

MODERN BUSINESS

THE PRINCIPLES AND PRACTICE OF COMMERCE,
ACCOUNTS AND FINANCE

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ADVERTISING, SELLING AND CREDITS

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EDITOR'S PREFACE

The three separate treatises in this volume discuss three phases of one subject, the subject of marketing. Advertising is essentially a process of creating and discovering prospective buyers; credit work, with which collecting is closely allied, is the process of deciding whether those buyers are financially trustworthy; selling is the process of actually placing the goods, in return for a fair money consideration, in the hands of approved buyers. It is obvious that no business concern can long exist without some sound and successful method of marketing its products. Even though the product may be intangible, though it may consist primarily of service, rather than of material goods, yet it remains true that well-organized marketing is the first essential to its success. A lawyer, a bank, an accounting firm must be successful in marketing as well as a dry goods store or a factory.

For some years American business men have given the closest attention to marketing problems and have probably outdistanced in this field their foreign competitors. Nowhere else are skill in personal salesmanship, knowledge of advertising principles, and sound judgment of credit conditions more highly developed. It is a leadership which we must continue to hold.

Serious study of advertising and selling processes has already eliminated much of the uncertainty which has always been associated with them. It has been proved

that the laws which govern human action, so far as they are known, may be profitably studied; and that by observing them definite fore-known results can be obtained. In other words, we are moving toward the point where a given expenditure on a selling or advertising campaign may be counted upon to bring given results. To be sure, we are still a long distance from this goal, but we are moving toward it. It is hoped that this volume will play its part in clarifying and making more generally known the laws, or principles, which underlie successful marketing.

In justice to the authors the editor must state that he alone is at fault if the text does not seem logically arranged in its chapters, sections and paragraphs. For the sake of uniformity in style and arrangement, he has made a few changes in the manuscripts.

JOSEPH FRENCH JOHNSON.

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ADVERTISING, SELLING AND CREDITS

PART I: ADVERTISING

CHAPTER I

HISTORY OF ADVERTISING

1. *Industrial basis of advertising.*—A complete history of advertising would involve a treatment of industrial development. For advertising is a result as well as a cause of that industrial growth which marks our epoch as the commercial age. One effect of the increase in the powers of production was to create the necessity of finding some means for disposing of the product. It is not by chance, therefore, that the industrial development of the nineteenth century shows three distinct phases, each of which grew out of the one preceding.

The century opened with the productive power of the world greatly increased by the use of steam power and the machine. The middle of the century saw nations striving to create facilities for the transportation of these numerous products. The close of the century beheld the widening of the market to such an extent and the growth of the power of consumption to so great a degree that the producer was taxed to the utmost to devise means whereby goods could be made known to those

who desired them, and to create desires where none had existed before. Along with the growing consumption of goods during the last fifty years has gone the steady increase of advertising both in bulk and in variety. It is very evident that the art of advertising grew out of an industrial condition which made it necessary to announce to the consumer that products in abundance were for sale. It is also a conspicuous fact that advertising in turn became the means whereby new wants were created and old desires quickened to such a degree that both production and consumption were stimulated and industrial progress was promoted.

2. *Evolution of advertising.*—Let us therefore consider out of what conditions the problems of advertising have grown. The word advertising is simply a term which refers to those methods of gaining publicity whose purpose is to sell goods or services at a profit. In one sense it is strictly a business word, and refers to the various methods by which sellers communicate with the buying public. Therefore, in a state of society where there was little or no exchange of commodities, little or no advertising would be needed. The cobbler, when shoemaking was a typical form of industry limited to a small community, had little need of other advertising than that which resulted from a good reputation among his customers, aided perhaps by a crude sign over his shop door or by the badge of a dress peculiar to his trade. When, however, the cobbler or other artisan began to make goods for a wider market than that embraced in his own native town, it became necessary to find means of letting strangers know of his product. Thus, other methods of obtaining public attention were adapted to meet the exigencies of gaining commercial publicity.

3. *Most primitive form of advertising.*—To be absolutely exact, advertising or the art of gaining publicity in the broadest sense of the word, had its beginning as soon as the earth became so well populated that competition drove the individual member of a community to do the best he could for himself. In the early stages of history the few trades and professions that existed were exercised by itinerant men. These, at first, had no way of proclaiming their wares except by means of verbal utterances. This method survives with the street vendor, peddler, chimney sweep or scissors grinder of to-day, who continues to make his presence known by various noises. The earliest method of gaining publicity was that of the crier who announced his goods, sometimes eloquently, and always loudly.

The Hebrews were perhaps the earliest race, of which we have a record, who employed this method of advertising. Their criers made proclamations in the street and market place. These announcements, however, were chiefly of a religious nature, and we have no evidence that in the most primitive times proclamations concerning secular affairs were made. From the religious crier evolved the next step—that of the announcement of festivals, games and contests by word of mouth, as was the case with the early Greeks. Later the Greek crier also announced sales. It is recorded that the Greeks were so easily offended by bad pronunciation and inharmonious sounds that the public crier was not allowed to make proclamations without the attendance of a musician who might serve as a corrector of a bad tone or an improper pitch. Sad it is that the modern crier in our streets has lost the art!

4. *Mediæval crier.*—The public crier continued to be a common medium of communication from the times

of primitive Greece and Rome down through the Middle Ages, existing after the use of writing and printing became common, and even during the modern era. In England and the Colonies of America, the provincial crier gave notices of objects lost or found, of weddings, christenings and funerals, and also of sales of various kinds. The mediæval tradesman was advertised by the itinerant crier who went from town to town, castle to castle, and house to house, and made announcements of sales by auction, of real property, and of new consignments of goods from abroad. With his horn he attracted attention wherever he went. Sometimes the crier was also a seller and carried his goods either on his back or on a horse or donkey. In France, the wine criers carried with them a quantity of samples so that the prospective buyer might taste. In England men stood at their booths and shops bawling to the passersby: "What d'ye lack, sir? What d'ye lack?" The inn-keeper, too, stood on the threshold of his tavern and announced his bill of fare to any stray wayfarer who chanced to go by. A survival of this method exists among the present day "barkers" who proclaim the sideshow attractions along the "pike" or the cheap sales "down on Hester Street."

