a definite plan or policy, the advertising manager should stick to it. "Keeping everlastingly at it" is the secret of successful advertising. Adopt a schedule to fit the appropriation. It is unnecessary to say that this schedule should be based upon your selling plans and trade conditions that affect the sale of your product, and should not be arranged with reference to passing the appropriation around among a given group of publications. The man who will allow a game of golf, a theatre ticket, or a dinner at the Waldorf-Astoria to influence him in such matters is a poor, weak, despicable creature who will get the contempt of the publishers themselves and will not last long in the advertising business. The advertising manager should have enough character and stamina to pick his own mediums and run his own business, even though he may yield to the pleasures and beguilements of good fellowship.

Tenth, the advertising manager, whenever it is possible to do so, should be a stockholder in the concern which employs him and should occasionally sit in the councils of the executive board. Inviting him to sit with the executive board is not only an expression of confidence in his judgment but is a recognition of the importance of advertising and its close relation to salesmanship. If he is a stockholder he will be spending his own money for advertising, and every scheme he adopts to enlarge the market for the product will redound to his own financial advantage and at the same time give him prestige and standing which insures his position in the advertising world. If he cannot own any stock he should be the accredited representative of some big stockholder. He should be master of his own job. He should be so thoroughly familiar with the publications of the country and should have such a thorough knowledge of advertising that all matters pertaining to advertising should be very promptly and willingly referred to him by members of the corporation which he represents.

Advertising and Sales

The advertising manager should not claim too much for advertising. He should, however, have a sufficiently comprehensive knowledge of the business in which he is engaged to know just what measure of success is due to advertising, and he should know as nearly as it is possible to ascertain just what relation the advertising bears to the annual sales of the product. If he is handling a large appropriation he will be bombarded by many telegrams, special delivery letters from special agents, and by callers who will tell him that "they came all the way from New York just to see him." If he is a man of the right character and stamina, however, such things will not disturb his tranquillity. He should be a man of amiable equipoise and never failing affability. If he has the right stuff in him he will allow none of these stampeding methods to interfere with the arrangement of his advertising schedules and plans. In buying space and selecting mediums he will be governed only by trade conditions, by past experienee, and a knowledge of the possible consumer to whom he must make his appeal.

Eleventh, the advertising manager should have some knowledge of printing and lithography. If he has been a printer some time in his life, so much the better. A knowledge of the mechanical technique of these arts will be of great advantage to him in the preparation of booklets, leaflets, folders and other advertising literature, which come under the direction of most advertising managers. When it comes to advertising commodities that have a world-wide market the advertising in the magazines, newspapers, and other media is only one feature of the work that falls to the department.

The advertising manager should not be a desk man. He should have a desk, but he should not keep his nose on it for any fixed number of hours. My best advertising "copy" is written on the train, at home, on a boat, or in church. . . . All of which means that an office is not the best place in which to write good "copy" or to originate advertising ideas. The wise advertising manager leaves much of the letter-writing, and much of the details of his department, to a detail man who has a mind for details and who will relieve him of the work that tends to destroy the creative faculty which gives dynamic force and vitality to advertising.

TRAINING FOR ADVERTISING MANAGERS

No better idea can be gotten of the kind of training which can fit a man for the position of advertising manager than to study the processes by which some of the more successful men in this line of work havebeen drawn into the business. This, of course, does not show what kind of training is really best, but it does give a good idea of how some of the best men in the business learned to see what their work was, and to adapt themselves to it.

*When you inquire into the earlier experiences of many men who are to-day occupying important positions in ad-

Printer's Ink, August 18, 1910, p. 47.

vertising, you find that the majority of them "grew" into the business.

Not all of them like Topsy, to be sure, but, nevertheless, they were often dragged in by the heels unexpectedly, or suddenly found themselves in, without knowing really when they started to go there. Some co-related fields, like the newspaper, printing, the sales-force, trade journalism, and other things placed them in the path of the phenomenally growing business of advertising and there they were!

As a result of this peculiar condition, many advertising men of to-day have an interesting "past." In fact, taken in a lump, the advertising profession represents a greater variety of business experience and points of view in the training and past work of its devotees than possibly those of which any other business can boast.

Take, for example, Herbert G. Ashbroke, advertising manager of "Jap-a-lac." From the time he was twenty until he was twenty-five he was employed in a wholesale drug house in Indianapolis — could you imagine anything further removed from advertising? He left that to take up fire insurance for the next four years; and if you can see any advertising training in that your eyes must be supernaturally good. But he met F. A. Glidden, and joined him in 1899 *as a salesman on the road.* After a time Mr. Ashbroke was struck with the possibilities of Jap-a-lac, though, according to his own confession, "I knew nothing of advertising at the time." Yet he asked to be placed in charge of advertising, and learned by making many mistakes. "I have often thought," says he, "how foolish some of my statements about advertising must have sounded to advertising men who were soliciting our business and some of whom have spent their lives in a study of advertising. But I was determined to learn, and availed myself of every opportunity to talk with advertising men and to read a great deal that has been written on what, to my mind, is the most interesting subject in the world."

O. C. Harn, advertising manager of the National Lead Company, was once a reporter on a Cleveland paper — then he became editor of an architectural journal, and, later on, became one of the proprietors and editors of a grocery trade paper.

It was in this connection that he became interested in advertising, through writing the advertisements for patrons of the publication and helping in the planning of their campaigns, finally throwing himself into the thick of the thing by going with one of his clients, the H. J. Heinz Company, until he was called to take charge of the advertising of the National Lead Company.

The experiences of a great many other advertising men would be found to be very similar to Mr. Harn's.

They found an opportunity to help in the advertising of some advertiser, showed their adaptability for the work, then advanced step by step to a good position.

A number of advertising men have secured their start by inducing some local merchant to let them prepare his advertising copy. This gave them a chance to show whatever ability they had in this line and it was rapidly developed, until a better opening was secured.

Truman A. DeWeese, director of publicity for the Shredded Wheat Company, was a newspaper editorial man originally.

Another Newspaper Man

He went from a paper in Michigan to the Chicago *Record-Herald*, and then got mixed up in editing "What to Eat," now *National Food Magazine*. It was a rather simple step to get acquainted in this capacity with the Shredded Wheat folks, and he took up their advertising.

The two greatest sources from which advertising men are drawn are the newspaper and the sales force. The newspaper seems to have a peculiar fitness in developing versatility and terse, graphic writing, important qualities in advertising. The sales force, in turn, is developing the newer type of advertising man, who is not only a writer, but a practical selling man, who can combine copy-writing with analysis of concrete selling conditions. The combined advertising and sales manager is growing out of this tendency to put a sales-trained man to the work.

R. A. Holmes, advertising and sales manager of the Crofut-Knapp Company ("Knapp Felt" Hats), entered advertising through the sales department, and is a prominent example of the sales and advertising manager combined.

F. X. Cleary, advertising manager of the Western Electric Company, also graduated from the Company's selling force into the advertising department.

Herbert Proudfit, recently made advertising manager of the Æolian Company, was on the selling staff of the company originally, and later assistant advertising manager.

S. C. Dobbs, advertising manager of Coca-Cola, was on the road as an ordinary salesman for some time. Then he was made sales manager, and later *also* advertising manager.

At the same time, there are some who have lapped into advertising and sales departments by the same old newspaper route. Roy B. Simpson, who is just retiring as sales and advertising manager of the Keller-Santo-Vacuum Cleaner Company, Philadelphia, entered advertising from the newspaper and printing end. He was a practical printer in Arkansas at seventeen or eighteen, and soon after became a mailing clerk with the Fort Worth *Gazette*, and at twenty years of age circulation manager. At twenty-three he was working on a farm paper, and at a feed experiment station got acquainted with grain feed advertisers. Later he became assistant advertising manager of the Quaker Oats Company.

The Effect of Propinquity

This illustrates the frequency with which men are drawn into advertising, ten and twenty years ago, simply through propinquity and allied activities. Another prominent advertising man's start was like this: he was first a printer's devil, then, being ambitious to write, started a column of observations for the newspaper in whose composing-room he was working. These writings attracted a rival newspaper's attention and he was offered an editorial position. One day a real-estate advertiser asked for his assistance in preparing advertising (not knowing where else to go) and the young man, then but twenty-one, found he liked the work and did more of it, finally getting a number of clients and started an agency, which grew into general advertising and brought him to the attention of prominent agents and advertisers.

Many solicitors for agencies, special agents, and publishers' representatives (who represent, usually, a rather separate division and type of training) are very frequently drawn from newspaper and trade-paper soliciting staffs, though a large number are now trained directly on the staff by older men in the field. There are now so many ambitious college men who are eager to get experience in advertising solicitation that openings are very quickly filled, and there are even waiting lists.

An unusual instance of a solicitor and circulation manager becoming an agency copy man and advertising manager is afforded in the case of C. C. Winningham, who recently left Lord & Thomas as head of the copy department, to become advertising manager of the Hudson Motor Company. Mr. Winningham was a big success as circulation and business manager of the Muncie *Star* and later with the Star League of newspapers.

As a matter of fact, no business experience is without value to one in the advertising business. The closer he has been to selling conditions, the better advertising manager he makes. It is a mistake to assume that writing ability and a knowledge of type are an adman's requirements.

George P. Metzger, advertising manager of the Columbia Phonograph Company, has been everything from office boy to typewriter salesman and rubber tire representative, to say nothing of running a bicycle repair shop! He drifted into agency work after some breezy advertising work for a large concern, and was chief copy man in the Hampton Advertising Agency, mainly because of a fertility of ideas that were practical.

Others have gotten into advertising most unexpectedly. One of the ablest women in the advertising field was a newspaper writer and later a stenographer. In one position she was given advertising work to do because nobody else seemed to consider it above a stenographer's calibre, and her work attracted the attention of an agency, for which she later did some very important work.

From the Agent's Copy Staff

In a number of cases advertising men on the copy staff of agencies have been chosen as advertising managers. An interesting example, is that of W. W. Wheeler, advertising manager of the Pompeian Massage Cream Company. He was originally a newspaper man who, when he struck a hard time to make connections, was taken on the Hampton Advertising Agency staff. As he was a learner, he had no easy time of it, and finally connected with the George Batten Agency, from where he was called to become Pompeian's advertising manager.

Ellis Howland, advertising manager of the Kellogg Toasted Corn Flake Company, was doing trade reporting for the New York *Journal of Commerce* before being asked to join the Kellogg forces. Harry Ford, advertising manager of the Chalmers-Detroit Company, was also a forceful writer for for newspapers, etc., before his advertising experience with the National Cash Register Company and Chalmers.

Marquis Regan, until lately advertising manager of Yawman & Erbe, worked on Kansas City and Iowa publications in various capacities, and developed some original ideas of advertising classification. Agency work was his stepping-stone to an advertising managership.

But if many now prominent "evolved" into the business others shouldered their way into it. The story is told how E. St. Elmo Lewis, advertising manager of the Burroughs Adding Machine Company, offered to work under the title of stenographer, since the advertising was not then considered enough to engage a man's time.

It has been growing increasingly hard to secure a start in the business, due to the large number of those whom the business is attracting. A great many raw and extremely poorly equipped young men (as well as women) have been attracted in various ways, frequently by the representations of irresponsible schools and classes of advertising. Many of these have an erroneous idea that they can get their training in advertising agencies. As a matter of fact, it is constantly becoming harder to secure an opening for learners in agencies, and the best agencies have for some years now refused to employ any but experienced men.

General advertising is rarely the right place for a beginner to start. He needs retail advertising experience, and also business experience. It is practically hopeless for a school teacher, for instance, or any one without business experience to undertake advertising.

A well-known advertising man is advising all who ask him how to "get a foothold" in the business to go behind a retail counter and learn to *talk* advertising first, or go out and sell books or anything. Then write circulars and learn how to handle words.

One or two correspondence schools are very helpful in providing technical groundwork, but a certain temperament is needed to be successful in advertising — a versatile, alert, and naturally adaptive temperament, and a businesslike tendency of mind. Without this, failure is very certain.

Some rather pitiful, yet determined, efforts are made to get into agencies. One college graduate, a plucky son of wealthy parents, actually agreed to work as mail boy in order to get inside the coveted portals of a famous agency, which had no use for beginners. Of course, this was a mistake, for the poor boy couldn't learn much more than if he had looked in at the windows.

Any young man who has it in him to make a success of advertising work will "find a way" to get into the business. This very ability to "find a way" to accomplish things that are desired is one of the chief characteristics of a successful advertising man.

One man who is now in charge of the advertising of one of the largest corporations formerly held a very good position with a large contracting firm. He decided he wanted to go into the advertising business and quit his job in order to take a beginner's salary in a small advertising agency. He had the spirit and determination that win out. Another young man learned stenography in order to secure a position as stenographer in an agency. Conditions in the advertising business are not the same to-day that they were a few years ago.

Advertisers do not care to risk their advertising problems in the hands of men who are not thoroughly experienced, where not so long ago it quite often happened that the advertiser took a bright young man from his sales staff and put him in the office "to look after the advertising." Consequently, beginners to-day have to start very humbly, and take a long road full of a very great many things to learn.

James H. Collins, in his discussion of the Advertising of the Future, has a special section devoted to the discussion of the Advertising Man of To-morrow, in which he indicates something of the tendencies and general directions of development which already have been indicated:

*To judge what the advertising man of to-morrow will be, it is well to look around in the world of business generally and note some tendencies.

We often hear it said that this is an age of specialists — that the man who makes the big success is the fellow who can do one thing and do it well.

It *is* an age of specialists, but that is not a very good definition of a specialist. For the time cometh, and indeed now is, when the man who can do one thing exceedingly well must also make it harmonize with what others do, and put it on a broad, human basis.

**Printers' Ink*, February 15, 1912, p. 3.

Talk with the executive who hires engineering graduates. He will tell you that the young engineer fresh from college is a lad of infinite possibilities and also infinite exasperations. No matter how sound his grasp of technical theories and practice, he usually has to be taught to control himself, to work with others, to manage wage earners, to see that there is far more engineering than the studies he pursued at "Tech." The engineer-executive is often found in high positions nowadays. He is always a man who has developed the broad, human side of a business so well that many of the technical things he learned at college have been forgotten. When he has some complex strains to figure he turns the job over to a chap who learned that so well that he has never been able to learn anything else.

The Need of Team Play

Now the advertising man of to-day is often a specialist in this narrow sense. It is his function to express business by the printed word. He got his training on the college paper, or in an advertising agency, or a publishing office. He centres on writing, display, illustration, paper sizes, and circulation figures, and succeeds in giving the business such a striking expression that the house cannot begin to live up to the expectations aroused in readers.

A great deal is heard just now of "service" in connection with advertising.

Some time ago two young men, proprietors of an advertising agency, laid before a clothing manufacturer a "service" advertising campaign. The clothing manufacturer listened attentively, but when they had finished said: "Gentlemen, that is a good *advertising* plan. But what I want is a *clothing* plan. I see that you have not followed events in our trade. So many things have happened lately that I don't believe I could tell you about them clearly in an all-day conference. But if you are willing to familiarize yourself with our business so that you could draw up a real clothing plan, I could indicate points which you might investigate for the next month."

Knowing the Selling Problems

Those young agents bade him good-bye and faded away. They went out and never came back. He had called the turn squarely on their "service," and found they did not really want to serve. He was not willing to make his business fit their plan, so they dropped him with the comfortable reflection: "Just like a manufacturer! Because he has made clothing all his life, he imagines his business is peculiar and cannot be advertised."

Next month that agency issued a fine booklet entitled "Service." It skilfully enumerated the points that a thorough service investigation ought to cover. And every one of those points dealt with something that the clothing manufacturer had assured them they ought to investigate in his line!

Up to now the advertising man has often been an outsider to the world of industry. Either as agent or advertising manager, he has gone to the manufacturer with strong claims for the value of advertising. He proposes to tell the wonderful story of the product and make the brand synonymous with quality in people's minds. The manufacturer has listened, told him to go ahead, proved the value of advertising, and then found that something better than a wonder-story was wanted, and something more direct than this literary and outside point of view.

Coming Out of the Selling School

And as an outcome the advertising man of to-morrow can look over the country at this very moment and see himself evolving everywhere. He will be found in factory offices, sales branches, and other quarters of the world of manufacturing and distribution. He is starting, not with the college paper or the solicitor's dummy, but by selling goods on the road, or taking care of the city trade, or running a department in the works. Sometimes he is an engineer graduate. Again, he is a grizzled salesman. But everywhere he is taking hold of advertising from the advertiser's end rather than that of the space seller. He is centring all his effort on one advertiser's business. He knows the ins and outs of the product, the difficulties of trade distribution. He searches for strictly trade solutions to knotty little trade problems. He understands the real consumer well enough to get his attention by points of real attraction in the goods instead of a wonder-story. He is part of the sales force and the factory staff, and close to the employer who pays his salary.

This new advertising man has not attracted much attention from the old agency and publishing men. They see him as they go around the country, and very often he is a rather naïve lad, anxious to learn, who makes one smile with his disconnected questions.

"Oh, well," says the old practitioner, "he'll be a darn nice fellow when he grows up."

But that new type *is* growing up, and he is presently going to be a stiff competitor for the other kind. He already outnumbers the agency and space-selling men at least ten to one. For he is found in hundreds of small factories, handling advertising that goes into nothing but trade and technical papers. It is *he* who has suddenly made the advertising club thrive all over the country. It is *he* who earnestly sits down to discuss advertising fundamentals and exchange data about actual results after carefully shutting the agency man and the space seller out. And he is pressing to-day for reforms in advertising that should have come ere this. The agency and space men always hoped those reforms would come. This newcomer, however, is taking the field to see that they *do* come, because the evils that stand in their way cost his boss a whole lot of money.

When He Grows Up

Now, this new advertising man, the fellow of to-morrow, offers an interesting little problem in competition for the all-around advertising man whose experience has been gained in one of the big centres. For as he gains experience himself, and grows up, he is undoubtedly going to handle much of the advertising of to-morrow right at the factory. The all-around advertising man will object, "But how will he get the publishers' commission?" And the answer to that is probably that there may not be any publishers' commission. The latter represents something that has almost been outgrown by the present-day agency.

There is only one way in which the all-around man can meet this newcomer, and that is by developing as fast as he does. This will be done by specializing, probably. Instead of undertaking to handle the advertising for any kind of business that came along, the all-around man will centre on a few lines that really interest him and become a real factor in them by thoroughly understanding their trade and technical conditions. It may be foods or textiles, machine tools or structural materials. Whatever he selects he will have to study diligently, be a wide reader of technical books and journals, attend the conventions, follow the trade movements and fashions, and know all the men and concerns.

The advertising man of to-morrow is going to be an *insider*. Facts upon which advertising ought to be based cannot be secured from the outside. The outside copy man may talk with the factory superintendent, view the process, listen to the purchasing agent on the subject of good and bad materials, write down the points of merit in the forthcoming model, and construct a series of announcements that will be interesting and impressive.

He Will Be an "Insider"

Yet that is not the whole of the story. It is only the high lights, and maybe they are distorted. The factory superintendent is not a talker, and in telling the copy men what he considers notable about the product he may overlook precisely the points of real advertising interest. The purchasing agent may be able to tell nothing new about materials — the real point is in the sum of a dozen little superiorities of quality and in the way the materials are put together and the goods inspected. Processes may be just like those followed in every competitor's factory, yet the goods are superior and are sold year after year because they have little niceties of design and finish. The sales-plan expert coming from the outside may canvass the trade, tabulate superficial figures about the consumer, and lay down a striking scheme after a surface study. But he cannot get the close contact with the business that comes to the inside man who is part of it, whose whole time is spent with it, who follows the trade gossip, the technical developments, the consumer's complaints. The insider is with the factory men while they experiment with new things, and with the boss and the sales force when they try them on the dog in a corner of one city. Where the outsider kicks up a lot of dust in the copy, and emphasizes wonderful and fearful points of merit, the insider is a quiet specialist in the true sense, following all the little points of enduring importance.

Advertising is becoming more and more special and technical. The days when a staple could be boomed by writing general wonder-stuff about it are passing. That was all very well when only one concern had had the courage to advertise such a staple so far, and when advertising for it was entirely new to the public. With a dozen, or twenty, or fifty houses advertising the same staple, however, and more coming into the field all the time, it is obvious that copy must have a more intimate appeal, and that finer points in distribution must be dealt with. This calls for a specialist who knows conditions better, and who can, at the same time, make advertising fit the general produc-

What is Called for by Modern Conditions tion and distribution machinery of the house he works for. It calls for the insider.

The all-around, outside advertising man who wants to grow with his industry will first select the special lines he wants to work in. Then he will study them technically. It is astonishing that he has thus far read so little along technical lines. The trade press and the technical libraries are open to him, however, and the technical men he can meet everywhere will yield information as fast as he is able to understand and use it. There are technical conditions to study and technical movements to follow. In this direction lies progress. If he is going to be with us to-morrow, he will begin to get busy.

CHAPTER XV

THE ADVERTISING AGENCY

IT IS estimated that 95 per cent. of the national advertising now conducted in the United States is placed through advertising agents. A very considerable part of the local and territorial advertising also is conducted in this manner.

No accurate data exist showing the exact number of institutions of this kind now in existence in the country. The latest figure given out by the American Newspaper Publishers Association, is 235 "recognized" agents, and it is estimated that the number of "unrecognized" agents would bring the total up to approximately 375. In the year 1889, the second year in which *Printers' Ink* was published, that paper issued a list of "recognized" agents in the United States. There were 41 names on this list.

Not only has the number increased from 41 to 375, but the amount of business done by many of the agencies has increased enormously

*" One agency, for instance, which for twenty years or more has counted but *one* in the list of agents, compares its present number of accounts by those of two decades ago at the ratio of 1 to 60. And four of these accounts began to advertise with an annual appropriation aggregating less than $10,000, and now, after a few years, aggregate more than a million — 100 times as much."

An interesting record was recently unearthed reporting the work of the National Association of Advertising Agents at

**Printers' Ink*, July 20, 1911, p. 158.

its convention held in the Astor House, New York City, on April 16, 1873. The records of this convention are particularly interesting in that they show that nearly all of the five main topics of discussion at that meeting were such as might very appropriately be considered at a gathering of advertising agents now after a lapse of nearly forty years.

1. "On the relations of advertising agents with publishers who do not recognize the rights of agents or allow them any commission on advertisements.

2. "On the relations of advertising agents with publishers who ostensibly recognize the rights of agents and allow the usual commission but in various ways encourage and practise acts which work to the disadvantage and injury of agents.

3. "On the recognition of new advertising agents.

4. "On the relation of advertising agents to each other and to canvassers and persons who express a desire or intention of becoming agents.

5. "On the relation of advertising agents to advertisers." The resolutions adopted in connection with this last topic are of particular interest and value in the light of forty years of subsequent discussion. They were as follows·

*ON THE RELATION OF ADVERTISING AGENTS TO ADVERTISERS

Whereas, Newspaper advertising agents derive their profits from commissions allowed by publishers, and these profits depend upon securing advertising contracts and obtaining payment for the same, therefore it is evident that the agent must work for the interests of the advertiser quite as much as for those of the publisher whom he represents. And,

Agency Problems Forty Years Old

Whereas, It is asserted and believed among advertising agencies that the average beginner in advertising, who relies upon his own unaided judgment, will not, as a rule, procure, for any fixed sum of money, more than one half the publicity which would be obtained for him with the same amount in the hands of an agent of experience; and that on the largest con-

***Printers' Ink*, August 31, 1911, p. 34.

tracts for experienced advertisers, those agents whose facilities are first-class secure for their patrons as low rates as could be obtained in direct dealings with the publishers and make their commission intact; and,

Whereas, There has not been a single instance in the past twenty years of an advertiser who has achieved a conspicuous success without contracting mainly through newspaper advertising agencies, and that the competition among agencies and the adoption by some publishers of fictitious rates are the main causes which lead to the demoralization of the agency business and to the practice of dividing commissions with advertisers, and that in this, as in other matters, it will be wise for agencies to adopt some rule for their guidance; therefore, it is hereby

Resolved, That no advertising agent is justified in dividing with an advertiser the commission which he received from the publisher, unless it can be shown that the publisher in question has, at least in one instance, been known to make a similar deviation to the advertiser direct, and that, in case this cannot be shown, it shall be considered dishonorable to divide a commission, or discount the regular rates. That we deprecate the custom of accepting the entire business of any advertiser for a stipulated sum per annum in lieu of commission, and we recommend that any agent conducting business on this plan shall discontinue it as soon as present conrtacts expire. That in contracting with advertisers for the insertion of advertisements in papers which cannot be relied upon to demand a uniform price, the agent will best serve the interest of all parties by declining to name a positive price, but should name a price at which he expects to obtain insertion, and, if the same is refused, it shall be at the option of the advertiser to increase his offer, or to omit the paper from his list.

That in no case is any agent justified in charging or receiving from any advertiser a larger sum for any advertisement than would be required by the publisher's schedule of rates; but that when an agent is induced to "speculate" in advertising, thereby making himself a principal, and contracting with the advertiser for insertions in certain papers, without regard to the prices which may be required of him, in such cases, as the agent risks a loss by the chance of paying large advances to some papers, he may also be entitled to an extra profit, even beyond his commission, should he succeed in procuring the service at less than the contracted price. It is hereby further

Resolved, That in all cases where an advertiser contracts with an advertising agent for the insertion of an advertisement in any paper or list of papers, on which he has himself already procured an estimate, the contracts shall not be binding on the agent unless the advertiser, at the time of asking his estimate, shall inform the agent that he has already secured, or intends before giving out the order, to secure the publisher's estimate. It is further hereby

Resolved, That we will furnish advertisers with files of papers for their examination, at our offices, at any time within three months after the dates of publication, and that for any advertiser who will not make such examination, but requires to see papers at his own office, arrangements shall be made to secure, as far as possible, the sending of the papers, at his expense, direct from the office of publication. It is impolitic to permit our files in office to be rendered incomplete for the accommodation of any individual advertiser. It is further hereby

Resolved, That as it is thought proper that some rule should be adopted to regulate the class of business which we will receive and forward, and that as this is a matter about which widely different opinions prevail, we will adopt as a criterion, that we will not receive or forward for publication in any paper any advertisement to which we would refuse insertion in a first-class morning daily were such a one under our charge, and that the class of business accepted by agencies under this resolution shall be the scale by which may be measured their own estimation of their own moral status.

THE WORK OF THE AGENCY

The service out of which the work of the modern advertising agent has grown up is the service of space brokerage. The buying of space is still one of the most important parts of the agent's work no matter how many other lines of service he may undertake to perform. It is this service which, in the case of most agencies, is still made the basis of payment to the agent and, as already intimated in the forty-year-old resolutions which have been quoted, the controversy about payment on this basis rather than on a commission received from the advertiser is an extremely heated one.

J. R. Wakeman, treasurer and space buyer of the Van Cleve Company, of New York, in an address on the "Space Buyer's Work," described some of the problems which are involved in this the oldest part of the advertising agencies' activities:

*The principal and familiar mediums with which the space buyer has to deal are the following: Billboards, wall signs, and bulletin boards, all classified as outdoor display; street cars, magazines, newspapers.

Bulletin board display is sold by the running foot; bill posting is charged by the sheet, per week or per month, and wall signs are charged by the square foot. Some outdoor display signs in exceptional locations, which may be seen by an unusual number of persons, are charged at fixed price for a given period; that is, per week or per month.

The Work of the Space Buyer

The charge for street-car cards is made per card per month.

The various forms of outdoor display and the street-car cards are admirable adjuncts to any campaign. And a good many articles have been introduced to the public by the use of these mediums alone. But since, from the very nature of the display space, there cannot be given a great deal of argument, these mediums are used much less often than are the magazines and newspapers as a primary medium for the introduction of a product about which there is a story to tell.

The price charged for outdoor display and for street-car space is based, naturally, on the prominence of the outdoor sign, or the importance of the street-car line, because this determines the amount of travel on the car line or along the thoroughfares from which the sign may be seen.

Only a few years ago there was perhaps a greater lack of stability in the rates charged for these forms of publicity than for anything else on earth that was offered for sale. I was connected about thirteen or fourteen years ago with a concern that had over ten acres of outdoor display and over 36,000 cards in the street cars of the United States, nearly all east of the Mississippi. The prices we paid were in many cases less than the cost to the seller; that is, we thought they were, and if they were, naturally some other advertisers had to make up the loss. And the inequalities in the rates were something

Printers' Ink, July 4, 1912, p. 20.

fearful. At that, we didn't always get what we paid for, or what we thought we were getting. . . .

During the last few years most of the outdoor display space and the street-car advertising space has come under the control of concerns who are running their business in an honest way, and the inequalities which prevailed a few years ago do not exist now.

It is in the selection of newspapers and magazines, and the choosing of those which are likely to bring the quickest results at least expense, that the space buyer of an agency proves his ability.

The Selection of Newspapers

The value of memory is obviously great in this matter. The well-informed and competent space buyer must know about the newspapers in every city in the United States and Canada; must know, when there are two or more papers in a city, which is the best, not only as regards circulation but also as concerns its advertising rates — whether those rates are fair for the amount and kind of circulation it has.

He must know how many papers to use in each city, to market cheaply and effectively the product which he is to advertise. Hs must have a pretty thorough knowledge of the climate in the territory where he is to sell his goods. He must know whether the morning papers or the evening papers will be better.

For instance, it is almost always the case that in tropical or semi-tropical climates the morning newspaper has a bigger and better class of circulation than the evening paper. There are exceptions, of course, and he must know what they are.

It is necessary for him to have a knowledge of the train service out of every important city, so that he may know whether or not the papers in the city can get the out-of-town circulation, and if they do where it is. Also, whether the morning paper can more easily get the out-of-town circulation than the evening paper.

If there be both one morning and one evening paper he must decide whether the circulation of one duplicates largely the criculation of the other, and should a city have a large number each of morning and evening papers he must know, when he is making his decision to use either the morning papers or the evening papers, how many papers to use so as to avoid duplication but still cover the population he is trying to reach.

It isn't easy to tell you on what are based the charges for advertising space in newspapers and periodicals, because there are so many exceptions to any rule that we try to make.

The space in the standard size magazines is generally sold at the rate of $1 per page for every 1,000 circulation; that is, if a magazine has 500,000 circulation, its rate is $500 per page.

Buying Magazine Space

The space in women's publications is sold on the basis of about twelve or fourteen dollars per single column inch for each 200,000 circulation. Thus a column fourteen inches long in such a publication, with a million circulation, costs about $900.

In the big weeklies of general circulation space is sold on about the same basis as in the women's publications.

Daily newspaper space is generally considered as worth from three to five cents per single column inch for each 1,000 circulation. As circulation increases rates become proportionately lower, as a rule. For instance, in a daily paper with one thousand circulation the rate would be about five cents an inch, while space in a daily newspaper having a circulation of 200,000, instead of costing $10 an inch, or two hundred times as much as in the paper with one thousand circulation, would cost about $4 per single column inch, or only eighty times as much. . . .

Constant Changes in Value

In any city or territory the relative values of the newspapers are constantly changing.

The newspaper which is most important this year may be the second paper next year. A paper, in its editorial policy, may offend some of its readers, and those readers will drop that paper and take another one. The paper may not get those readers back and it may not get others to replace them. And even if it does, it will take time.

Or a particularly aggressive management may take hold of a newspaper and build up its circulation so that from a relatively unimportant place it comes up so as to occupy a commanding position.

Among magazines the changes come about correspondingly often, though the magazines are so many less in number than there are newspapers that the magazine field is more easily watched, and it is easier to keep up with the variations. You have to be alive to these fluctuations. You must recognize them just as soon as they occur, and as a matter of fact you must learn to sense them almost before they happen. . . .

The advertising agent's work as it is at present conducted seldom stops with mere space broking. In some cases the agency has developed a "trade aid" service which makes the agency take on the nature of a professional adviser in all matters relating to his client's distribution policy. A. B. Freeman of the Nichols-Finn Advertising Company, of Chicago, discusses these new activities of the agent in the following terms:

The Enlarged Scope of the Agency

. . . . . *"Agency" to-day means to a great number of business men a collection of persons who solicit accounts, place business, quote rates, get up copy and check publications.

But there is a rapidly growing number of institutions which consider these only incidental to real agency service.

The thoroughly up-to-date and conscientious institution (agency so called) is composed of business men who have selected the advertising and selling end of business as their particular field.

These men are business men before they are advertising men. They are business counselors and business advisers, with an organization back of them, to carry out in detail what they recommend in conference.

To call these men "agents" in the sense that this word is accepted among business men is not only unfair, but positively untrue.

These men are students of commerce, of economics, of distribution, of trade conditions; they are alive to financial conditions in practically all divisions of business. They know about exports, imports; they have studied commercial law and together they represent a fund of business information such as no one man could give and such as no business man could hire outside of an institution of this character.

The commission of such an advertising institution on $100,000 worth of business is usually from $15,000 to $20,000. Where could a business man spend this amount of money to better advantage than with such an organization of men?