The general use of the vocal method of advertising in the early days perhaps suggests the reason for the absence of written methods. People understood the spoken word better than any other kind. Long after the art of printing was invented it was little used for commercial advertising. It would have been as futile to have addressed a printed "ad" to the general public in the sixteenth century as it is to-day to send American catalogues of goods to the Zulus. The number of people who could read and write in those days was in-

deed scarce and was confined mostly to the upper classes. Even the names of the shop keepers and their occupations were more effective when announced upon the signboard in the form of a rebus than in the language of the printed letter. A bush or the picture of a bush was more effective as a wine sign among the Romans than the gilded lettering of the Anheuser Busch sign would have been.

5. *Second phase in history of advertising.*—The next form of primitive advertising was the use of the "signboard." This existed along with the vocal method. Rolls of paper have been exhumed from the ruins of Thebes, upon which are written descriptions of runaway slaves and offers of rewards for their return. These sheets have lain beneath the earth for fully three thousand years, and their age proves to us that as soon as writing was invented, even in its most primitive form, it was used for the purpose of advertising. The Babylonian Code of Hammurabi and the Ten Commandments of Moses were made public by being written upon tablets of stone placed in conspicuous places. This is our earliest record of the use of the signboard. The early Greeks inscribed on sheets of lead the names of offenders who had found or stolen property. Hereon was invoked the wrath of the deities of the nether world, and the affixing of the sheets to the statues of the deities, the writers thought, was highly effectual in bringing down punishment upon the offenders. In the ruins of Herculaneum and Pompeii were discovered notices painted in black or red upon the walls announcing plays, gladiatorial shows and "warm, sea and fresh water baths." Signs over doors, or on the walls of houses, showed that the property was to be leased or sold. In Rome book-sellers placarded their shops with

the titles of new books that might there be found on sale.

6. *Use of "signs" in mediæval times.*—Signs were made use of freely in the middle ages to attract people to the wares in the various booths and shops. Bills were posted in frequented streets announcing various sales, or the arrival of circus troops, bear baitings, and also enactments of the town councils or proclamations by the mayor. But this form of advertising was not developed any further until the last fifty years of our modern era. For a long period after the dark ages reading and writing seemed to be lost arts. As we have seen, it was much wiser from a business point of view, for a shop keeper to indicate the character of his business by the use of some familiar thing whose name might be suggestive of his trade, than to display the written words.

The ability to read and write has never been necessarily connected with purchasing ability, and this was especially noticeable in the days when learning was monopolized by the clergy. Thus, it happened that not until the power of the press became synonymous with general education could the art of printing become the controlling power in the world of business advertising that it is to-day. For two hundred years after Caxton printed the first poster in England, in 1480—announcing a set of rules concerning Easter for the guidance of the priests of Salisbury—handwriting continued to be the chief manner of advertising. Signboards and placards were thus adorned until printing became more widely used.

7. *Use of signs to-day.*—From the crude lettering on tablets of stone and rolls of papyrus have been evolved the marvelous show-cards, "hangers," posters,

bill-boards, and electric signs of to-day. We might even include the ingenious window displays of the great American department stores and the unique advertisements of "Heinz's 57 Varieties."

8. *Early newspaper advertisements.*—From 1524 until a few hundred years later pamphlets were printed in Europe at irregular intervals. The first one was produced in Germany, but France was the first nation to publish a newspaper advertisement of a commercial nature, and this appeared in the *Journal Petites Effiches*. 1612.

In the British Museum is preserved a German news-book of 1591 which contains a notice advertising a certain book. The book described an unknown plant which had been discovered in a certain town. It was believed that such a discovery was a warning of divine wrath to wicked mortals in general, and the advertisement refers to this idea, commending the reading of the book. Other early newspaper advertisements were of books. The first commercial and miscellaneous advertisement was printed in a Dutch newspaper in 1626. In different type from the rest of the paper this gave notice of a sale by auction of such articles as sugar, pepper, ivory, etc.

With the introduction into England in 1658 of tea from China, many advertisements appeared in the early newspapers commending the new beverage to the people. Even in those days all new combinations of food and drink were recommended as a cure for many ills, and this was particularly true of tea, and also of coffee which had been introduced a few years earlier. It will be interesting to note the following quotation from a printed handbill published in the seventeenth century and preserved in the British Museum. After

a description of the berry and instructions as to its preparation for the delicious beverage, coffee, with advice as to when and how to take it, the handbill goes on:

The quality of this drink is cold and dry. . . . It much quickens the spirits, and makes the heart lightsome; it is good against sore eyes, and the better if you hold your head over it and take in the steam that way. . . .

It is excellent to prevent and cure the dropsy, gout, and scurvy. It is known by experience to be better than any other drying drinks for people in years, or children that have any running humours upon them, as the king's evil, etc. . . .

It is observed that in Turkey, where this is generally drunk, that they are not troubled with gall-stone, gout, dropsy, or scurvy, and that their skins are exceeding clear and white. It is neither laxative nor restraining.

Made and sold in St. Michael's Alley, in Cornhill, by Pasqua Rosee, at the sign of his own head.

From this time on, with the gradually improved methods of printing, the newspaper began to be used more and more for advertising purposes. In 1682 the *City Mercury* of London displayed a list of advertised articles quite as promiscuous as the cross-roads grocery store of to-day. This collection included among other things Scotch coals, feathers, masks, leather, painted sticks, quills, onions, pictures and ox-guts. Despite all its imperfections this paper foreshadowed our modern methods, and to the editor, Mr. John Houghton, belongs the credit of introducing a new era in advertising history. He made it clear, for the first time since the establishment of the first weekly newspaper in England in 1622, that the newspaper had other functions than the mere printing of current news.