Printers' Ink, July 20, 1911, p. 132.

And when the business concern has selected the right advertising institution to handle its business, it will secure value received for every dollar it pays for service, even without taking into consideration the fact that the larger portion of this remuneration comes, not from the advertiser, but from the publications.

Is the Name "Agency" a Misnomer?

The time is at hand when the business man asks not, "How much pretty copy have you written and how big is your institution?" or, "What do you charge for your service?" but, "How can you help me to market my proposition to better advantage? What do you know about my market and the people I am trying to reach? Are you equipped to say with any reasonable surety just how much money it would take to do a certain thing in an advertising direction? Are you in touch with concerns that have attempted or are doing the thing I want to do or something enough alike from which to draw a conclusion?"

Even though the business man pays but very little for advertising agency service, he is more and more becoming particular regarding the institution which he selects to handle his advertising.

And another thing, advertisers are beginning to appreciate that space costs just the same, whether it is filled with glittering generalities, whether it is filled with detrimental copy, or whether it has the quality necessary to sell goods and establish good-will.

And aside from the placing of copy in publications there is that great co-operative necessity to an advertising campaign which pays no commissions to the advertising institution and is therefore so often lacking in the advertising "agency."

Booklets that sell goods — follow-up letters that do something else besides fill waste-baskets — selling ideas that dovetail in with advertising and make precious inquiries worth what they cost; good, common-sense, reason-why literature to the dealers that not only sounds good to the firm which sends it out, but grips the interest of the most ordinary small local dealer and makes him do business with a concern that can present such a convincing proposition — these are some of the strong lines of demarcation which separate the advertising "institution" from the mere advertising "agency."

Business men have been led to expect too much from advertising alone by over-zealous advertising "agencies." And advertising institutions, on the other hand, devote as much time and energy, and even more, to devising ways and means for the advertiser to co-operate thoroughly with the advertising than they do to the writing of the copy and its insertion in the publications.

We have with us yet, and may continue to have for some little time, the advertising "agency." But because the survival of the fittest is a natural law which business men must recognize, there is no doubt that the day of the advertising institution has come and that "agency" days are numbered.

The gap widens rapidly and what was once but a fine distinction has come now to be recognized as a strong contrast. The advertising "agency" has seen the handwriting on the wall.

Walter Barnes Cherry, advertising manager of the Merrell-Soule Co., maker of None-Such Mince Meats, etc., of Syracuse, N. Y., not long ago created a good deal of disturbance among agents by an article entitled "What the Agent Does Not Know," in which he somewhat bitterly assailed the "trade aid" service of the agency of the present time. A part of Mr. Cherry's article was as follows:

Trade Aid Methods

. . . *Some of us have heard all about agency "trade aid." Is there any such thing? Is there a well-known agency to-day handling the business of large national advertisers in various lines, like clothing, furniture, household articles, foods, which has any proper conception of the trade end of the accounts it is promoting? What agencies maintain commercial investigators who know the "retail game"? Not many. . . .

I venture the prediction that five years from now no advertising agency handling national business will be complete without a staff of commercial salesmen and investigators, stronger in sales ability and trade investigation than in writing copy, outlining a campaign, or getting a new client. The good copy man or the good estimate man in an agency, it seems to me, should know much about the trade end of the product he is promoting. Anyway, he should know what is in the package, what it is made of, and how it is wrapped; certainly where it

Printers' Ink, May 25, 1910, p. 9.

is sold, and, if possible, be familiar with the process and the source of production. Unless a solicitor is thus equipped with information he promptly stumbles in his work and does not do justice to either himself or the prospective customer, or the agency he represents.

What a joy it would be for an advertiser to have his agency come back with some trade information the advertiser did not have. The agency's commercial representative could easily handle several different accounts and become proficient in canvassing grocers, druggists, department stores, clothiers, and other trades represented in his home office accounts. Then, too, the agency's commercial man might find out things the advertiser's own men would skip. Anyway, the agency's commercial man would approach the dealer from a new viewpoint, and if he confirmed the advertiser's information, that would be some satisfaction; and if he could demonstrate that the advertiser's methods with the trade were open to change or betterment, that would be even a greater service. . . .

In reply to Mr. Cherry's article a number of letters were written by representatives of agents who took exception both to Mr. Cherry's statements and to his reasoning about them. The replies of some of the agents are given below. One agent whose name is not given is quoted as follows:

The Reply of One Agent

*"Some have the notion of the past decade that an agency is purely a space brokerage office with a little mildly harmless copy writing thrown in for those who will have it; while there are others who simply lay the whole burden of the business on the agent's shoulders, as if he should direct the salesmen, correspond with retailers, open new territory, call on the trade, etc., while the sales manager simply lolls back in his chair and waits for wonderful things to happen.

"Of course, both views are wrong. An agent is a *professional* man, remember, and his function is always advisory. He makes contracts with his clients not to manage the sales department, but to supply that rapidly increasing scope of selling plan and help which involves the use of language, picture and paper. These are simply his tools, however, and an

Printers' Ink, June 16, 1910, p. 47.

agent is a sorry incompetent nowadays if he hasn't practical business experience, imagination, and effectiveness enough to know how to make these tools produce results along lines which the advertiser has not before thought possible.

"You see, it's a comparatively easy, sleepy job to be an agent for some old concern with distribution all settled and copy all set in moulds — as Walter Baker's, for instance. But the great modern volume of advertising and business effort is concentrated, not on holding and leisurely developing prestige, but upon rapid, aggressive creation of sales and securing of retail outlets, often in the face of severe competition and for a product and a concern absolutely new.

"The agent should be capable, and a considerable number *are* capable, of analyzing a selling proposition thoroughly enough to know what advertising tools to apply to secure desired results most cheaply. Having furnished the *tools*, it is up to the sales manager and his staff to *use* them and co-operate with them. I have seen not a few cases where a good agent *has* revolutionized a manufacturer's business and furnished far more merchandising skill than is properly in an agent's province, and securing only a broker's pay for it, too.

"The advertising agent, I believe, in nine out of ten cases (where he is not simply a plain crook or a raw incompetent) returns more brains and service to his client than any other professional man. In the one case which I recall just now where an agency failed to make things go for a client, that client has admitted to me that just one idea secured from that agent who failed was worth all the cost of his services and the cost of the unsuccessful campaign.

"The agent is properly the lawyer for the manufacturer for presenting a winning case for his goods to the public. But of late years he has become more — he has become a lawyer for the manufacturer in presenting his case to *the dealer* as well. In a number of cases he has of his own account made himself still more — a selling and distribution analyst. He has developed into this because he has found that so many manufacturers have not solved their problems of this kind, and cannot successfully make use of his advertising services until they do. Manufacturers, to put it plainly, are asking more and more expert sales advice from agents. So he has pitched in — making plenty of mistakes, but on the whole becoming a distinctly beneficial stimulant and aid to manufacturers."

The emphasis which the Federal Advertising Agency, New York, places on merchandising knowledge makes interesting the words of William Handley, business manager, on the subject of agency trade knowledge:

The Views of Another Agency

"To have been on the buying side is, I believe, a most essential part of the training of an agency man. In no better way can he learn the weakness of agency work, as it has been conducted, and especially the unpreparedness of the average solicitor. But agency organization has seen a new light during the past year or two, and it is now possible to find agencies whose management has been broad-gauged enough to plan and form agencies capable of giving true merchandising service.

"Mr. Cherry, in his article, 'What the Agent Does Not Know,' predicts that 'five years from now no advertising agency handling national business will be complete without a staff of commercial salesmen and investigators,' whereas the best agency practice to-day takes representative men in various callings, rounds out their training in advertising methods, thus making available service and more truly professional advertising men.

"And now the question to Mr. Cherry: Suppose any agency having a man who has studied the grocery trade, knows all its inner workings, trade stunts, etc., should solicit your account with a certain new trade selling plan in mind, would you, after investigating the standing of the man and his agency, take him through your plant and really into your confidence to allow him to perfect his plan? This is no more than your doctor would expect of you or your lawyer would demand in order that he could effectually prescribe.

"Many merchants and manufacturers expect this, however, and balk the advertising man at every turn. He has no chance to study the individual proposition, is given no opportunity to learn certain and vital points which can make for or spoil the real marketing and advertising possibilities.

"There *is* such a thing as 'trade aid' in many advertising agencies, and even now it is much more comprehensive than Mr. Cherry knows. Agencies where the merit of a product, trade condition, possible demand, and factory capacity are investigated; where a knowledge of trade papers is an asset; where real sales plans are outlined; where window trimming and dealer helps are worked out in a practical manner; and where consumer advertising is made but one link in the properly worked out campaign, are to-day available to the manufacturer who will seek. Too many manufacturers employ an agency because So-and-so is a good fellow, or some one else put over this or that big campaign."

Writes the Franklin P. Shumway Company, Boston:

"Our attention has been called to Mr. Cherry's article in your current issue by some of our customers for whom we have for the past three years been doing just what Mr. Cherry claims is not done by advertising agents.

"We continually keep on the road a staff of trained salesmen, whose entire duty is to visit retailers, talk with them regarding trade conditions, suggest to them new ideas about pushing our customers' products, learn all they can about rivals' products, and make a definite report on a printed blank which is kept on file in our office for instant reference by either our customers or ourselves. These men are not allowed to take an order, and rarely even talk prices, but, having a thorough knowledge of the goods they are interested in, are prepared to discuss quality, pattern, etc., all day long.

"In addition to these men who work exclusively for certain manufacturers, whom we have the pleasure of serving, we also have other men who, by reason of training and natural ability, are fitted to travel from city to city, and size up the possible market for a product, report in detail what is being done in competing lines, and, after visiting several hundred retailers, are in a position to make a report which is used by our office solicitors in discussing advertising with would-be advertiser.

"Neither of these two groups of men have any connection with our soliciting force, who work exclusively in our own interests, and the second group are often sent out with instructions to secure certain information from retailers, without having any idea why they are requested to secure the information, or for whose benefit it is to be used.

"To illustrate, a certain manufacturer's salesman reported that he couldn't sell his goods to any extent in a portion of the Southwest. Our men visited over two hundred tailors in that section who ought to sell these goods, and found that the manufacturer's salesman was entirely at fault, and the final result is that this manufacturer is now selling $40,000 to $45,000 worth of his goods in that section each season, and there is every probability that he will soon sell $150,000 a year, where before he wasn't selling practically a dollar's worth."

THE AGENCY'S RELATIONS TO THE ADVERTISER

These changes in the functions of the agency, and the attempt on the part of many agencies to branch out from their old position as space brokers into what is virtually an entirely new field as professional advisers of advertisers on commercial problems, have led to a series of rather complicated problems concerning the relations between the agent and the advertiser whom he serves.

Not the least troublesome of these problems is that which is involved in the almost inevitable misunderstanding arising sooner or later between the agency and the advertiser as to just what forms of advertising will accomplish the desired results.

If we could imagine a case of a physician being retained in a medical case in which the symptoms were all obscure, and in which the patient was convinced that he had a peculiar disease which had never been encountered before, we could very readily understand that it would take something besides mere medical skill on the part of the physician to avoid an open break with his patient — to say nothing of effecting a cure.

One of the difficulties growing out of the new attitude of the advertising agent toward his client is the trouble involved in adjusting the relations between the advertiser's own advertising manager and the advertising agent. Some of the salient features of this group of troubles are brought out in the following discussions written by the "Advertising Manager of a Famous Men's Clothing House," whose name is not given:

*A manufacturer who had made up his mind to take the fatal plunge and advertise a product of undoubted merit came to me and said:

"I have made up my mind to start a national campaign.

*_Printers' Ink_, November 10, 1910, p. 10.

The questions of agencies has bothered me a good deal. You have had experience with the agency proposition. What agency would you advise me to tie up with?"

To this question I answered, in the Yankee manner, by asking another.

"Have you hired a man to take care of your advertising?"

"No; if I get in with an agency I shall not need a man to take care of my advertising."

Here is where this manufacturer and I parted in our opinions.

An advertising agency is unquestionably a tremendous help in the preparation and administration of an advertising campaign. Even the weakest agencies will often produce a valuable idea, and present a useful scheme. But the advertising agency is seldom qualified to assume the complete control of any advertising proposition. A lawyer whom you call into consultation over some uncertain exploitation of your affairs is not expected, and does not expect, to undertake the management of your business. The position of agency and the lawyer is in a good many ways pretty closely alike. I have always considered it mistaken economy for an advertiser with a business of national scope to hand over his advertising affairs without let or hinderance to the direction of an agency.

Where the Agent Did All the Advertising

The case of the manufacturer who was quoted above will serve as evidence in this contention. He closed a contract with an agency of undoubted repute. His appropriation was estimated at more than $100,000 for the first year of his campaign. This agency had achieved a reputation for employing high-salaried experts with enviable batting averages. A few weeks after my friend had signed up, I met him at luncheon with a young man who looked very much as if he had just left college. He was introduced to me as "Mr. ——, of the —— agency." We fell to talking and he told me he "had run down for a day or two to look into the plant and get enough stuff for the season's copy." This interested me, and we talked apace. I found that his advertising experience had lasted but little more than a year; that he was one of the copy staff of this agency, and that he had been assigned to write the campaign for this particular advertiser. He said he would gather the materials for the campaign in two or three days.

The campaign was launched in most of the magazines of national circulation and in some others. The copy was bland; it had no specific faults of grammar or of style. But it was *superficial.* The ring of authority was not in it. The young man had gathered his material in two or three days — and his copy showed it. The sentences were balanced, they told the truth, but when one looked away from the advertisement and weighed it as a whole, as all advertisements should be weighed, it fell flat like a punctured dirigible.

What was the trouble? The agency was a good one, with a reputation. The manufacturer who was paying the bills seemed to be satisfied. The advertisements looked attractive, but at the end of the year he was a little aghast at the bills, and a little breathless at the other side of the ledger. The trouble was just this: *Superficiality.* This is the trouble with far too many agencies. They load their guns with the same kind of powder, but they gauge their shot to birds when they ought to be loading for duck. I am not saying that all agencies are guilty of this fault; but I do assert that, averaged up, the agency that is permitted to play a lone hand is prone to fall into this ditch.

There was a business that had taken nearly half a century to build up. It was full of traditions, of methods peculiar to itself; the system of honor among its employees, and their devotion to the common cause were essentially its own. These characteristics are not solely the property of this one concern. They belong to all great, yes, and to all little, concerns, too, that have hewed out a way to put before the people a product that is better than any other product of its kind. This atmosphere was the advertising asset of that business. But to be assimilated and digested for reproduction into real advertising copy for that particular business would have required the living and sleeping and eating with that business for months.

This is why I believe that the best interests of prospective advertisers are brought out only when the agency can come into close personal contact with some one who understands advertising principles, and at the same time has a deep personal familiarity with the essentials and the details of the business. No one, clever though he may be, and gifted with an exhaustless fountain pen, can get the atmospheric touch that, reproduced, gives advertising copy the breath of individual life that sells the goods because they have that one and inseparable trademark. . . .

The attitude of the agency, especially the powerful one with tradition behind it, toward the advertising manager is curious.

Co-operation in Copy Building

One of the foremost agencies in this country for years refused to co-operate with the advertising manager. The agency submitted a plan of campaign, presented copy, and outlined the whole course procedure, and the advertiser had to take it or leave it. Then along came an advertising manager who suggested that, perhaps, it might not be a bad scheme for the interests of everybody concerned to let him get together with some bright young man of the agency staff and see if the two of them might not be able to hack out some stuff that would be more worth while. His suggestion was overruled. He insisted, and took the matter to the headquarters of his business. Correspondence followed, and finally, as a concession, the agency submitted to the plan. This acquiescence, however, was tempered with vague alarm, and an uneasy sense of having stirred the dust heaps of the past. The advertising manager picked out a likely staff man on the agency list, discovered they had friends in common, and soon found himself sincerely liking his colaborer. They met morning after morning, spent hours in reminiscences and argument, and occasionally turned out a page of copy. In the course of this association the advertising manager turned over to the agency man all the ideas, the hints, the details that he had picked up around the works, and the agency man in his turn handed out all the experience and adventures and scars of a score of wilderness campaigns. What was the outcome? A series of advertisements that make people sit up and take notice. Both men had co-operated to the extent of their powers, and both had poured into the copy the ripened wine of their united experience.

To-day the keynote of that agency's solicitation is the close co-operation between the advertiser and the agency staff.

I have been dwelling overlong on the copy end of advertising. This is an important feature of advertising, but by no means the most important. This point I want to emphasize strongly. Over it has toppled many a fairly reared advertising edifice. Copy is the last thing that an advertiser should permit to be talked about or touched. Yet too often the subject is the one which the agency insists upon discussing first of all. Copy is the tangible, visible return which the advertiser receives for his money, and with probably unconscious yielding to this weakness of human nature the agency will prepare first of all the copy — and when that is completed, but little time, alas, remains for the real essentials of the campaign's success.

*Agencies have solicited me by the dozen, and, unless my memory is playing me false, not one has presented its claims as it has seemed to me an agency ought to do it.

The Agency's Need to Study Distribution

In a talk with a representative of one of the greatest agencies in this country I spoke my mind quite freely about this and asked him why so important a point was so generally subordinated. He admitted it was a mystery to him. The point is that of *distribution.* I told this representative that if he should be soliciting business of a potentially national advertiser in Massachusetts, the place to begin on should be California. How are this manufacturer's goods sold in San Francisco? Are they sold there at all? If not, why aren't they? These are questions that make the manufacturer who is self-satisfied — and most of them are — sit up and take notice. An intelligent grasp of a business's business leads a solicitor right into the last office where all the furniture is polished mahogany. Copy can follow in due time. Again permit me to say that all agencies do not fall short on this point. Of late years they have developed along the selling analysis line in a most gratifying manner. But the average is where one is compelled in fairness to strike; and the average is yet lower than it should be. . .

I have often wondered how some of the organizations for selling advice to business men exist even for a year. No less a wonder is it how business men of shrewd enough minds to bring their products to the advertising stage can swallow the advice dosed out to them.

The real agency, the one founded on sound business and professional concrete, is becoming a power in the industrial world. I have been asked by prospective advertisers whether they should choose a small agency or a big one. I have always answered this question warily. If by a small agency they mean one with few accounts, more than one can be found whose record is aglow with enthusiasm and success. If they mean by a big agency one whose accounts total into the millions, many are achieving tremendous successes every year. The question of the agency is almost precisely similar to the question

---

Printers' Ink, November 17, 1910, p. 51.

of the college for the boy. Shall he be sent to the small college or the big college? The answer lies solely with the man who asks it and the business he is interested in.

In conclusion to this rambling and necessarily superficial discussion of an interesting subject, let me urge the advertiser who is engaged with an agency that is giving him ample service, not to desert that agency for new gods. A natural inquiry here is, what is ample service? In a sentence, ample service on an agency's part is selling the most goods for you at the least expense to your treasury.

Good sound advice is an ingredient of ample service. I know of an agency that is so jealous of its reputation that more than once it has run the risk of making an eternal enemy by advising a would-be client to forsake all idea of advertising his product. Undoubtedly in the files of many agencies can be found correspondence keyed to as high a plane as this.

Keep the mails busy with letters to and from your agency. Clients of some agencies have told me that their files between seasons contain nothing but the agency's bills. This in a measure is the fault of the advertiser. The best intentioned agency is after all based upon human ingenuity and run by human brain power; and both are pretty strongly geared up to human nature.

The Value of Persistence

When I advise sticking to the agency that is delivering the goods I feel almost as if I were guilty of uttering a platitude. Yet many of my readers can call to mind without great effort more than one instance of advertisers jumping from agency to agency like grasshoppers in the back pasture, and never staying lit. In some cases there may be good excuse for such instability, but I have too much respect for the high-class agency's capability to blame them always for failure to hold an account. One house with which I am familiar has been receiving the services of one agency for nearly ten years. At times things have come up which both have regretted. Again let me point out that human institutions are but human. Yet the things that have been gained from that agency have been fully worth the money that has passed from one's bank account into the other's. Both houses have received good advice. What the agency learned from its association with the house strikes a fair balance with what the house has learned from our dealings with the agency.

This condition is true in the relations of all clients with their agencies, when the relations are adjusted as they should be. Many and many a prospective advertiser has passed up bright prospects of success because he failed to grasp the agency's point of view, was incapable of understanding the agency's plan of procedure. To plan a campaign, to lavish upon a layout of copy the best brains in your establishment, and then be compelled to stand by and behold that fabric torn to shreds by the narrow-gauge mind of the man you are working it out for, is one of the most harrowing experiences that a human being can be asked to face. Yet in the course of an agency's year this thing occurs again and yet again.

This leads me back to where I started. I believe that the agency will agree with me when I repeat that for all concerned in an advertising campaign, both the advertiser and the advertising agent, the best plan is to begin your battle with a trained captain at the advertising manager's desk.

THE PAYMENT OF THE AGENT

The commission system of payment of the agency by the publisher is believed by many, including some agents, to have defects which have grown largely out of the change in the character of the agent's work. If the agent's service is rendered principally to the advertiser it is argued that it is not only better business, but also better common sense, that the payment should come from him whom the agent serves. There are many, however, who take the ground that the old system is safe and offers many advantages over any system of payment on the basis of the amount of total expenditure.

As already stated, a number of agents have abandoned the old commission method of payment from the publishers, but the change has by no means become general.

The Question of Commissions

John Lee Mahin, president of the Mahin Advertising Company, of Chicago, before the Associated Advertising Clubs of America at the Omaha meeting, made a short address in which he touched on this subject. Mr. Mahin's address was, in part, as follows:

. . . . *There is not to-day a really successful institution which, for the want of a better name, is called an advertising agency that is operated at all on the lines on which it was originally founded.

The original advertising agent was a representative of the publisher — the man who makes advertising space and has it for sale.

However, the minute that in the same field there entered a competitor the advertising agency at that moment lost its function of being a representative of the publisher, and in order to sustain its own life and existence became absolutely the representative or the agent of the advertiser.

In so far as the men conducting advertising agencies feel or believe that their business is founded on the fact that the publisher pays them a commission for their services, and that because of this fact they are under any obligation whatever to the publisher that could in the slightest degree interfere with the absolute service that they should render to the advertiser, that advertising agency is on an unsound basis.

For many years I felt that the publisher paid the agency commission, and it was not until I woke up to the fact that both publisher and advertising agent who assumed this to be true were working on a false basis that I was able to get the right sort of grip on my own business.

I was one of the men who thought that when the Curtis Publishing Company instituted its contract agreement with agents that this would be a benefit to the business.

It has been a benefit to the advertising business in so far as it has enabled the Curtis Publishing Company to give stability and strength to the administration of its advertising department. I cannot figure, however, where this contract has been of any other advantage to the advertising agent.

To-day the publications on which the commission is most frequently cut are the contract publications where the gross and the net rates are generally known.

An advertising agent who goes to the publisher asking for protection or telling him that he knows some other agent has cut the commission puts himself in a weak position before the publisher and loses his own confidence and self-respect.

---

*_Printers' Ink_, August 4, 1910, p. 23.

Advertising space can be bought to-day in the very few publications that rigidly maintain their rates at the cost of sending out an order from so-called agents that rebate all of their commission except enough to cover this phase of the service.

Anything that the creative agent secures above this amount on a contract publication or one-rate publication he gets from the advertiser and solely from him, and not in any sense or by any process of reasoning can it be claimed that it comes from the publisher.

The Publisher and the Commissions

I do not mean by this that the publisher ought to make the same rate to everybody, or that he ought to change his present system of making rates.

I do claim that at the present time, when he says that he pays an agent commission, he is in error, because he recognizes so many, and the competition among them is so keen, that it is absolutely without effect.

I am not telling the publisher how to run his business; I am not giving him any advice.

All I am trying to say to you to-day is that all this talk about whether the agent gets a commission from the publisher or not is wasted time and energy. The advertising agent most emphatically does not get a commission from the publisher, and the agency man who assumes that he does is only weighting himself with needless fear and difficulty.

The purchasing power of the advertising agency is largely interfered with to-day by the commission-giving system. The daily paper publisher who makes a bulk space price to a large local advertiser forces the advertising agency that knows the situation to buy space from the big local dealer instead of going direct to the publisher.

The idea that the recognition by some organization of publishers makes a man an advertising agent is responsible for some advertisers placing their business through men who do nothing to create, build up, or develop advertising accounts.

The idea that some advertising agents hold, that the soliciting of an account justifies them to receive a commission from the publisher, prevents them from looking after the advertiser's interests in such a way that they will make themselves indispensable to him and thereby make it unnecessary for them to talk or even think about asking the publisher for protection. . . .

THE AGENTS AND THE ADVERTISING MANAGERS

The Association of National Advertising Managers was formed a few years ago to take up some of the problems common to managers, and among these problems was the question of the advertiser's relation to the agency. Some of the reports concerning the work of the association led to rumors of friction between this body and agents as a whole, and O. C. Harn, advertising manager of the National Lead Company, of New York, and president of the association, issued a statement in which he undertook to set out the objects of the association and its attitude toward the agency·

*So many false statements are in circulation relative to the attitude and purpose of the Association of National Advertising Managers in connection with the advertising agency system, that I believe a few words of fact might be refreshing and illuminating.

The Work of the Managers' Association

It has been variously stated that the Association of National Advertising Managers is going to abolish all agency commissions. That it has an axe out for all agencies. That it doesn't believe agencies earn their salt. That in a short time it will have all periodical rates on a free-for-all flat basis, equal to present rates less the agency commission, etc., etc.

The impossibility of the Association of National Advertising Managers accomplishing some of these things ought to have prevented such purposes being imputed to the association even if it were given credit for desiring to see them done.

The general conception of the Association of National Advertising Managers given by all this talk is that of a Texas steer in Tiffany's.

What is the real attitude of this big organization of 165 and more advertising managers — men spending twenty-five millions a year in advertising — on the live question of agency functions and performances?

What has the organization done?

What is it trying to do?

**Printers' Ink*, June 27, 1912, p. 3.

The feeling that something is wrong in the advertising agency system has existed for several years. Rumblings of revolution have been heard because the quiet processes of evolution have not kept pace with the education of the advertising man.

When enough advertising men get to grumbling as individuals something is apt to break out *en masse* when they get together.

The Association of National Advertising Managers is the first medium advertising men have had for the expression of mass opinion. One of its early utterances has been a protest against certain evils attendant upon the advertising agency system.

The big composite advertising manager for the first time has come to a definite conclusion that there are some things he doesn't like in the present agency conditions. He hasn't yet said what he is going to do about it. He has analyzed and stated the problem but he hasn't said he has the answer.

He hasn't said he can find the answer alone. On the contrary he believes that publishers, and even agents, may have something to say and to do in the premises.

The agent, who was at the beginning clearly a promoter for the publisher, has come to be a complex factor. He takes a commission from the publisher on business handed out as the advertiser's space buyer. The publisher still looks upon the agent as his man, and rightly, for the agent who can hope for no compensation for his work except a commission upon an order will produce that order.

Yet the agent of to-day claims to be the counselor — the employee, if you please — of the advertiser. Some agents do furnish a big service to the advertiser. Thus we see the agent trying to serve two masters.

How the Commission Affects the Agent's Work

Notwithstanding the fact that in some cases the agent seems to be accomplishing this supposedly impossible feat pretty well, the fact is always present, uncomfortable as a death's head at a banquet, that whatever advice the agent may give his advertiser-client, at bottom it must always be: "Spend your money with my other client."

Next comes the disagreeable knowledge that the only way the agent can increase his income is, not by *doing* more for the advertiser, but by *spending* more of his money.

To face these facts and acknowledge them is not to impugn the honesty of any agent; but one cannot see them without questioning the wisdom of the system under which the best of agents have to work. The association believes that true service agents would welcome the discovery of a practicable system wherein they could assume a logical relationship with the advertiser. We admit a change might be hard on the kind whose whole idea of professional service to the advertiser is financial phlebotomy — to relieve that money-congestion from which they assume their patient is suffering.

Not only does the present system necessarily cast suspicion on the advice of the best of agents, but it very crudely fits the compensation to the service rendered. The agent is undoubtedly very often underpaid. He renders a service which not only is worth more to the client than the latter pays, but which actually costs more than the agent's commission on the account amounts to. On the other hand, it is equally true that an advertiser often gets very little benefit from an agent though the commissions on his account may pay the agent handsomely.

The agent, perhaps, is content because in the long run the two kinds of accounts balance up, but one can hardly blame the second advertiser if he is not enthusiastic over the system which forces him to make up the deficiency!

The association asks: Is there not some way to make the system less crude in regard to method of compensating the agent?

As intimated before, all these things are being considered with an open mind. No move to change existing conditions will be recommended until something better can be slipped into its place.

The A. N. A. M. does not want chaos. It wants better conditions.

How to Reform the Abuses Without Destroying the Agents

We need agencies; that is, we need some kind of a man or organization from which we can buy advertising service other than mere white space in periodicals properly circulated. We need help in filling that space, in planning our campaigns, in collating experiences of others as a chart to steer by; some of us may value an organization to do the purely mechanical and clerical work connected with the placing of a large amount of advertising. In many ways an organization of this kind may make itself very useful to advertisers.

Manifestly we, as business men, are not going to lend our influence to the extermination of a factor in advertising society.

It is quite another matter to question the wisdom of the system by which our agents are hired, do their work and receive their compensation.

We might recognize that a stutterer would be much more useful to us if he could talk in a straight line, yet we might not want to Oslerize him. An operation might answer every purpose.

Likewise we might like to see good agents relieved of an impediment in their advice without giving them the cup of hemlock.

The A. N. A. M. has adopted its committee's "size-up" of the situation as correct, and has told it to go ahead and see what can be done.

I know that the committee has done some constructive work since the Cleveland meeting. I would not be at all surprised if at an early date publishers and agencies reshaped conditions as the result of the friendly offices of the A. N. A. M. through this committee. Those who want to see something accomplished should not lay difficulties in the way by making ridiculous statements of what is being attempted.

THE AGENCY'S OPINION OF ITSELF

The Association of New York Advertising Agents recently issued "A Message to Publishers" in which it made one of the clearest statements ever put out covering the agency's views of its organization, work, methods, and services. By permission of the Association we make the following quotations from the "Message":

This Association believes —

What an Agency Is

That an Advertising Agency should be an association of specially trained men having expert knowledge of merchandising and advertising, who in composite afford wider specialized information affecting advertising than can be profitably employed in the organization of any one advertiser.

That the employment of an Advertising Agency by an advertiser is necessary to obtain the best results from advertising.

First — That he may benefit by this specialized information.

Second — That he may have an outside view-point denied to those engaged in the continuous promotion of a single business or kindred businesses.

Third — That he may have an agency do for him the various detailed work essential to successful advertising, which work an agency can do better and more economically.

That an Advertising Agency's special knowledge of *merchandising* should embrace:

1. Varied experience in many markets.
2. Familiarity with merchandising methods in each.
3. Knowledge of distributing methods.
4. Experience in displaying goods.
5. Acquaintance with kindred problems affecting the adequate depicting of the product to be advertised.

That an Advertising Agency's special experience in *advertising* should embrace knowledge of:

1. The relative value and cost of various advertising media.
2. Methods of presentation — written and pictorial.
3. Mechanical methods — including art, engraving and printing processes on the one hand and the adaptability of these various methods to particular media on the other.
4. Supplemental literature — catalogues, booklets, circulars, displays and follow-up methods.
5. Checking and billing.

Safe-guarding the Advertiser

That the advertiser should safeguard the success of his advertising by examining carefully the fitness of the agency he employs from the standpoint of both experience and equipment.

That the publisher should minimize the chance of the employment of incompetent agencies by strictly limiting the recognition of agents to those who demonstrate their fitness.

That, before beginning advertising, the advertiser should guard against failure by insisting on a thorough acquaintance by the agent with merchandising conditions in his field as well as with his merchandising methods.

That the agent and publisher should advise the advertiser against advertising without adequate preparation.

That the advertiser should pay the necessary expense of this preliminary work or provide for it in his advertising appropriation.

That the tripartite relation of advertiser, publisher, and agent is necessary to the economic administration of advertising, and that all three parties to it are mutually benefited by it.

That the first obligation of both publisher and agent is to make the advertising profitable to the advertiser.

That the agency's work reduces costs to the publisher, and its compensation by the publisher, therefore, is justified on an economic basis.

That the curtailment of agency service would decrease the value of advertising and would increase the price of white space to the advertiser by forcing publishers to replace agency service by more expensive and less efficient development work, which obviously could not be disinterested.

That the agency receives no compensation in any sense for soliciting specific business for any one specific medium.

Agency Compensation

That the agency receives its compensation in the form of a differential from the publisher for these, among other, specific reasons:

1. For the service it renders to the advertiser, which increases the productiveness, value, and continuity of the advertising.

2. For the guarantee of accounts — which in few other businesses involves so great financial responsibility in proportion to its profits.

3. For the creation and development of new business, in accordance with the economic law, which in every business fixes prices to include the development expense.