9. *Early newspaper advertising in America.*—The first newspaper venture in the Colonies in 1690 was

short-lived. This publication, entitled *Publick Occurrences both Foreign and Domestick*, was succeeded in 1704 by the *Boston News Letter*, a weekly. It was forty years, however, before this paper had a circulation of 300 copies. It may be easily surmised that advertisements did not figure largely in the newspaper business of those days. Not until the appearance of *The Independent Gazette* in New York in 1787 did it become evident that newspaper advertising was a valuable means of spreading trade information. The second year of its publication was marked by a list of thirty-four advertisements. Before this, the most common advertisements in the colonies, as well as in England, were announcements of runaway slaves, servants or apprentices, with a full description of their defects or beauties, and the offering of rewards for their return. Sometimes there were notices of a sale of negroes, and in the same advertisement perhaps would appear the announcement that some articles of dress and various goods were also to be disposed of. "Two very likely negro boys," reads one, "and also a quantity of very good Lime-juice to be sold cheap."

Ship arrivals and departures in these early days were frequently advertised. The following is a good illustration of a typical announcement of a recently arrived cargo. It appeared in a *Boston Chronicle* of 1768:

Just imported in the Ship Thames, Captain Watt, from London, by

SAMUEL FRANKLIN

At the Sign of the Crown and Razor, South-End, Boston: Best Razors, Pen-Knives, Scissars, shears, shoe tacks and stamp awl blades, teeth instruments, lancets, white and yellow swords and sword belts; case knives and forks; ink powder and sealing

wax, files and rasps; horse fleams; hones and curling tongs; brass ink pots, horn and ivory combs; white, yellow and steel shoe and knee buckles; gilt, lackered and plated coat and breast buttons, snuff boxes, and a few second-hand hats, etc., all very cheap.

N.B. Razors, pen knives and scissars ground, scabbards made for swords and bayonets, case-knife and fork blades made at said shop.

The chief virtue of these announcements was their straightforwardness and absolute simplicity.

10. *Benjamin Franklin's method of advertising.*—But opportunities such as exist in the field of advertising could not go uncultivated for any length of time in the days of Benjamin Franklin. No one knew better than he how to conduct an advertising campaign, and the following story told by Edgar W. Coleman in his book on "Advertising Development" is one of the best in the history of advertising.

When Franklin decided to publish Poor Richard's Almanac, one of the problems he had to meet was the opposition of an existing almanac published by a certain Titan Leeds. The latter annual was an established and well-known institution and so presented no mean obstacle in the path of a new-comer. Franklin decided that the most sure means of ridding himself of this opposition was to have Leeds die, so he killed him,—not by any brutally murderous method, but by the blandly scientific method of the printed word. It was then, as for long afterward, the custom for almanacs to predict the weather for the year to come. Franklin went further than this and gravely predicted the death of his dear friend Titan Leeds. He stated that Leeds was to die October 17, 1733; but made it appear that Leeds himself—while agreeing as to the month and year—believed the actual date would be October 26.

Of course there had really been no such discussion or agree-

ment and when Franklin's almanac appeared Leeds was furious. He raved and called Franklin so many kinds of a liar that people flocked to buy the new almanac, just to find out what the fuss was about, which, of course, was just what Franklin had hoped for. He was too wise, however, to spoil the thing by permitting himself to be lured into any discussion of the matter, but just shook his head, with a deprecating smile, and let Leeds do all the scolding.

When Leeds brought out his next almanac he called gleeful attention to the fact that the year had gone by and he was still alive, but Franklin was not feazed a particle. He gravely insisted that Leeds would never have used such language as had appeared in the almanac now published under his name and persisted in his contention that the prediction had been fulfilled and Leeds was actually and positively dead!

What was the poor man to do with such an imperturbable adversary? He gave up the losing fight, concluding to find some better use for his time and energy than to serve as an advertising puppet for Franklin's uses; and his almanac soon passed into oblivion.

11. *Effect of industrial revolution on advertising.*—But advertising at the close of the eighteenth century could not have reached the dignity of a business policy. It was nothing more than a conglomeration of spasmodic announcements. Its slow and tedious advance was parallel with the paths of production and consumption for centuries, but when the latter led into the industrial revolution at the end of the eighteenth century there was a new pace set for advertising. Yet it responded only in a slight degree compared with the rapid strides which the technical inventions permitted production to take.

For centuries the consumer had accustomed himself to the slow processes of hand production, and the habit of mind so acquired was not to be overthrown in a

moment. The great masses of the people had to be taught to use, as well as to be instructed how to make. Within the space of a few years the new machines were turning out great quantities of staple and very cheap wares. The upper classes, for whose use most of these goods had been made before the industrial revolution, could no longer consume the entire production, and the millions of common people with whom frugality had so long been a necessity could not be brought at once to buy. As Mr. Edwin Balmer truly says in his little book, "The Science of Advertising":

In a moment the machine could overthrow the industrial traditions of the race—but the economic and the social?

In a moment the industrial revolution put before the millions those thousand things which had never before been in their reach; but it was to require almost an economic and social revolution to make them reach. The very workmen making the products, which now became so cheap that they were available, did not want them. For too many centuries the "people" had been forced and accustomed to consider the refinements and even the simple luxuries of life as for the use only of the few.

12. *Problem of the nineteenth century.*—As the chief question of the eighteenth century had been how to solve the problem of production, so the nineteenth century had its problem of raising the standard of living of "the people," and the consequent increase of consumption. The force which was to accomplish this was the power of advertising; and in this light we must consider advertising as one of the great economic and social factors which has made for our industrial advancement. If we accept the dicta that the progress of individuals and nations is measured by the new need acquired, advertising should be classed among the chief means by

which human progress has made such strides in the last hundred years.