That the publisher should make recognition a certificate of good business character and of financial responsibility, and an endorsement of efficiency, so that authorization to do business may rest on a sound basis.

Proper Basis of Recognition

That, having granted recognition to the agent, and endorsed him as qualified to render service to the advertiser, the publisher has a right to investigate the quality of the service rendered.

(This declaration is made with the specific reservation that the publisher, being interested, may not properly be judge of the media used.)

That the right of the publisher to investigate service entails the *obligation* to see that service is rendered.

That the publisher owes it to the advertiser and to such agents as live up to their obligations to advertiser and publisher to limit or withdraw recognition from those agents who do not live up to these obligations.

That the publisher should determine the right of an agent to continued recognition on the basis of the adequacy of the service rendered to the advertiser.

That the publisher should make public the names of all enfranchised by them, and that no differential be allowed to others than those whose names are so published.

The point of view of the publisher has been outlined in a letter, sent in response to this "message" of the agents, by Herbert S. Houston of Doubleday, Page & Company. In a letter to William H. Johns, the President of the New York Advertising Agents' Association, he says:

THE PUBLISHER'S POINT OF VIEW

Your Association has rendered a great service to the cause of advertising by defining with a clearness and fairness never before attained, in my judgment, the scope and function of an advertising agency.

The thing in particular that impresses me in this "message," besides its clearness and fairness, is its attitude of calm dignity — a sort of poised and assured confidence. This is just as it should be; for far too long the impression has gone abroad that the agent was some sort of commercial mongrel, part scalper, part broker, and altogether an interloper in the process of advertising. You have magnified and interpreted the constructive quality of the agent's office and in so doing you have made the whole business of advertising your debtor.

The Reason for the Agent's Commission

As a publisher I wish to endorse heartily the ground on which you have rested the publisher's reason for allowing the agent's commission. In the last analysis that reason is an economic one — the agent's commission, from the publisher's standpoint, is primarily a selling expense. Of course this selling expense must be borne by the advertisers just as their selling expense is borne by their patrons and customers. It is clearly to their interest, therefore, to have this selling expense kept as low as possible. And the present agency system, in my judgment, keeps it at a much lower figure than would be possible if the development work now done by agents were undertaken by publishers themselves. This is an age of concentration and co-operation. The agency is a concentrated form of selling which represents all publishers co-operatively, thus embodying two of the greatest forces in modern industry and commerce. Manifestly, if publishers should undertake to supplant the work of the agency, they would have to follow the principle of distribution of selling activity instead of concentration and of individual action instead of co-operation; and there can be no doubt but that the change would result in greatly increased selling expense, which would mean, of course, an increased cost of advertising to the advertiser.

But your "message" not only makes a sound definition; it also sets up a high standard to which agents and publishers should measure up, in the interest of the advertiser, whom both of us serve. There is an old proverb that "the way to have good neighbors is to be one"; and it is certainly true that "the way to have good agents is to be one," and equally true that "the way to have good publishers is to be one."

The Maintenance of Rates

Now I believe that practically all publishers maintain their rates. But I do not believe that practically all agents maintain their full commission rates. The "differential," which the publisher allows as a measure of the commission, has a way, at times, of becoming divided, sometimes with the advertiser and sometimes with an unrecognized agent. As long as this continues, advertisers will have ground for urging on publishers, as some of them are doing now, that they should permit the advertiser and the agent to agree on the amount of the commission; they say that such a plan would give the necessary elasticity in the commission so that it could be made to measure the exact service rendered to the advertiser in every case. In theory this appears sound at first, but it will not bear analysis. The reason is, it considers only the advertiser and the agent and omits the publisher entirely. The publisher, like every other manufacturer, must put his advertising selling expense on his advertising sales. These sales are made to advertisers, through agents who represent publishers collectively, and the selling expense, following universal commercial practice, must be borne by advertisers. Until, therefore, a more economical and effective way of meeting this selling expense than the present one can be found, the agency system will remain. And your Association is helping the advertiser as well as the publisher by issuing this admirable "message" with its common sense and its uncommon and straight forward fairness.

THE FUTURE OF THE AGENCY

On July 20, 1911, *Printers' Ink* published a list of eighteen "fundamental questions" concerning the advertising business and its probable future development. Among these questions were the following:

Will the advertising agency develop in the direction of selling organization's working direct with the dealer to establish distribution and foster a more efficient handling of advertised goods, or will it avoid that responsibility?

In reply to this question a number of letters were received, among which was the following written by Frank Markward, advertising manager of William Volker & Company, makers of window shades, in Kansas City, Mo.

*The eighteen "Fundamental Questions" concerning advertising, propounded in the July 20th issue of *Printers' Ink* should inspire considerable thoughtful cogitation. The first one is especially interesting to me, as it touches my pet belief in a future development of distribution on the part of the manufacturer with an outlet through retail stores.

The Effects of Appeals to the Retailers

If it were to be said that, to a considerable extent, advertising checked merchandise distribution, it would be looked upon as revolutionary if not traitorous. And yet I believe it is true, and I want to explain why I have this conviction.

Nearly every manufacturer whose product is known and sold the country over has an active advertising department, a part of whose duties is to furnish as many selling helps to the retailer as it is thought he can assimilate.

Now, in every line there are a number of products sold through the same kind of retail stores — drygoods, hardware, drugs, furniture, and others. The retailer receives these

---

**Printers' Ink*, August 31, 1910, p. 30.

various selling plans from ten to thirty or more producers of nationalized products. These trade helps are all designed to increase the sales of each manufacturer's goods. Some of them very frankly exploit the merits of the manufacturer's merchandise. Others say something for the dealer's general lines as well as the one the producer has so keen an interest in.

In addition to the usual magazine, newspaper, street-car, and outdoor advertising, there comes to the dealer a deluge of booklets, circulars, folders, show cards, window display suggestions, exhibition stunts, demonstrations, special campaigns, and the trade paper.

But of that kind of advertising sent to the dealer to be used by him there is a veritable degree, and the quantity makes it lose effectiveness and really retard sales by reason of its prolific quantity. As a matter of direct test and personal experience, I believe this statement is well founded. This direct-to-dealer advertising is also pretty even in quality. Should one manufacturer's advertising department evolve a plan more potent than its nearest rival's it remains superior but a short time. Soon after being sent to the retailer it also goes to the competitor who immediately endeavors to make a better one.

Advertising departments are humanly governed and the reward of results is not exclusively confined to one. The work serves to educate the dealer but so much more is offered than is utilized that the waste is prodigious.

And this great outpouring of aid makes the dealer indifferent. It costs him little or nothing and comes so easy that his appreciation is altogether too limited to insure equity.

The solution of the problem lies largely in that fact that retail dealers are not as a rule conversant with merchandise values. Comparatively few realize their position in the social and domestic life of their communities — or rather what their position should be. And because of this condition there is room for a new business factor — the retail expert.

A New Method Needed

From the general experience of direct-to-dealer advertising it would seem that the advertising agency must devise a different method from that now used, if better and larger results are to be shown. Inducing the merchant to handle more advertised goods will of course be done, but there is one undermining force against the success of this plan — imitations.

For instance, there may be exploited a product of surpassing excellence. It is widely advertised and secures a large sale. Then comes from one to twenty imitations. In these substitutes the value and appearance of the original is aimed at and intentionally missed. The first imitation shades quality just enough to make the under-selling price an object to the dealer. It looks to be almost as good. The next cuts the quality and price deeper and so it goes on.

Now, if the dealer really knew merchandise he would not do this — so one might think. But don't lean very heavily on this belief. It is shaky. The dealer's objection to advertised merchandise is that he is unable to secure as much profit as he thinks he should have. The fact that the goods are easier to sell is no overburdening proof to his mind. Wherefore, he puts the substitute in stock and sells it.

It is surely going to require a potent brand of effort to make the dealer see the error of his ways. To accomplish this personal contact is necessary.

This really demands a new profession. The national advertising now being used will doubtless improve in clarity of expression, a bettered persuasiveness, more artistic typographical and illustrative appearance, and to some extent an increased percentage of results; but this avenue is open to all, if to one, and a level of helpfulness will again prevail.

What is needed is a retail expert. And right there is a rock for the agency boat. An agency with a large number of accounts, including a dozen or more lines, all seeking national distribution and operating through practically all kinds of retail stores, would require a man in each line, except instead of one man it might require a dozen to do the work of calling upon the merchant in person and remaining with him long enough to start him on the new merchandising route. It would prove a very difficult matter to secure the men in the first place. It would be mighty expensive in the second, and there is considerable doubt if the manufacturer would consent to be represented through an agency anyhow.

If the agency is to evolve as the selling organization of the line it represents in advertising, it would appear that it must specialize upon some particular industry. No general agency with a multiplicity of merchandise accounts could profitably take up the work of personal education.

To illustrate this point more clearly, take an industry that deals with the retail furniture merchant. The retail expert would have to combine knowledge and experience such as a friend of mine who is an expert in the retail furniture business. As a boy he worked in a furniture factory, mastering the relative values of construction, wood, and finish, the importance of good lines and pattern design, period styles, etc. Then he took up the work of upholstering, learning, by actual experience, the methods of the work, the fabric qualities, and the resultant durability of the varying methods employed on medium to high grade work.

What the Retail "Expert" Could Do

Then the retail furniture business claimed him, where he learned more of furniture and kindred home furnishings. His taste developed, the value of stock arrangement as an aid to sales appealed to him and little by little the small city store grew in the attractive qualities. The relationship between the store and the domestic hearths of the entire community engaged his effort, and as he continued to develop he outgrew the limited field of his town and came to a larger city. In the years that have passed he has steadily kept on growing. His view-point has enlarged, his activities increased. He has become a salesman of the master class, a buyer of judgment, and the store that is the scene of his efforts holds enthralling interest for the homemaker.

With his eminently practical knowledge of merchandise and merchandising and his sympathetic insight into the needs of the retail furniture merchant, he would prove a momentous element in improving the business of the manufacturer whose goods were nationalized or aimed at that classification. He would give more ideas to the merchant, show him in its most appealing guise the position the home-furnishing merchant should occupy in his locality and start him well toward that position. He would give him inspiration, wake him up to the possibilities of his business, and visualize the policy and methods that spell success as the result of such efforts.

And this same example of efficiency applies directly to every other retail merchandise business. It may be that the advertising agency could secure such men, but the real market for such services seems to lie with the manufacturer alone. For him the retail expert would be a godsend.

And so I conclude that the agency will *not* "develop in the direction of selling organization, working direct with the dealer," at least not along the line described here, and it is along this line that more efficient and more successful co-operation will necessarily be produced.

The problems of the modern agency and some of the most important questions connected with the relations between the agency and the advertiser are clearly discussed under the title: "What Agents' 'Higher Cost of Living' Is Leading To," by "A man of long agency experience who has been making an independent investigation of agency conditions."

Service, genuine and valuable service, rendered by the agent to the advertiser is shown by this discussion to be the final standard by which the agency and its work are to be measured. The agency, of whatever form, which can render this will live. All others are passing more or less rapidly. Even the method of payment and the amount shrink in importance, beside the searching question: Does the agency *serve?*

*"The cost of rendering agency service is exactly double to-day what it was six or seven years ago," says a well-known agency man.

The Rise in Agency Costs

"If it were not for accounts on which we do little except to 'place' the business," says another prominent agent, "I could not afford to render the service I do on other accounts. In other words, what service I render is being partly paid for by my clients who do not ask or get service."

Two statements like this strike instantly into the heart of the problem of modern agency service from the very real view-point of *the agent himself*. For the last six years the cost of everything connected with agency service has risen steadily and has slowly nibbled away at the legitimate profits of the legitimate agent. More than that, the demand from advertisers for greatly increased and more complicated kinds of service has been growing apace all this time.

In accepting an invitation from *Printers' Ink* to talk about present agency conditions, I appreciate that I am asked to deal with the most delicate situation in the entire advertising

**Printers' Ink*, December, 1910, p. 3.

world. Yet it seems to me that there is some good to be accomplished by a frank talk about the existing conditions and the currents and counter-currents that meet in an agent's office. In the first place, I want it distinctly understood that I have no general "panacea" to propose, and that the various plans for summarily dropping the agent's commission and substituting direct payment by the advertiser are not, in my opinion, practical nor are we likely to see any radical overturning of the present system, at least for years to come.

The good, therefore, that I think can be accomplished is in the direction of having advertisers obtain a better understanding of agency organization, why one agent is cheap at 15 per cent. and another dear at 5 five per cent. and, in particular, that inasmuch as the agent's remuneration in the final analysis comes out of the advertiser's pocket rather than of the publisher, it is up to the advertiser himself to see that he secures his *quid pro quo* — in other words, to distinguish sharply between agents who are in position to render valuable service and the much larger number of agents ("recognized" even though they may be) whose advice is of doubtful soundness and whose physical equipment is such that real service could not be forthcoming even were their intentions of the best.

The Professional Aspect of the Agency

Over a long period of years, the advertising agency has been gradually evolving from a purely brokerage office to a professional relation with its clients. It is related of Joseph Choate that he was once called upon by the board of directors of a great corporation. They asked him a certain question relating to a proposed plan of financing. All that they wanted was a simple yes or no. The famous lawyer closed his eyes in silent thought for ten minutes and then gave them their answer for which they were glad to pay him a fee of $50,000. Yet any number of lawyers would have jumped at the chance to give an opinion for $100. Millions were involved in the decision, and the corporation directors wanted the ablest and ripest judgment possible on their problem.

And the point is *they were willing to pay for it.*

There is a clear analogy here to the advertising agent. The advertiser who is going to spend $5,000, $50,000 or $500,000 needs not merely advice and help, but the *best* advice and help obtainable. Lots of alleged experts and agents are clamoring for the account. The question is, *What have they back of them* in actual accomplishments, in experience, in ripeness of judgment and all-around ability?

So I think every advertiser and every advertising man owes it to himself and the cause of good advertising in general to look below the surface and investigate carefully the conditions which are raising the cost of agency service.

The Scramble for "Accounts"

A large and famous Middle-Western advertising account changed hands some weeks ago, and the soirée of claim and counter-claim, bluff and counter-bluff on the part of some agents seeking this account, was a sight to behold. The agents who were "in the running" were all known to have big organizations and to have important acknowledged successes to their credit. Consequently the final basis of the competition simmered down to the extra measures of service they promised to perform. As fast as one agent would claim that his "trade aid department" would work hand in hand with the client's selling organization in working out sales problems, another agent would point to his districted organization and promise that reports from resident staff men on the field could be furnished. Then another agent would go the whole kit one better by promising to scatter a whole staff of special traveling men throughout the country to give special trade reports. And so the merry game went on. Hardly had one agent thought he had the account "cinched" when he would wake up the next morning to find that the president of the company had been rushed to New York on the Twentieth Century Limited to look over another agency and get a new view-point of agency service.

The outcome of this little game is not at all important, for an internal situation later decided who was temporarily to get the account. As a matter of fact, there were few degrees of difference between many of the agents, and one of them formerly gave notice of withdrawal from solicitation in the middle of the excitement because he felt the pace was getting too fast for safety and sense.

The point is that in the selection of an agency for this account, as in many others nowadays, many more factors than art and copy equipment enter into the case. As a consequence, a distinctly universal tendency is observable among agents to build up more effective (or at least more *plausibly* effective) departments of trade investigation, selling assistance, and other methods of more practically dovetailing the advertising with trade and sales conditions.

But see where all this is bringing the cost sheets of agency service! A more costly thing than trade investigation, sales assistance departments, etc., could scarcely be devised. Such work is above the level of intelligence of ordinarily well-paid salesmen, and those who have had no sales training are weak reeds upon which to lean. You *can* write copy out of your head, but you have *got* to be on the spot and observe with particularly minute optics to learn what is going on in trade circles that is of strategic or basic value.

Therefore, agency costs are creeping up at an uncompromising rate, until some interesting things are happening. The large advertiser, who has been able to place his business at a pretty generously cut rate, is frequently finding either that he cannot place it at as low a rate as before, or else that the service he is getting is inferior. If it is neither of these things, then, to tell the plain truth, the agent is concentrating his genius, not upon giving his client service, but upon devising various and dubious ways and means to cut the publisher's rates so as to make a profit, or make him support a profitable house-organ. If all the energy that has been spent in figuring out ways to beat this increasingly difficult combination were spent upon earnestly developing the client's business, there would be many more interesting accounts in the field to-day. The "increased cost of living" to agents is drawing the line still more sharply between the agent who gives careful, honest service and the agent who is merely squeezing lemons for profit in what fearful and wonderful ways he can.