13. *Advertising more than mere publicity.*—The essential nature of advertising is seen in the industrial development of the last century. If advertising were mere publicity then we could describe its development by reciting the achievements of the printing press; but it is more than that, for publicity ends with the making of an announcement, while true advertising begins at that point. Advertising seeks to convince the prospective purchaser, and while it is dependent upon the printing press as a physical agent in producing results, it gets its true impulse from the economic conditions which have given us greater power to produce than to consume. These conditions are found in the industrial organization which has widened the market and scattered consumers, and in the improved methods of communication that have quickened the pace of distribution and exchange. When the true relation of advertising to industry is comprehended it is not difficult to see the reason for the various methods employed at different times and places.

14. *Adaptation of methods to conditions.*—Thus, at various times, a variety of advertising methods were adopted to meet the pressure of economic forces of consumption and exchange. One of the best methods illustrating the progress of advertising is the use of newspapers and periodicals. These mediums have responded to the demand for abundant and attractive notices, and for quick and timely and widespread distribution. The changed attitude of the newspaper toward advertising is plainly seen by comparing the two following announcements. The first is from *The London Gazette* of 1666, which is credited with being the

first paper to use the word "advertisement" as a heading.

Being daily prest to the Publication of Books, Medicines and other things not properly the business of a Paper of Intelligence, this is to notifie, once for all, that we will not charge the Gazette with Advertisements, unless they be matters of State.

Contrast the indifference and hostile attitude of this early notice with the following notice which appeared in a prominent paper of the western United States, announcing that,

The most local advertising—*that* is the real test of a newspaper. Its local advertising is a sure indication of its local influence. . . . During January, 1910, the —— carried 20 per cent more local display, and during the month of February, 30 per cent more local advertising than any competitor.

Surely advertising has come into its own at last!

15. *Early magazine advertising in the United States.*—The history of the magazine's attitude is much the same, except that it emphasizes more forcibly, if possible, the recentness in which this new force has entered the calculations of business men. *Harper's Magazine* inserted its first advertisement in 1864. The July number of that year contains eleven advertisements, and although the cuts and the arrangement of the matter are crude, nevertheless some of the "ads" disclose a shrewd appreciation of the purpose of its composition.

Some of our modern composers of "reason-why-copy" might study with much profit the old advertisement then displayed of "the universal clothes wringer." Not for a moment is the reader left in doubt of the extra and unusual specialty—"the patent cog-wheel regulator." And it might be questioned if modern terse-

ness and forcefulness have really improved upon the closing paragraph of this advertisement. It states that "A child can wring out a tubful of clothes in a few minutes. It is, in reality, a *clothes saver! a time saver! and a strength saver!* The machine *pays for itself every year* in the saving of garments!" Combine with this a strong testimonial from no less a person than the wife of Henry Ward Beecher, dated in 1861, followed by another from the noted preacher himself dated three years later, stating that he is "authorized by 'the powers that be' to give it the most unqualified praise, and to pronounce it an indispensable part of the machinery of housekeeping." Is not this sufficient proof that the use of the psychology of advertising has not been the exclusive possession of our latter day scholars?

16. *Growth of magazine advertising.*— But *Harper's Magazine*, like *Scribner's*, which started its "guide to buyers" in 1872, did not materially increase its advertising from year to year until within the last twenty years. A comparison of the advertising space of *Harper's Magazine* of a recent year, with the total space given to this feature for a series of years after it had adopted its new policy in 1864, discloses the fact that there is more space used than for the sum total of the twenty-four years from 1864 to 1887 inclusive.

In 1868 the magazines were not considered of much value to the advertiser. There were no figures to show what this value really was, and no solicitor of magazine advertising existed in the United States.

It is said that the E. & T. Fairbanks Company had used the largest advertisement up to the time of the Civil War. It was published in the *New York Tribune* and it cost them \$3,000. If this is contrasted with the appropriations for advertising by some of the large depart-

ment stores of to-day, it will be seen how the attitude has changed in respect to this important factor in distribution. One large department store in Chicago appropriates \$500,000 a year for its publicity; and there are several specialized products on the market, such as Uneeda Biscuit, Royal Baking Powder, Grape Nuts, Fairy Soap, Gold Dust, Swift's Hams and Bacon, Cuticura Soap, Sapolio, Armour's Extract of Beef and Ivory Soap, which are advertised in America to the extent of over half a million dollars a year each.

There are about 20,000 general advertisers in the country and about 1,000,000 local advertisers. These spend between them about \$200,000,000 a year. A computation made in 1905 based upon an investigation of the advertising and circulating conditions of thirty-nine of the leading monthly magazines shows an aggregate circulation of over 10,000,000 copies a month, capable of putting an advertisement into the hands of 600,000,000 readers; and this, too, at a cost of only \$12,000, or at the rate of two thousandths of a cent for each reader. The amount paid by the purchasers of these magazines was \$15,000,000, for which they received 25,000 pages of advertisements and 36,000 pages of text.

In computing the amount received by the publishers, it was found that \$18,000,000, or \$3,000,000 more than came from sales and subscriptions, was contributed by the advertisers. This fact indicates the rapidity with which advertisements are becoming the all important factor in publishing, so far as the magazines are concerned; but if we accept the opinions of the leading journalists we shall see that advertising is of even more importance in the case of weeklies and dailies. In the former, the receipts from advertising are often four

times as much as the receipts from sales and subscriptions, while in the latter, the proportion is even greater.

One large evening paper of New York credits 90 per cent of its total receipts to advertising. How recently this condition of affairs has arisen is shown by the fact that thirty years ago the receipts from subscriptions and sales of all the American periodicals exceeded the advertising receipts by \$11,000,000. Ten years later the latter had overtaken those from subscriptions and sales. To-day the advertising exceeds the other receipts by over \$35,000,000. Says Mr. Hamilton Holt, editor of *The Independent*:

No wonder that the man who realizes the significance of all these figures and the trend disclosed by them is coming to look upon the editorial department of the newspaper as merely a necessary means of giving a literary tone to the publication, thus helping business men get their wares before the proper people.—The tremendous power of advertising is the most significant thing about modern journalism. It is advertising that has enabled the press to outdistance its old rivals, the pulpit and the platform, and thus become the chief ally of public opinion. It has also economized business by bringing the producer and consumer into more direct contact, and in many cases has actually abolished the middle man and drummer.

The effect of advertising has not been limited to the pages of the magazines, but is also seen in the changes which the organization of the publishing business is undergoing. In order to obtain economies due to handling advertising on a large scale, the tendency of periodical publishing is away from one magazine published by one house and towards many magazines published by one house. The amalgamation of *Everybody's Magazine* with the Butterick publications is the most recent example of this tendency.

17. *Advertising and postal receipts.*—A relationship—which is seldom considered—namely, that between advertising and the national government is growing to be of great importance from the point of view of postal rates and postal deficits. The recent attempt of the government to increase the rate of postage on second class matter has brought out the fact that the cost of carrying the magazines through the mails cannot be considered entirely apart from the effect which the magazines have, through their advertisements, upon the creating of first-class mail business.

As an example of how advertising creates a demand for postage stamps, the case of a large mail order house may be cited. "Our business," says the president, "is derived entirely, either directly or indirectly, from our magazine advertising. During the year 1909 we paid the post office department, for carrying our first, third and fourth class mail matter, the sum of \$433,242."

Another example is furnished by the manufacturers of a medium priced shoe which is sold by a number of retail stores throughout the country. The magazines were used to gain a national publicity for the goods and to bring buyers into these stores. Incidentally, the home factory was mentioned as being willing to fill orders by mail. Thus a large correspondence was built up, of which the average annual increase alone during the last three years involved 264,000 first class letters—a minimum postage of \$5,280.

Another big postage bill was incurred incidentally by a soap company which used a page advertisement in one magazine one time. This brought more than 30,000 letters. The first class postage on these and the answers to them aggregated more than \$900. The charge for carrying that page of advertising through the mails at

the second class rate was about \$120. This shows what a large percentage of the first class postage sales, out of which the postal department claims to make up the deficits due to carrying periodicals other than daily newspapers is caused by magazine advertising, directly or indirectly.

The different sources of stamp buying created by the magazine publisher may be outlined as follows:

Copy from advertiser to publisher.

Proofs from publisher to advertiser.

Bills from publisher to advertiser.

Remittances from advertiser to publisher.

Answers from readers to advertisers.

Letters from advertisers to readers (sometimes three or four follow-up letters).

Orders from readers to advertisers (in many cases containing postal money orders).

Mailing of goods from advertisers to readers.

Bills from publisher to subscriber.

Remittances from subscriber to publisher (in many cases by postal money order).

Letters soliciting subscriptions.

Premiums to subscribers.

Miscellaneous correspondence, etc.

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CHAPTER II

PSYCHOLOGY OF ADVERTISING

18. *Psychology defined.*—Mention the term psychology to the average business man and you at once arouse his suspicions of your right to discuss a business proposition. He will be apt to think that your interests pertain more to a sphere lying somewhere between the study of theology and the "black art." Your general appearance might help him to decide to which extreme you were the more closely allied, but, at any rate, the world of business would not be thought a place for your most effective usefulness.

This prejudice against the word is, however, easily explained. Because of its original meaning, which defined it as the science of the soul, and because in the middle ages and later, every abnormal action of the mind was discussed in its name, the science of psychology has been closely associated with all the freak or abstruse "theories," that have puzzled the thoughts of men from the time of Aristotle to that of Mrs. Eddy. But recent methods of scientific investigation and the widening of the sphere of knowledge have enabled us to assign a very practical meaning to this classic term. It is nothing more or less than a study of the mental processes as we observe them in ourselves and in those about us.

19. *Advertisers as psychologists.*—Thus interpreted, psychology becomes the practical study for the business man and the advertiser, each of whom are diligent stu-

dents of the effect of one personality, with goods for sale, working upon another personality with wants to be satisfied. Specifically, the advertiser wishes to know to what extent the public is willing to respond to his advertising. It would aid him, therefore, to know that the human mind is much more mechanical in its actions than it was once generally supposed to be, and that the way certain things impress the mind can be ascertained with great exactness.

The functions of interest, attention, emotion, reason and suggestion, are all dependent upon well-known laws of the mind. Hence it is important to know how each of these functions may be utilized to the advertiser's advantage or profit. Furthermore, it is known that certain colors, forms and tones have a like effect upon the majority of people. Certain combinations are pleasing while others are not—they may even be repulsive. The advertiser who takes advantage of these mental prejudices increases the power of his advertising. He knows how to approach the buyer by moving along the lines offering the least resistance to the latter's mental prejudices.

It is not necessary that the advertiser become a professional psychologist. He is not primarily concerned with the study of the causes of all the mental phenomena. What he should be interested in consists of the results of the psychologist's investigations and discoveries, which show him what habits of the mind can be relied upon to further his business policies.

20. *Why the need of the study of psychology arose in advertising.*—The necessity of studying mankind in the mass has arisen as a result of the same economic changes that have compelled the business man to study means of producing on a large scale and transporting in

bulk. The manufacturer of a century ago produced a few articles for a small market. He knew his customers. It was easy to sell because he knew his man; advertising was a simple thing. But as the markets for his goods were extended and it became necessary to produce great quantities of goods, he discovered that as a basis for selling his goods he could not rely upon his personal knowledge of each individual customer. He therefore set to work to discover a means of reaching man in the mass. He changed from a student of personal whims to a student of universal prejudices. It was no longer a question of selling to Friend Smith, but how to get at the Smiths in general without knowing any of them. At this point psychology comes to the aid of the business man. By disregarding the individual peculiarities, it shows that there are certain standards to which the business man can conform as readily in advertising as in production. These standards relate to habits and feelings, and are determined by discovering what ways of thinking and acting are common to the mass of mankind.