The Small Advertiser Suffers

The one who is being caught between the upper and nether millstones of this situation is the *smaller advertiser*. There is more than one agent with an expensive service department who refuses to accept an account totalling less than $10,000 a year. In fact, many accounts, amounting to but a few thousand because of peculiar trade conditions and because of necessarily slow growth, actually go a-begging among some of the larger agents, because such agents frankly tell them they cannot afford to handle their business. One such advertiser not long ago, on being told this, promptly offered to double the commission, a total of 30 per cent., and his account was even then accepted with no very great alacrity.

Now throughout this country there are to-day thousands of fairly sizable concerns which are prospective advertisers of the livest kind. The comprehension of advertising's importance, as well as the development of method, has been growing apace in the last ten years and has percolated into many unsuspected nooks and crannies of business. Many manufacturers, of whom the brightest agency solicitor dreameth not, are to-day getting ready for a sensible campaign, and one fine day soon they will be in just the right position to advertise in consumer periodicals. Most of them are doing some kind of advertising *now*, and numbers who *are* ready for periodical advertising are showing their heads every month. Yet their accounts may not and should not now total more than from $3,000 to $10,000 at the start. Nevertheless, their start is more important and complex than their finish. The new advertiser has many more serious problems to meet than the established one. The very adoption of policies in line with more modern advertising and selling methods (even though dealer work, trade-paper advertising, and form letters are the only reasonable avenues of advertising at present) make such advertisers need the best advertising service most keenly of all advertisers.

The country is full of such cases, and the agents of strength and capability are carrying some such accounts at ridiculously low profit. Other agents are without scruples and are exploiting them, while the remainder of such small advertisers are being taken care of with a greater or less degree of efficiency by the numerous small agents throughout the country. This situation has created a peculiar anomaly in the fact that while large agents are deploring the rapid multiplication of the small agents, many of whom are irresponsible, some agents themselves foster such conditions by either refusing or giving scant attention to the accounts which furnish the grist for these small agents. Another peculiar factor at work is that representatives of publications who work up an account and feel afraid that if they turn it over to an agency of strong standing they will not get an order, turn to a smaller agent with less ability but more gratitude! This feeds the small agent, too.

The evils of the increasing cost of living to agents are, howhowever, not yet all tabulated. The wide variance between the cost of handling a magazine and newspaper advertising campaign has led to a lax and dangerous situation. Some conscientious agents frankly admit that it is both more profitable and more pleasant to steer an advertiser into magazines, and that they frequently deliberately waive some of the excellent reasons why a particular client should go into the newspapers. Even the magazine men themselves do not approve of such discrimination, for when the campaign turns out to be a failure the medium has to share the blame. The comparatively few agents who do place their clients' interests absolutely above everything else unquestionably are doing so at a greater financial discrimination against themselves than is proper to tempt any professional service with. It is so easy to select six or a dozen magazines, prepare a standard size ad from which absolute duplicates can be made, and thereby make from three hundred to a thousand dollars commission with a very minimum expense, as contrasted with the greatly increased cost of preparing, mailing, and checking a campaign in newspapers totalling the same amount in dollars and cents.

The Selection of Mediums

Further than this, the policies of many newspapers have made the incentive still greater in favor of the magazines. For instance, an agency handling a magazine account some time ago persuaded the advertiser to consider newspapers and prepared tentative proofs of ads, which were submitted with estimates and schedules. Nothing more was heard from the matter until the checking department one day came across one of these tentative ads published in a newspaper! On investigation it was found that the advertiser had secured rates for placing direct from the same list of newspapers suggested, with the result that enough publishers cut the agency's rates by allowing commission direct to influence them to ignore the agent and save money! "Why should I worry my head off to develop this advertiser into using newspapers," indignantly remarked this agent, "when such a publisher absolutely refuses to stand by me as an agent and compels me to charge up honest work to profit and loss?"

If all advertisers, large and small, paid the full 15 per cent. service rate to agents, matters would mend themselves rapidly. Fifteen per cent., even though being closely encroached upon by the peculiarly expensive new demands of advertisers for trade and sales service, carries a living profit. The following is a tabulation of agency cost in one of the largest agencies in the country.

Solicitation (commissions, management, promotion work, preliminary sketches, etc.)	5 %
Overhead (copy staff, officers' salaries, rent, travel, art department, agency literature)	6 %
Clerical (forwarding, checking, etc.)	$2\frac{1}{2}$%
Profit (*in which loss must be figured also*)	$1\frac{1}{2}$%
Total	15 %

Many advertisers have not fully realized just what was behind an agency. There has been a rather common but vague general impression of a superfluity of high-grade ornament, unctuous personality, and a secluded "high-brow" department recruited from a rather plentiful and fairly cheap market. Nevertheless, from a strictly business point of view, an advertising agency of size is a peculiarly intricate and high-pitched business organization. The most trying thing in the world is to analyze, lay out, and manufacture advertising that will not only fit conditions rightly, but please the powers that be,

Pleasing the "Powers That Be"

There is one large account in New York composed of two concerns whose sales forces work together, the advertising manager of which must first be satisfied, then an advertising committee of the other company. It is a back-breaking and expensive job to get copy past this formidable wall, which hides unexpected idiosyncratic spearpoints at every angle. It is a fact that more copy is designed, written, and printed, but which never gets further, than ever is published and used.

As good agencies and good agency men have grown in business experience with many kinds of selling problems, their advice on matters of business promotion and policy has become worth a lot of money. In fact, I have struck more than one large advertiser who admitted that his agency was poorly equipped in many respects, and some even who admitted that they were not at all certain their agencies were "straight" about rates, etc. But they all *did* emphasize the fact that their general selling advice was worth a great deal.

A certain large advertiser says that he is in the habit of "running over" to his agent two or three times a week to talk over questions of policy and promotion, many not at all closely connected with advertising. He frequently sits in the agent's office a whole afternoon discussing such matters. One day he brought with him an advertiser who was visiting in town. He was an unintentional listener to a minor discussion of this nature. "*I* never got *that* kind of service from *my* agent," was his comment later; "I didn't know an advertising agent could be profitably let in on such a problem."

"*I* pay that agent 15 per cent.," said the advertising manager significantly (knowing that his friend paid but 10), "and I consider it cheap at that."

Another large advertiser was visited not long ago by two other fairly large advertisers. "Why shouldn't we get together," they said, "and organize an agency which would get recognition and handle our accounts jointly and save commissions?"

Need of Knowing What the Agency Can Do

The advertiser had an open mind and proceeded to look into the matter. It didn't take long to figure out that a nice saving would be effected, and the visitors thought they had him convinced. "Yes," said he, "I can see here there is an opportunity to *pay less money*, but how about buying as much or more *service* as I now get? The varied business experience of my agents is a very real asset — what can this proposition put up to match it? Even if I went into this thing, I should still feel that it would be worth 15 per cent. to have their business counsel, so what would I gain?" The visitors could not satisfactorily answer this and had to say good-bye.

This hints at the widely prevailing ignorance of what a real agency can do for a manufacturer. It is true that agencies which are capable of rendering real service of such quality are but a handful compared to those calling themselves agents and boasting of "expert" service, but who are unable to "deliver."

Some advertisers spending large sums of money are particularly tinged with the idea that no agent can render 15 per cent.'s worth in service. An advertiser spending $400,000 a year said to an agent some time ago: "Fifteen per cent. on my account is $60,000 a year. Will you please particularize what you propose to do for me to earn such a sum?" and he glued his eyes so hard upon *physical services* that he couldn't see the 15-per-cent. idea of able *advisory* service by far the most important. He is still placing his account at a cut rate which, due to the agent's decreased cost of doing business, is a rate considerably below what he was paying six years ago. His "service" is necessarily in keeping.

The growing number of large national advertisers who are paying 15 per cent. is a matter of wonder to cynics; but if they were able by a telegram to summon two such able and experienced men as one 15 per cent. advertiser can and does frequently, and use several days of their time in conference, in salesmen's conventions, in directors' meetings, in district organization, even in factory organization, as well as secure such deep-going reports on fundamental conditions, they would see a new light on agency service.

If it is true that 90 per cent. of the national advertising reaching American publications goes through an agent, then a careful study of agency conditions and costs is the business, nay, the duty, of all advertising men. As the standard of service increases, it becomes increasingly important to discriminate between the sheep and the goats among the agents. The day has gone by when the advertiser could sit back in his chair and say, "Oh, the publisher pays the agent the commission — that is a matter that doesn't concern me — it doesn't come out of *my* pocket."

The fact is, notwithstanding the illusion of a commission paid by publisher to agent, *it is the advertiser who pays the bill in its entity.* And it is distinctly a part of the advertiser's business to know that he is *getting what he is paying for.* A broader understanding of the basic facts by advertisers will result in doing away with many of the existing abuses, will strengthen the hands of the best agencies and result in a general toning-up of the entire industry.

CHAPTER XVI

CONCLUSION

BEFORE attempting to suggest a few general lines of thought running through this compilation there are two points which ought to be made.

1. Advertising is just beginning to find itself. Not only advertisers, but also the whole commercial world, is beginning to grasp the meaning of what advertising has done, and of what it may reasonably be expected to do. New uses, as well as new forms, for advertising are constantly being discovered.
2. The appreciation of the power of advertising has led to a recognition of the dangers of its abuse. This recognition is beginning to find legal expression.

NEW USES FOR ADVERTISING

New Uses, But the Same Principles

In this compilation we have confined our attention to the operation of advertising in the handling of goods for sale at retail. This we have done for the sake of clearness. Much of what has been said may, with little change, be used in analyzing problems in the handling of merchandise on a large scale, and many of the principles apply even to the sale of things not ordinarily classed as merchandise. City "boosting" is not merchandise selling in any strict sense of the term, and yet many of the principles underlying analysis of the "goods," and of the "market," and even of the "distribution system" will apply to this relatively new advertising field. Suppose we look at a few cases of city advertising with a view to seeing how the general principles of advertising as a business force apply. Lucius E. Wilson, vice-president and general manager of the Warren Motor Car Company, of Detroit, made an address before the Dallas meeting of the Associated Advertising Clubs of America in which he spoke of city advertising as follows:

What City Advertising Must Do

*Obviously, a display advertisement, sufficiently interesting to induce the reader to drop into the corner drug store and buy a bottle of tooth paste, would not be convincing enough to impel the same reader to terminate existing business relations, wrap the household goods in burlap, and journey to a totally new field of operations where the eternal problem of getting three meals a day must be solved in new ways. City advertising is very naturally slower in obtaining results than is any other kind of publicity yet discovered.

Memphis, Tenn., and Des Moines, Ia., have been making a consistent and persistent effort to use display space as a factor in an all-around booster movement. One city is approaching its fourth year; the other is near its third. The experiences of both have been singularly alike.

The first returns, that is, the first letters received in response to the advertising, were froth, not cream. Some of the boosters in both cities lost heart early in the campaign, because they thought everything that rises to the top is cream. The real invigorating, life-giving beverage did not appear until after the foam had been blown away by a year's campaign. There was enough sparkling sizz, however, in the returns of the first year to compensate with novelty whatever might have been lacking in stability. Fortunately, both Memphis and Des Moines had made their financial arrangements for a period of at least two years, had contracted for advertising space during that time, and could not quit. Like the Irishman with the wildcat, they needed help to let go.

Copy was run regularly in the *World's Work*, the *Saturday Evening Post*, and *Everybody's Magazine* in the Des Moines campaign. Memphis included a number of trade papers and localized her campaign in some cases by the use of daily papers in a few large cities.

**Printers' Ink*, June 6, 1912, p. 55.

How Memphis Got a Furniture Factory

When Memphis wanted a furniture factory she sent James S. Warren to Grand Rapids, and he opened on the city with quarter and half-page ads in the Grand Rapids papers. Yes, it created some excitement. I happened to be there at the time. The Grand Rapids Board of Trade was disturbed. There was a good deal of running to and fro. The name of Memphis was on the lips of men who had not thought of the city in twenty years. After reading some of the cleverly worded stories of her advantages, I heaved a sigh and wondered why men had not discovered Memphis before.

And while on the subject of Memphis let me say that Judge Floyd, speaking before the American Association of Commercial Executives, in answer to a request to tell the results of his campaign, said:

> "I can only quote Dun and Bradstreet. Memphis secured something like fifty manufacturing concerns; something like seventy-five wholesale and jobbing concerns, and other concerns of various kinds, amounting to 640 new business enterprises in all. Now, that was not all directly the result of our work, but it was the result of the activity we created. It kept there in Memphis a great many people who would have gone away. It stimulated our own people and inspired a number of new people from the outside."

The latter part of Judge Floyd's statement goes to the very heart of municipal advertising.

For instance: I know that the effect in Des Moines upon her own citizens was worth more than the campaign cost. You may ask why? Because it is worth anything to arouse a community from a comatose condition into a spirit of enterprise. The spirit of a city is the city. As Paul said to the Romans: "Be ye transformed by the renewal of your minds." Des Moines could never have been revived without a complete renewal of her mind. And it is a startling fact that every year subtracted from her banks a larger sum of money for Western investment than was devoted to business expansion at home.

Investments and Population

What would you think of an Eastern city that sent more of its surplus wealth beyond the horizon than she kept at home? What would happen to the boosters in Los Angeles if every man in their city invested a dollar in Hawaii each time that he put fifty cents into Los Angeles business or property?

But Des Moines' troubles, before the advertising era, were not confined to the loss of her capital. Where the money went, Iowa families followed, because a man's feet and his pocketbook insist on remaining in the same neighborhood. They cannot be separated for long. The paper is read more comfortably under the light of the evening lamp if the man knows that his property is safely bestowed just across the block. This is human instinct, and must be considered in handling city advertising. Just as long as the people of Iowa remained fascinated by the glamour of sudden prosperity just over the summit of the Rocky Mountains, it was hopeless for Des Moines to expect to grow into the stature of a real city.

So the first accomplishment of a well-directed city advertising campaign is to give a community an honest pride in itself. I know personally there were hundreds of men in Des Moines who came downtown, after reading the first city advertisements in the magazines, carrying a new inspiration to attempt something worth while right there at home.

How Business Grew

A wholesaler told me confidentially that his business had practically doubled in the space of a year and a half without increasing his territory a foot and without the addition of a single salesman. This highly profitable growth could not be attributed to the policy of the firm or the cleverness of its management, because the same firm and the same management had existed many years without the growth.

A manufacturer of suspenders told me that his traveling salesmen never used to get a fair hearing in the state of Iowa. The samples could be laid on the merchant's counter, the salesman tell his little story, and everything proceed swimmingly until the fact was disclosed that the goods were made in Des Moines. Then the Iowa merchant would lose interest, because he regarded Des Moines as only a clumsily enlarged edition of his own town; because he believed Des Moines manufacturers to be only slightly different from himself, and utterly unable to furnish him with the designs, the goods, and the prices that came from the larger markets of Chicago and St. Louis.

The city advertising campaign went far in changing the attitude of Iowa toward her capital city. As soon as Des Moines began to think well of herself — to think so well of herself that she felt impelled to spend $12,000 a year telling about it in national mediums, the rest of Iowa took a new observation and concluded that her capital city was worth while. The relation of Iowa to Des Moines was given a new slant. Des

Moines wholesalers and Des Moines manufacturers capitalized this regard for their location.

Other cities are using various forms of publicity to encourage growth and extend trade. Several hundred chambers of commerce are now publishing regularly monthly or weekly boosters' bulletins. Other organizations arrange trips by club members to industries within the city and to promising trade territory outside. Like all other advertising campaigns, no city should use display space until the follow-up material is ready. The follow-up for a city involves an intelligent survey of the business, social, religious, and industrial community; a compilation of a tremendous mass of data; its conversion into readable shape and its publication with attractive illustrations. Reason-why copy and the same kind of follow-up is the only variety that can be tolerated in city advertising.

The Sources of Funds for Advertising

The money for city advertising has come from various sources. Undoubtedly, the most satisfactory funds have come from voluntary contributions, more or less spontaneously obtained. Atlantic City's council offered $5,000 to their convention bureau. The proffer was declined, because the bureau did not want to entangle itself with politics. Charleston, S. C., has an unusual appropriation of $6,000 for publicity. Winnipeg last year appropriated $25,000. The differentiation between publicity and advertising in the use of city funds has never been drawn sharply in these cases.

City advertising has been a success or a failure according to the unit of measurement used in determining the decision. Some men in Memphis will tell you that every one of the fifty manufacturing concerns mentioned by Judge Floyd came to Memphis of their own volition. The connection between the cause and the result is so intangible that it is missed by many observers. As a matter of fact, it would be absurd to allege that advertising pulled fifty factories to Memphis. The factories came because they wanted to, but they wanted to come because they knew more good of Memphis; because they saw more profit to themselves in Memphis than in any other place.