The problem that confronts the advertiser grows more and more complex as the market extends and the number of advertisements increases. He has, therefore, not only to devise means of reaching large numbers of people, but of appealing to them in such a way that his "ad" will not only be read, but read in preference to multitudes of others. The means by which markets are reached will be treated of later. It is with this latter problem that psychology chiefly deals.

21. *Appeal to the sense of sight.*—Psychology teaches us that our thinking is influenced primarily by the mental images that we have acquired. But since these images must come to the mind through the senses

it is important to know which of the five senses is the most profitable to appeal to, and having decided this, what methods of appeal are the most effective in stamping the image upon the mind. It needs no extended proof to show that modern advertising must depend chiefly upon the sense of sight.

22. *Illustration of an appeal to the sense of sight.*— I have before me a poster advertising the annual automobile show in Madison Square Garden. As my eye wanders over the sheet, I see the details of the picture—the men and women grouped about the automobile exhibits, the decorations, the flying banners. I turn my eyes away from the poster and in my imagination see again the variegated flags and streamers, the smartly dressed crowds and the deep reds and blues of the automobile decorations. This reproduced picture is the image of the original one and is quite similar to it. It is, in fact, a mental facsimile. If I had never been to a show of this kind, nor to a circus, nor to a horse show, nor to similar demonstrations, my mental image might be limited to the story as told in the poster—but I have been to such places, and as again I go over the picture in my mind, I hear the call of the “barkers,” the nervous jumble of sounds and noises, and above the roar suddenly break the strains of “Hail to the Chief!” I can feel myself pushing and straining forward in the crowd. I recall myself for a moment and find that I am actually pushing against the table at which I am writing. Again I hear the good-natured raillery that keeps a crowd in a happy frame of mind. Across the broad track comes the parade; horns are tooting, flags are waving, men, women and children in motion and wild animation are shouting vigorously. Again I shut off the mental panorama but my attitude toward the com-

ing show is different—I feel like going. This second mental picture is based upon the first but it is far different in context. It is a new creation made up of a number of images which did not come into my experience through the eye at all, but which at various times in the past have come as images through the sense of touch, (motor imagery), or by way of the ear, producing an auditory image. Such an ensemble of images, reproduced from the poster and produced from my own memory, is the type of mental image common to the mass of mankind.

The majority of men produce their own mental pictures by pouring their own experiences into the image suggested by the advertisement. Orators, artists, actors and writers have always recognized this power, and their success in moving their audiences has depended in large measure upon their ability to suggest just so much of the picture as they wished their audiences to reproduce, and in such form and proportions as to direct the imagination in producing the final and completed mental image in harmony with the desires of the speaker or writer.

23. *Importance of appeal to imagination.*—If the function of the imagination ended here, there would be little practical importance in its discussion from the advertiser's point of view, but such is not the case. The imagination is the instrument of reality. The advertiser should be interested in the display of his goods only so far as they affect men's imagination. The actual goods are never present to the senses for more than a few moments at a time, but in the imagination they may be present for years. The best "reason-why-copy" would have little significance if man's best thinking was contingent upon continual and actual sense stimulation.

The best thinking concerning the advertiser's wares is done after the disappearance of the objects, or the "copy," which displayed them. Furthermore, the very results for which the advertiser spends so much time and money are dependent upon the imagination. Man's everyday activities are controlled by it. He imagines or constructs a possible environment for certain lines of conduct. His first impulse is to follow this mental image.

When I imagined myself in the crowd, pushing and shoving, I discovered that I was in reality pushing against the table. If you doubt this tendency to give motor expression to an imagined line of conduct, try to imagine the pronunciation of the word "pie," and then notice if there is not a muscular contraction of the lips preparatory to its utterance. The advertisement, therefore, that can arouse the imagination has gone a long way toward producing the motor movement that conveys the cash from the customer's pocket to the till of the advertiser. A good advertisement must show itself capable of moving both the judgment and the emotions, but it must do this through the imagination, since both are closely related to the images which are gathered up by the mind. Therefore a knowledge of the methods which are available for the advertising-man in order to produce an "ad" that will stimulate the imagination is of first importance.

24. *Two important points.*—Regarding the imagination then it is important to remember that: 1. The more concretely the advertisement presents the situation to the mind, the surer it is of impressing the judgment with the reality of its existence. 2. The subject matter should appeal to as broad a field of human experience as is in keeping with the purpose of the advertise-

ment, for then the new image will call into activity the store of images already in the mind.

25. *Illustration of these principles.*—These two propositions may be illustrated as they apply in general, and then as they pertain to the field of advertising in particular.

Recently a circular came to my desk. It wishes to enlist my sympathies in a movement for the prevention of cruelty to animals. It has tables which show the number of animals that are killed daily in New York City. It has statements in regard to the effect of this upon the children who must continually observe the suffering of injured horses and other animals. It contains various items and abstract figures and generalities. Compare this now with Robert Burns' poem "To a Mouse."

Wee, sleekit, cow'rin', tim'rous beastie,
Oh, what a panic's in thy breastie!
Thou need na start awa' sae hasty
Wi' bickering brattle!
I wud be laith to rin and chase thee,
Wi' murd'ring pattle!

Here the situation is concrete, and where we cannot see or feel or reason about 80,000 suffering cats, we can easily form the image of one little timorous mouse with its actions and emotions. But the poet does not waste the power of his image after once creating it, for when he completes the image of "mousie" with its ruined home of "wee bit heap o' leaves and stibble," he associates it all with the broad human experiences of disappointment and sorrow.

But, mousie, thou art no thy lane,
In proving foresight may be vain:

The best-laid schemes o' mice and men
Gang aft a-gley,
An' lea'e us nought but grief an' pain
For promised joy.

The poet has now established a bond of sympathy between "mousie" and me. The emotions have been aroused through this act of the imagination. I have created an environment for the mouse within which he is safe, because the man of genius knew how to present the situation and how to relate it to the correct human experiences.

26. *Illustration as applied to advertising.*—How the application of these principles in the field of business becomes a requisite for success might be illustrated by reference to any special business activity, but it is our purpose to show it in reference to advertising.

Mr. Lorin F. Deland, in his book, "Imagination in Business," relates the following incident: A large rug concern suddenly found itself in a critical position financially. An abundance of oriental rugs was at hand but money was needed at once. A sacrifice sale of the smaller rugs was suggested. They were to be sold at a reduction of about 60 per cent, an actual loss of \$15 to \$20 per rug. This, it was thought, would insure the movement of a thousand rugs at retail within one week. The firm was going to rely upon the price to sell the goods without any further attempt to influence the mind of the customer. But how much mental stimulus is there in the announcement—"A Great Sacrifice Sale of Oriental Rugs! 60 per cent off if sold within the next 60 days?" The necessity of the case demanded that something more be done. Besides, no experienced advertising man would have hoped for a sale of more than 200 rugs as a result of such advertising. It isn't the price

that makes an "ad" strong. It is the reason for the price, and reason works best for the advertiser when the prospective customer is given a concrete image to think about and is directed to associate it with experiences of his own that strengthen the desire to buy.

After consultation with their advertising expert the firm decided to adopt a plan involving these principles. The plan provided for the insertion in each of the daily papers of a facsimile of a one-dollar bill made out in the name of the firm, to be good for the next six days if used in buying any oriental rug at their store. Although crude, this imitation one-dollar note was concrete, and it served to establish an image that was associated by all the emotions aroused by the possession of a real dollar bill. It was just at this point that the genius of the advertiser showed itself, for he had relied upon a very human attribute—the inability to throw away an element of value. Therefore, the people into whose hands this advertisement fell found it as difficult to let the imitation bill go unused as though it had been real money. Says Mr. Deland:

It seems incredible now, for the experiment was not tried in a large city, yet within three days the volume of rugs sold amounted to the largest total yearly discount limit; in other words, the greatest discount given to any retail house if the volume of its sales in one year could be made equal to this total.

The anticipation of 1,000 rugs was far exceeded in the performance, and the week ended with sales of 1,600 rugs. On these there had been a total discount of \$1,600, with but little more than the customary daily amount of advertising, and a complete saving of the large sacrifice which had at first seemed to the firm to be inevitable. . . . If instead of giving the buyer \$1 toward his purchase money, they had taken \$12 off the rug, there might have been sold, perhaps, 200 of those

rugs—scarcely more! But by making one-twelfth as good an offer in a more imaginative form, they sold, not 200 rugs, but 1,600.

27. *Appeal to prevailing form of mental imagery.*—

The two principles pertaining to concrete illustrations and to related images should be supplemented in practical advertising by a consideration of two other important mental traits. Each normal individual is endowed with the “five senses,” and it is through these that the mind gets its perceptions of the outside world. Investigations have shown, however, that men differ in their ability to form mental pictures dependent upon the eye or the ear or upon any one of the senses. Some easily recall images of situations which they have seen, while others find it easier to imagine the sounds or the taste or odors that gave rise to the original mental impression.

An advertisement which appeals to the prevailing form of man’s mental imagery is more readily welcomed than one which compels him to bring into action those mental images which are weak. If the makers of breakfast food or biscuits were confined in their advertising to appeals solely to the sense of taste, they would be much less effective than the rapid growth of their factories leads us to suspect they have been. How inadequate would the following phrases taken from a “biscuit ad” seem to a person who habitually used visual images in his thinking!—“Lemon Snaps—A touch of sweetness and the flavor of lemon make them a universal favorite.” “Zu Zu Ginger Snaps—A spicy combination of ginger and sugar-cane molasses.” “Vanilla Wafers—A favorite with all. Delicious little cookies that fairly melt on the tongue.” “Nabisco—a thin, tenderly crisp wafer, enclosing a layer of rich creamy sweetness.” To

people who have a strong gustatory imagery these phrases will appeal strongly.

But the advertiser knew that there are more people who think habitually in terms of visual images than all the other modes of mental imagery combined. He therefore added to each of the above phrases beautifully colored pictures showing rich browns, creamy yellowness and flaky crispness so vividly that few people could go unmoved if brought within range of the appeal.

A very important problem, then, for the advertiser to solve is the selection of the most appropriate sense perception through which to make his appeal.

28. *Illustration of choosing proper method of appeal.*—In order to accomplish different purposes, different forms of imagery must be used. It took a genius to produce an advertisement so forceful and so subtle in its appeal to the emotions, as the picture of the phonograph with the little dog sitting before it with that quizzically expectant tilt of his head and ears as he listens to his master's voice. The image of a talking machine that would be most effective, naturally, would be an auditory image. A representative that merely called up a visual image of a phonograph would have little emotional effect. But the strength of the advertisement rests not alone in its appeal to the auditory sense, but in its power to associate the voice with the image of a person, and with it the craving desire for the presence of an absent friend. Any attempt to add a further reason why you should possess a phonograph would have weakened the force of the advertisement. The composer of the advertisement had a purpose and he selected the right senses to which to make the appeal. He stopped before his performance resulted in what the actor would term "tearing the passion to tatters."

29. *Avoidance of exaggeration and unpleasantness.*

—An important corollary to the foregoing principle is that exaggeration should be generally avoided in commercial advertising, but more especially in connection with certain classes of emotions. If some classes of “funny ads” have succeeded, it is due to other qualities than the joy evoked by their exaggeration, although we are prone to overlook apparent attempts to arouse a laugh where we would resent an exaggerated and evident attempt to move us to tears. People generally approach an advertisement in a critical or at least a dormant or unsympathetic attitude. Therefore the first emotion appealed to should be one of pleasantness. If the subject does not lend itself readily to such presentation, then the arrangement of the advertising matter itself must furnish an agreeable approach.