Whether the display advertising came under the manager's eye and molded his thinking, or whether it shaped a new reputation for Memphis in the mind of casual associates, which afterward galvanized the manager into action, is wholly immaterial. Somebody had to say something good about Memphis before the reputation for enterprise might be born. If this good were stated in ink on paper and multiplied a million times by the printing press, it is logical to conclude that it was resultful. . . .

RAILWAY ADVERTISING

Not the least among the new developments of advertising is the realization of some of its possible uses in railway work.

Railroads' Uses of Advertising

The largest single appropriation for advertising in the year 1912 was that of the Harriman Lines, and virtually all of this appropriation, amounting to \$1,362,911, was spent in advertising the Harriman railroads and the country through which these lines pass. The way this appropriation was spent is described by Charles W. Hurd as follows:

*The fourteen railroads making up the gigantic Union Pacific-Southern Pacific System, with its 20,000 miles of tracks, nearly one tenth of the entire trackage of the United States, spent \$1,362,911 for advertising during the past fiscal year, and practically all of it was for straight printers' ink. If the appropriations of its allies, the Illinois Central and Central of Georgia, were included the sum would be many thousands larger.

All last week the advertising representatives of these railroads sat around the board in a parlor of the Hotel Belmont, New York City, and went over every piece of advertising matter that had been issued during the year, and there were hundreds and thousands of them, from a newspaper page and an outdoor display to souvenir postcards and time-folders.

The Purpose of the Campaign

The big purpose of the campagin was decided long ago. As Gerrit Fort, passenger traffic manager of the Union Pacific and Oregon Short Line, told *Printers' Ink* last year, it is "to people the empire of the West — the filling up of the fertile lands in Colorado, Wyoming, Utah, Idaho, California, Oregon, Montana, Washington, and Nevada."

The ways and means of doing this were also long ago decided: the newspaper and magazine campaign is complemented by almost every type of promotion, including moving-picture shows and lectures.

***Printers' Ink*, July 4, 1912, p. 26.

The whole gamut of appeal is covered. The public appetite, whetted by local and general publicity, is transformed into a craving by an almost inexhaustible stream of books and booklets, filled with pictures and descriptions of the wonders of the Western land and the inquiries are followed up with action-provoking letters.

It is a good deal of an undertaking to keep track of all this literature and bring it up to 100 per cent. efficiency, to know where to expand the appropriation and where to cut off, when to go forward and when to halt, when to let the imagination run riot, and when to get down to cold-blooded analysis.

Little things like words and pictures and borders and typography are big things when they help or hinder an impression, and particularly a million or ten million impressions. They are the details or some of the details which go to make up the whole.

So the advertising representatives of these sixteen railroads get together once a year and go over the whole situation, taking a fresh view of their problem, reviewing their resources, and then coming at last to the little details which they cannot afford to despise.

It is one of the most remarkable examples of organized efficiency in the advertising field. The pressure to carry out the great policies inaugurated by the late Mr. Harriman and his associates has been transmitted to these men and they have drawn upon railroad practice for ideals of method. The results speak for themselves and every advertising man will no doubt be interested in knowing what they are.

How the Money Was Spent

The biggest single item of this million and a third is for newspaper advertising. This runs up into the hundreds of thousands, some of it paid out at a rate higher than the commercial rate, though the reason for the higher rate has, in the opinion of the railroad men, passed with the order of the Interstate Commerce Commission against paying advertising bills with transportation.

The next highest expense is for general advertising by electric signs, billboards, etc. — about $177,000.

These "etceteras" include also such things as cuts, designs, dining-car menus, dodgers, excursion matter, exhibits for fairs and expositions, flowers for the city officers, hangers, photographs, negatives, enlargements, souvenirs, stationery for trains, stereopticon machines and slides and expenses incident to advertising, such as boxing for shipment cases, expenditures of commissary department on account of advertising, etc.

Booklets and leaflets consume about $175,000. Many of these booklets are exceedingly handsome and are among the finest examples of the printer's art for work of this character.

Periodicals also figure in a large way in the advertising appropriation.

Time-folders, which might be described as time-tables with a college education, since they embrace art and literary features, distinguishing them from the common or garden variety of folders, and are therefore advertising mediums, cost $110,000.

The lecture bureau which works both with and without moving-picture shows, and acts as a distributor for much of the literature, took $35,000 to support it.

Industrial promotion, under which head is listed the expense of following up the inquiries elicited by the advertising, called for some $21,000.

Wall-maps, containing advertising literature, are debited with $10,000.

All of the advertising details are discussed at this general meeting and all of the estimates framed here, but the appropriations are made and spent by the individual roads, each feeling itself free to act according to its best interests as it sees them. . . .

Put in the more formal way — the way that the railroad men see it themselves — the method of handling the advertising of the System is as follows:

Checking Up the Expenditures

All advertising is separated under special heads, known as advertising accounts.

Expenditures under these accounts as compared with previous years are reported monthly to the New York office on a large blank form of minute divisions and subdivisions.

At the close of the fiscal year statement of expenditures under each account compared with previous fiscal year is reported. An estimated appropriation for ensuing year is requested.

At the close of each fiscal year a meeting of the chief passenger traffic office is held, at which all advertising issued by each of the related lines during that year is criticised and given by vote a percentage as to quality.

In order to have this material ready for the annual meeting, each line sends, for criticism, as soon as issued, each piece of its advertising matter to each of the other lines.

To each piece of literature is attached a form showing cost, issues, distribution, etc., and columns for voting percentages and ballot sheets and statement of order of criticism of advertising matter. Percentages are derived from an agreed basis.

Newspaper advertising copy is clipped from publications in which it appears, pasted in sample books with specimen sheets of newspapers showing position, and is considered as a whole at the annual meeting.

At the same meeting sample photographs and advertising pictures and novelties are considered as a whole, a general docket, previously prepared, embracing subjects submitted by each line, is discussed, and special advertising campaigns are presented by agencies, promoters, and others. Appropriation requests and all expenditures are there gone over, prepared in consolidated form, and submitted to director of traffic for consideration and approval.

The advertising meeting, as it is called, is part of a large meeting of all the traffic officials of the System. The findings and estimates of the advertising representatives go up to the passenger traffic managers, are discussed by them, and are then reported to the presidents of the roads. The joint responsibility ceases at this point. The individual boards of directors settle their own appropriations and it is spent after their own fashion. But the influence of the joint meeting is naturally strong, and is effectual in making the thought and action of the members more or less uniform.

While the advertising meeting is regularly attended by the advertising representatives, it is also participated in to a large degree by the passenger traffic managers, who recognize advertising as one of their strongest supports, and keep in as close touch as possible with advertising ideas. . . .

There is nothing dull about these advertising meetings. The prose is all in the figures. The System rides its system like a hobby.

At one of the meetings, for instance, one of the Southern Pacific booklets came up for criticism. Mr. DeHaven is in the chair. He is no longer connected with the System, but his thirty-six years of railway associations and his familiarity with all things advertising have kept him in the chair one meeting more.

The slip shows that the booklet is Exhibit No. 107. It is entitled "Sacramento County, Calif.," but is called Richmond because it is designed chiefly for the Richmond Industrial Commission, which gets fifteen thousand copies of the twenty thousand issued, the balance going to the Southern Pacific Company, including the Sunset Information Bureau.

The blank also shows that the cost of this booklet was \$2,610.55, which amounted to \$130.53 per thousand. To this there was contributed by the community \$3,000. Eighteen hundred dollars was diverted to *Sunset* for ads therein. The community contribution to the cost of the booklet was \$1,200; the Company's contribution was \$1,410.55, making the cost to the community per thousand, not including the ads in *Sunset*, \$60, and the cost to the Company per thousand \$73.50.

These figures are given only for the purpose of showing how elaborate is the data in this connection. The cost of art work, engraving, manuscript, paper, printing, incidentals are also given in detail; the date of ordering, the date of delivery, and the name of the publisher.

Mr. DeHaven looks at his list of names and says: "We will hear Mr. Smith first."

Mr. Smith reads off his list for "Richmond." He rates the cost, has something to say on the necessity and the manner of distribution, and awards percentages of various kinds. He would have thought more highly of the beautiful cover had the title of the building pictured, "The State Capitol at Sacramento," been in some other ink than black on green; the contrast was not strong enough, he thinks. He also criticises the use of light broad borders around the halftone cuts. Some of the cuts are too black, some too light, and in others the arrangement is poor.

It is plain that there is nothing perfunctory about the discussion. The System works, it draws out and stimulates instead of discourages the exchange of experience. It puts the meeting on wheels and furnishes rails for it to run on, and it is a pleasure for all to do business that way.

Afterward comes the vote and the registration of the vote.

Recorded Judgment on Mediums

The booklet is 90 or 95, or some other percentage. Then another piece is taken up and so on through the list of newspaper and magazine advertisements, photographs or outdoor display, hangers, souvenir post-cards, etc. There is a long list, but there is little chance of its being tiresome, when the subject matter varies so frequently, and the standards of comparison and criticism, too. Besides, eight days of it are more agreeable than twenty-five or more, as in the older time.

Eight days set apart — a month "if necessary" — by "big business" for the full discussion of advertising, past and present, by its advertising and business heads and the transaction of a month's business in that time — these are some things for advertising men to think about.

CREATING PUBLIC SENTIMENT

Using Advertising to Win the Public's Friendship

Another feature of railroad advertising will be found in the story of the Hudson & Manhattan Railroad and the way it has exploited the service through its tubes under the Hudson, while at the same time it has developed on the part of the public a very strong feeling of friendship toward the corporation. It is part of the policy of this company to take the public into its confidence in matters in which the public should be concerned. For example, not long ago the company found it necessary to raise the fare on one of its divisions from 5 cents to 7 cents. This was a 40 per cent. increase and it might be expected to raise opposition.

Advertising a 40 Per Cent. Rate Increase

The ordinary railway practice in putting an interstate rate into effect is to file the rate with the Interstate Commerce Commission according to law. If there is objection to the rate filed with the Commission, the rate may be suspended and the railroad obliged to establish its reasonableness. When the question of announcing this new rate arose, the publicity policy of the company was put to a supreme test. Wm. G. McAdoo, president of the company, describes the results of this advertising achievement as follows:

*The same old question of policy presented itself: should we anticpiate the public's objection by immediately giving,

World's Work, March 1912, p. 579.

in line with our practice, a full statement of our reasons for the increase, or should we (following the usual railroad custom) simply file our tariff, and, if a protest was filed, meet it then with a statement of the facts?

Without hesitation we decided to issue immediately a full statement and to *publish* it (notwithstanding the large cost) as an advertisement in the daily papers of New York City and vicinity.

Our policy has been based upon the consistent belief that the public is *reasonable* — as reasonable as the average individual. This is not the view of most corporation managers. They have acted too much upon the hypothesis that the public is *un*reasonable. It is a mistake. The public is *un*reasonable only when it is *uninformed*. It is often vitally affected by corporate action, but rarely does the corporation manager make it acquainted with the facts upon which alone rational and intelligent opinion may be founded. He would rather establish his position, or do the thing in hand so long as he believes he has the right, without the labor of explanation, even though it involves the loss of popular approval. Why? Because it is less trouble and, anyway, what can the public do about it? He does not realize that in the arbitrary exercise even of undeniable rights, the consequences of public disfavor and ill-will are far-reaching, manifesting themselves, at times, in unexpected quarters and upon unrelated subjects, to the great injury or disadvantage of the corporation.

Even where the corporation has an undisputed right to do a thing — particularly if that thing vitally affects the public — it is far better to accomplish it *with* than *without* the favor and approval of the public. There is no corporation, however strong, whose property and assets are not enhanced in value and made more secure by possession of the good-will and friendship of the public. This is merely common-sense, or "enlightened self-interest," so called.

And so we set out to convince the public that the increase of rate was just and reasonable.

Besides the advertisement before referred to, we issued and distributed to passengers on our trains a small pamphlet in which we compared the convenience, speed, and cost of transportation from New Jersey to uptown New York by way of the tubes with the facilities formerly available, including the necessary change from ferry to street cars, consequent delays, and total cost of eight cents. We then explained at length why the five-cent rate, that we had been charging for the superior service, had, after three years' trial, failed to earn fixed charges. "For these reasons," continued the pamphlet, "it has been decided to increase (beginning December 24, 1911) the rate between Jersey City, Hoboken, and Sixth Avenue, or *uptown* New York, to seven cents." After pointing out that "it is needless to comment on the fact that the earning or fixed charges is absolutely essential," the pamphlet concluded: "We submit the facts with the hope that the justness of the company's position will be recognized, and with the belief that the public is willing to support an enterprise that has been consistently managed, from the beginning, in the public interest."

How the Public Responded

Immediately letters, mostly commendatory, began to come. The following will serve to illustrate the temper and attitude of the general traveling public:

My Dear Sir: A fair and just recognition of the convenience of the Hudson River Tubes should, it seems to me, entirely justify in the public mind the proposed increase in fare for the uptown service.

Frederick W. Kelsey.

Dear Sir: I wish to congratulate you on your card of November 22d. I believe that the public will accept your explanation and accept the raise of fare cheerfully. Railroad corporations so often raise their rates without even recognizing that the public exists, consequently the public are offended. When a railroad president takes the trouble and expense to explain things of this kind to the public it is apt to please them.

Your road thus far practically does all it can to accommodate the public with comfort and I think you have its good-will.

George H. Hull.

Dear Mr. McAdoo: Your circular of November 21st issued to the public regarding the raise in rates to uptown New York, via the Hudson Tube, carefully noted, and I wish to say that I consider you are perfectly within your rights in making this increase in rate as you are most certainly entitled to at least 10 per cent. profit over the operating expenses of your enterprise.

In view of the matter therefore as set forth in your pamphlet of November 21st, I do not see how any one can conscientiously object to this raise, particularly in view of three facts:

(1) That even at a fare of 7 cents, we are making the trip cheaper than the old way of car and ferry;

(2) We are saving about two thirds of the time taken up in going by the old route;

(3) That the old service by car and ferry is not to be compared with the excellent service given in the Hudson Tubes.

From one who admires very much the enterprise which you have put through and one who appreciates very much the added comfort to travel that your Tube affords.

A. E. Willis.

Dear Sir: Noting your adv. — you are worrying about the wrong thing. The people of New York and vicinity are with you to a man. They and I will cheerfully pay any fare you ask.

R. J. Caldwell.

Dear Sir: I am in receipt of your circular, issued November 21, 1911, in regard to your proposed increase in fare. It seems to me that the reasons set forth in your circular are entirely sufficient — and I also think that you are handling it in the right manner in giving the reasons to the public before putting in the tariff.

W. J. Harahan.
(*A Vice-President of the Erie Railroad.*)

Dear Sir: Referring to your circular of the 21st instant addressed to the public. You have stated the position of your Company very fairly and squarely and the public should consent to the slight increased charge which you propose making. The service which you give is excellent and should be appreciated.

Geo. E. Hardy.

Dear Sir: I was very much interested in reading the public announcement of your increase in rates as it appeared in the papers this morning. I desire to congratulate you upon realizing the necessity for placing these changes upon a logical basis. In London, for instance, those who ride a short distance do not pay as much as those who ride a long distance, and I have wondered for some time whether it would be possible to have an arrangement of that kind in this country. I think that your presentation of the question is a clear and proper one.

S. H. Wolfe.

Dear Sir: I note your letter to the public increasing rates on December 24, 1911. As an occasional user it seems to me that you do not calculate *convenience* sufficiently high; that the rate should be 10 cents at least.

L. R. Cowdrey.

Other letters suggested a variable rate based on distance zones, a discount on large purchases of tickets, and other plans, most of which had been threshed out beforehand and abandoned as impracticable. In every case, however, these letters were acknowledged with explanation of the reasons why the suggestions could not be adopted.

In addition to these individual expressions, formal action of the most gratifying sort was taken by various organized bodies in New Jersey. . . .

LEGAL RESTRAINTS ON ADVERTISING

Along with a recognition of what advertising can do toward an honest stimulation of honest business goes an appreciation of something of the damage this power can achieve if it is either dishonestly used in an honest business, or skilfully used in a dishonest one. But since "honesty is only a high dilution of honor," we can go further and say that there is coming to be felt a need for a higher code of honor among advertisers and the advertising profession. With this sentiment once established, it is only a question of a short time until it takes the form of laws, setting limits to the use of advertising for the accomplishment of dishonorable or dishonest ends.

Protecting the Honor of the Profession

Several states have adopted and others are contemplating the adoption of laws, following more or less closely, the statute drawn by an eminent legal authority for *Printers' Ink* and published in that paper. (November 23, 1911, p. 68.) The text of this statute is as follows:

A Suggested Draft for Advertising Laws

Any person, firm, corporation or association who, with intent to sell or in any wise dispose of merchandise, securities, service, or anything offered by such persons, firm, corporation or association, directly or indirectly, to the public for sale or distribution, or with intent to increase the consumption thereof, or to induce the public in any manner to enter into any obligation relating thereto, or to acquire title thereto, or an interest therein, makes, publishes, disseminates, circulates, or places before the public, or causes, directly or indirectly, to be made, published, disseminated, circulated, or placed before the public, in this state, in a newspaper or other publication, or in the form of a book, notice, hand-bill, poster, bill, circular, pamphlet, or letter, or in any other way, an advertisement of any sort of regarding merchandise, securities, service, or anything so offered to the public, which advertisement contains any assertion, representation or statement of fact which is untrue, deceptive or misleading, shall be guilty of misdemeanor.

This is the statute which *Printers' Ink* recommends for enactment in the various states of the union as a working basis for the elimination of dishonest and misleading advertising. It is an effort to crystallize the sentiment against fraudulent advertising into small, definite compass. While it may be possible in some states to secure the conviction of fraudulent advertisers under laws already existing, it is believed that speedier and more certain action can be secured by the enactment of this statute, *provided* the advertising clubs throughout the country will make it their business to see that the law is enforced and not allowed to become a dead letter.

Mac Martin, of Minneapolis, advocates going another measure for securing legal control over advertising. He suggests the appointment of state boards of advertising which will perform for advertising somewhat the same function as the state boards of medical examiners now achieve for the medical profession. Mr. Martin's plan is outlined as follows:

*I sincerely believe that every advertising man who attends the Dallas Convention goes with the purpose of putting advertising on a higher plane than it has ever been before. But the question is: Are we going to meet to pass a lot of high-sounding resolutions stating that we are in favor of higher standards of education and honesty; or are we, at this the eighth meeting of our organization, going to develop some definite constructive *remedy* which will make a higher standard practically *compulsory?*

The principal method by which one may become an advertising man in these days is to admit it.

While we all know that there will never be an "Elwell on Advertising" the great cry to-day is for standards.

In the great Educational Course of the A. A. C. of A. we have all (manager, solicitor, agent and "special man," and all of us) met on common ground.

Probably the chief reason for the immediate popularity of the educational course is because advertising men are by nature teachers.

---

*_Advertising and Selling_, May 1912, p. 43.

Advertising is itself education. Advertising men know just how to go to work to teach themselves and to teach their fellows.

Education for Advertising

The Minneapolis Advertising Forum and the St. Paul Town Criers Club are in favor of the law against fraudulent advertising suggested by *Printers' Ink*. We are told that we are the first to respond to this call for "police," as within four days after the proposition was suggested we appointed "grievance committee" and se-cured the word of our governor that he would sign any just law of this kind.

But there must be a standard of knowledge as well as a standard of honesty.

Is there not some plan whereby we can obtain both of these things?

I know that we have all been busy with this question for years.

At the Omaha Convention it was prophesied that we would all see the day when the universities of the world would conduct colleges of Advertising, and when State Board of Advertising would give regular examinations and issue certificates of registraction similar to those issued to doctors, lawyers, dentists, barbers, chauffeurs, and accountants.

Many things have happened in the last two years.

The universities have shown their willingness to co-operate. I am told that fourteen universities are now conducting courses of Advertising.

The movement has grown to such proportions that there is hardly a section of the country that has not already been drilled in this educational work.

It is now time to take the next great step — the establishment of State Boards of Advertising?

We have found in our study in the clubs that there are certain fundamental principles which every advertising man should know and stand for no matter what particular branch of the business he may be engaged in.

The holding of a State Certificate will, of course, no more signify a good advertising man than it will signify a good doctor, but it will at least distinguish him from the out-and-out uneducated, unprincipled quack.

No one need at this time be required by law to take such an examination; but we can make public sentiment demand it, just as certified public accountants have done.

The question, whether it would not be better to have the

National Association grant these certificates, is one which needs careful consideration.

We are fortunate, however, in having the experience of other lines of business to draw upon.

The experience of the Certified Public Accountants in this relation is most interesting. The attempt was first made to have their National Association take full charge of issuing certificates. While I understand that this method is still used in England I am told that in one state after another certificates issued by associations have proven unsatisfactory and as far as I have been able to learn there are no associations of any class of business or profession now issuing such certificates.

I am told that the results are much more satisfactory under the State Board plan, that the influence of the association of clubs as a free moral agent is increased and that the public has greater respect for certificates issued by the state. The State Board would naturally look to the National Association for suggestions and advice and to the local clubs and universities under the guidance of the educational committee for the instruction of applicants.

While the matter of granting certificates in the beginning should be left to the discretion of the board, it has been the experience of others that a proper standard demands at least three years of study or three years of experience.

We can make our standard as much higher or as much lower than that as we please.

The experience of others has also taught that the State Boards should pass on an applicant's general moral character and that certificates of registration should be revoked by the board if the holder is guilty of any "malpractice."

The State Boards themselves could determine whether anything further than an affidavit to the effect that an individual had been for three consecutive years previous to the establishing of the board successfully employed in one of the branches of advertising, and recommendation as to the moral character of that individual and his advertising would be sufficient to entitle those now "in the game" to be known as Registered Advertisers.

It would seem advisable to make these requirements very elementary at first so that every one whose principles entitled him a certificate will apply. Then as our general knowledge of advertising advances the examinations can be advanced as they are in every other line of business now registered.

You may know that my conclusion that the time is now ripe for State Boards of Advertising has not been arrived at without due deliberation by referring to the prophecy which I made at the Omaha Convention at the time the resolution creating the Educational Committee was adopted.

State Boards of Advertising

After the Boston Convention I had the honor of being appointed by President Coleman on a committee "to suggest a standard of qualifications for advertising men."

Immediately on receiving this appointment I began to make a study of the experiences of other lines of business in establishing such standards. At first I thought that some written code of ethics might tend to establish the basis of a standard, but the further the investigation progressed the stronger became the proposition that the establishment of State Boards of Advertising is the only practical solution.

A lawyer was then consulted, the forms of similar laws considered, and a model law for the creation of State Boards of Advertising was drawn up, so that we might have some basis of discussion.

The plan was taken up and discussed by the directors of the Minneapolis Advertising Forum and an effort will be made to place this law or a similar one on the statute books of the state of Minnesota at the next meeting of the legislature.

I understand that the proposition was also mentioned at the recent convention of the Northwestern Division at Lincoln, Neb., April 16th, and that a committee was appointed to take steps to carry it out.

I believe that hundreds of earnest men have been thinking along these same lines for years and that they will agree that we have nothing to gain by delay, or by further temporizing with this important question.

Every one admits that we are losing millions of dollars every year in this country because of lack of standards, of honesty, knowledge, and experience.

The time is now ripe. . . .

THE PROPOSED STATUTE

The full text of Mr. Martin's proposed statute follows:

An act creating a State Board of Advertising, prescribing its powers and duties, providing for examinations and issuing of certificates of registration to qualified advertisers and providing penalties for violations of the provisions of this act.

Be it enacted by the Legislature of the state of Minnesota:

Section 1. That a board of examiners, to be known as the State Board of Advertising is hereby created to carry out the purposes and enforce the provisions of this act. Said Board shall consist of five citizens of this state to be appointed by the governor and who, with the exception of the members first to be appointed, shall be the holders of certificates issued under the provisions of this act and shall hold office for the term of three years and until their successors are appointed and qualified.

The first members of said Board shall be skilled in the practice of advertising and shall for a period of three years next preceding their appointment have been actively engaged therein, in this state, and shall hold office for the term of three years from the date of their appointment, one for the term of two years and two for the term of one year. The term of office of each is to be designated by the governor in his appointment, and upon expiration of each term of its members the governor shall appoint one member of said Board as herein provided for a term of three years.

Section 2. The persons appointed as members of this Board shall meet and organize within thirty (30) days after their appointment. A majority of said Board shall constitute a quorum. They shall appoint one of their number as chairman, another as secretary, and another as treasurer, or may appoint one member to serve as both secretary and treasurer, and said officers shall hold their respective offices for a term of one year and until their successors are elected. In the absence of the chairman or secretary the Board may appoint a chairman pro tem., or a temporary secretary. The affirmative vote of three members of said Board shall be considered as the action of said Board.

Said Board shall enforce the standard of special education in the art of advertising, the standard of moral character and general experience as prescribed in this act in all examinations conducted hereunder.

The Board shall make rules and regulations for the conduct of applicants' examinations and the character of such examinations and scope, the method and time of filling applications for examinations and their form and contents and all other rules and regulations proper to carry into effect the purpose of this act. All such examinations shall be conducted by the State Board of Advertising. The time and place of holding examination shall be advertised for not less than three (3) consecutive days in one daily newspaper, published in each of the counties where the examinations are to be held, and not less than twenty (20) days prior to the date of each examination. The examinations shall take place as often as may be convenient in the opinion of the Board, but not less than once in each year. Said Board shall keep records of their proceedings, an accurate list of all applications made, certificates of registration issued, certificates registered and certificates revoked and shall keep proper financial records in which there shall be entered a complete statement of the cash receipts and disbursements of said Board.

Said Board shall adopt and provide itself with a seal with a band inscribed "Registered Advertiser" with the coat of arms of Minnesota in the centre, and said seal shall be affixed to each certificate issued and registered under this act.

All records of this Board shall be open to the inspection of the public at the office of the secretary of the Board.

Said Board shall report annually to the governor in the month of December, as follows:

A. Its receipts and disbursements.

B. Names of persons to whom certificates have been issued.

C. Names of persons whose certificates have been revoked.

D. Recommendations, if any, for new legislation and such other matters as the Board may deem proper.

Section 3. No certificates of Registered Advertisers shall be granted to any person other than a citizen of the United States, or person who has, in good faith, duly declared his or her intention of becoming such citizen, and is over the age of twenty-one (21) years and of good moral character and (except under the provisions of section 4 of this act) who shall have successfully passed an examination on such subjects as the Board may deem advisable.

No person shall be permitted to take such examinations unless he shall for a period of at least three (3) years have been employed in the office of an advertiser or shall have been practising advertising on his own account.

Section 4. Said State Board of Advertising may, in its discretion, waive the examination of, and may issue a certificate of

Registered Advertiser to any person possessing the qualifications mentioned in section 3 of this act, who,

1. Is the holder of a R. A. certificate, issued under the laws of another state which extends similar privileges to Registered Advertisers of this state, provided the requirements for said degree in the state which has granted it to the applicant are, in the opinion of the State Board of Advertising, equivalent to those herein provided; or who,

2. Shall be the holder of a degree of Registered Advertiser or the equivalent thereof, issued by any foreign government, provided that the requirements for such degree are equivalent to those herein provided for the degree of Registered Advertiser, or who,

3. For more than three (3) consecutive years next preceding the passage of this act shall have been practising advertising in this state on his own account and who shall apply in writing to the Board for such certificate within one year after the passage of this act.

Section 5. Any person who has received from the State Board of Advertising a certificate of his qualifications to practise as a Registered Advertiser as herein provided shall be known and styled a Registered Advertiser; and no other person, and no partnership, all of its members who have not received such certificate, and no corporation, shall assume such title or the title of Registered Advertiser or the abbreviations "R. A." or any other words, letters or abbreviations tending to indicate that the person, firm or corporation so using the same is a Registered Advertiser.

Section 6. Said State Board of Advertising shall charge, for each examination and certificate provided for in this act, a fee of twenty-five ($25) dollars to meet the expenses of such examination. This fee shall be payable by the applicant at the time of making his initial application, and shall not be refunded, and no additional charge shall be made for the issuance of a certificate of registration to any applicant.

From the fees collected under this act, the Board shall pay all expenses incident to the examinations, hearings and expense of issuing certificates of registration, traveling expenses of the members of the Board while performing their duties under this act; provided that no expenses occurred under this act shall be a charge against the funds of this state.

The members of said State Board of Advertising shall be paid all necessary expenses occurred in the performance of their duties under this act.

Section 7. Said State Board of Advertising may revoke any certificate of registration issued under this act or may cancel the registration under this act for bad moral character, dishonesty, conviction of crime, incompetency or unprofessional conduct; provided a written notice shall have been mailed to the holder of such certificate at least twenty (20) days before any hearing thereon, stating the cause for such contemplated action and appointing a time and place for a hearing thereon by the State Board of Advertising, and further provided that no certificate of registration under this act shall be revoked until an opportunity for such hearing shall have been afforded.

At all hearings the Attorney-General of this state, or one of his Assistants designated by him, shall attend.

Certificates of Registration issued and registered under this act shall be surrendered to the State Board of Advertising on their revocation by said Board.

Section 8. Any violation shall be a "gross misdemeanor."

Section 9. This act shall take effect and be in force from and after its passage.

CONCLUSION

It has been the purpose of this compilation to call attention to a few of the many aspects of advertising as a force in the creation and control of business.

The problems of the organization and conduct of business are not by any means reducible to fixed laws. But an orderly study of these problems, and of the methods which have been evolved for their solution, is worth while. For, if we take a sufficiently large number of cases, we can usually find running through them common features which are worth careful consideration.

It will be the purpose of these final paragraphs to call attention to a few of the many such generalizations which might be deduced from the cases contained in the foregoing discussions.

Modern advertising has reached the stage of "exacting application." If we look at the stages of development through which almost any of the important applied forces have passed we see some points of similarity. First of all, there is the stage of uncertainty and resulting charlatanism; and then we have the stage of crude application where the good begins to separate itself from the valueless; the third stage represents intelligent application of the crude ideas which have slowly worked out from the previous stages of development; and, last of all, we have a stage in which no application is acceptable which is merely good — only the best can possibly continue to exist.

Advertising Practice Has Become Exacting

Electricity as a motive power, radio activity, almost every branch of applied science, shows this same general character of development. Advertising as a business creating and directing power is approaching, if it has not already entered, this fourth stage, in which its own friends are becoming extremely exacting of it as a means for accomplishing its destined ends.

Those who are interested in the use, and development, of this demand-modifying-power have come to insist on many things which only a short time ago were not seriously considered in connection with it. Among these new demands on advertising three may be particularly mentioned:

New Demands on Advertising

1. Immediate contact with selling.
2. Accurate knowledge as a basis for action, and
3. Exacting standards of honor.

1. *Contact with selling.* — Throughout this compilation we have aimed to emphasize the intimate connection between nearly all types of advertising designed to stimulate business in goods for retail sale and the sales which are expected to follow the advertising activity. The classification of fields for preliminary work in laying out

Advertising and Distribution

any advertising campaign — examination of the goods, a study of the market, a thorough knowledge of distribution methods — simply illustrates one of the ways in which advertising activity is more and more obliged to adjust itself to the demands made upon it as a sales-creating force.

2. *Accurate knowledge as a basis for advertising effort.* — The commercial world is still far from the position which it would like to occupy in the matter of having acquired accurate information on which advertising activities can be based. But there are many things which the advertiser, his manager, or his agents may know to-day with absolute certainty, which were closed to him only a comparatively few years ago.

Accurate Knowledge for Advertisers

They may know far more about the *goods* which they are advertising than they could know even a decade ago. They may know vastly more about costs of production, costs of distribution, qualities, standards, and the adjustment of these to fluctuations in demand.

They may know much more about *markets* than they ever could before. They may become fairly well informed as to the location of markets, the character of markets, the portion of various population bodies which can be considered as a market. There are coming to be generally available many forms of market data which even a few years ago were entirely inaccessible.

They may know far more about *distribution* than ever before. The capabilities of one form of distribution or another — its limitations, its possibilities. Methods of studying these are being improved constantly, and in a large measure the growing difficulties of distribution, which have arisen out of the changes in the size and methods of many factors in distribution, have been offset by the increased knowledge of what those changes actually are.

3. *Advertising honor.* — If these data are becoming accessible to the advertiser, to his manager, and his agent, many of them

are also becoming accessible to the consumer, and to all the others to whom the advertising appeal is to be made. It does not require the gift of prophecy, then, to foresee the very imminent coming of the time when the very highest possible standards of honor in advertising appeal will not merely be "good business" but will be absolutely essential to any advertising appeal which can be expected to have any real effect.

The Honor of the Profession

THE END

INDEX

THE COUNTRY LIFE PRESS
GARDEN CITY, N. Y.

ASSOCIATED ADVERTISING CLUBS OF AMERICA

PUBLICITY