30. *Universal significance of rhythm.*—Science has shown us that rhythm in one form or another is found throughout the universe. The periodical movements of the earth about the sun, the recurrent movements of the moon about the earth, and the diurnal movement of the earth upon its axis have influenced plants and animals so that each individual life has its periods of growth and rest, its waves of feeling, its periods of attention, and so on. Vegetation illustrates this in its annual periods of growth and blossoming, by the opening and closing of petals morning and evening, and in various other ways. Certain rhythms are exhibited in animal life by the migrations of birds at the same season each year, and by the hibernating of animals who regularly seek rest in the autumn. The universality of this law might be demonstrated by reference to the actions of every force and every mechanism by which force is made manifest. Heat, sound, sight, the winds and the tides

all show the rhythmical character of the world we live in.

The new psychology has turned its attention to the investigation of the part which this universal factor plays in the actions and attitude of man's mind. It has been proven that our likes and dislikes are chiefly dependent upon the presence or absence of rhythm; in fact, so dependent is our nature on rhythm that we produce it in imagination if it is not present in reality. This has been the outcome of man's attempt to adjust himself to an environment which was permeated by the influences of rhythm. Any person can test this involuntary attempt to produce a rhythm where none actually exists by noticing the regular accents which he hears in the ticking of a clock when in reality all the ticks may be the same in intensity and duration. So sensitive were the early Greeks to this quality of rhythm, that as has been noted in Chapter I, they appointed public censors to regulate the cries of the early advertisers. In fact, the modern public attitude toward certain kinds of bill-board advertising is based fundamentally upon the lack of harmony between the billboard display and its surroundings.

31. *Practical importance of rhythm in advertising.*— But the practical importance of rhythm, harmony or proportion, as it is variously termed, lies in more subtle relations than in the above illustrations, and while some advertisements have had a great success, although apparently violating every principle of proportion, yet their success is probably due in a great measure to persistency. Yet persistency, without regard to due form, is as costly in advertising as it is when relied upon by the "social bore" in making his upward progress in polite society where "harmony" is everything. Persist-

ence costs money under such conditions, and the same or more satisfactory success could have been attained by a closer conformity to simple and costless rules of harmony.

32. *Color and tone in advertising.*—There are certain colors which are displeasing to most of us, while there are others which are generally liked. Most people are agreeably affected by the sight of red and blue and are displeased with certain shades of green and yellow. In general, it may be said that every color or color-harmony has its own effect upon the emotions. It is not our purpose to discuss the relation of color to the art of advertising. The three colors which chiefly concern the advertiser are black, gray and white. The selection of colors that give a pleasing tone to an advertisement is of the utmost importance, since it is the color-value which is most likely to attract the attention to it as a whole. A pleasing initial impression prompts the observer to a closer examination of the "story" that is to tempt the reader to spend his money. Evidently it is poor policy for an advertiser to devote his best efforts to the writing of forceful copy and then to make no special provision for drawing the eyes of the public to his "ad." Too often is this most vital factor of harmony left to the discretion of the compositor in the printing office. His ideal is in many cases to crowd into a given space all the type styles it will hold. One needs to look only at the pages of any trade paper to find samples of these "typographical nightmares." One writer puts it well when he says, "If your printer insists on setting your advertisements in fourteen different styles, sizes and faces of type, he should pay half the cost of the ad for the privilege of showing his stock."

Mr. George French sums up the importance of this element in advertising thus:

The tone of an advertisement helps to get the attention and the assistance of the eye, which is as sensitive and as particular about color as it is about form. If there is not tone harmony in the advertisement the eye hesitates, and will not consider it unless forced to do so.

The tone of an advertisement is secured by having the type, the illustration, the decoration and the rule, or border, harmonize in weight, in blackness. This does not mean that all these elements should be of equal blackness, but that each should have the degree of black or color that is the most agreeable and that is demanded by the environment. If it is the type that is expected to make the chief appeal to the reader, the type should have the strongest tone and the attributes less. If it is the illustration that is to be relied upon to get the attention of the reader, it should have a tone strong enough to thrust its pictorial motive at the reader with force and effect.¹

33. *Form and proportion in advertising.*—As many have an instinctive liking for certain colors so have they a decided preference for certain geometrical forms. The most familiar example of man's pleasure in certain forms is seen when vertical lines which have been divided into sections bearing a certain relation to each other are presented to him. If the lines in the figure are observed it will be seen that the first and last affect us more agreeably than any of the others, while the middle line comes next in its power to please. The other lines are not so pleasing to the eye. On comparing the two sections of line A it will be found that the upper section is to the lower section as 3 is to 5; while in line E the same relation holds true, but in an inverse order. The middle line, C, is divided in the center, although to

¹ "The Art and Science of Advertising," page 214.

most people the upper section will appear longer than the lower one. This is due to the fact that the eye emphasizes the upper part of a figure rather than the lower part.¹ This is important from the advertiser's point of view and will be referred to again in connection with the layout of an advertisement.

If the same ratio is carried out in the structure of a rectangle in which the base is to the altitude as 3 is to 5, or in an ellipse in which the short diameter is to the

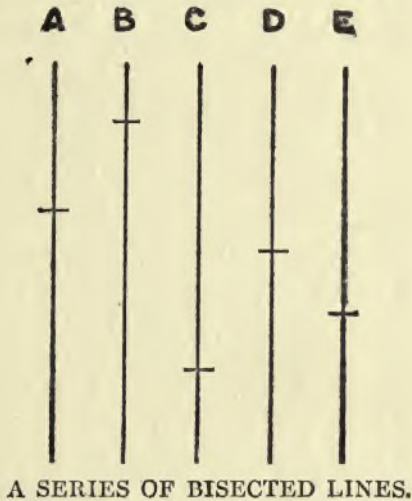
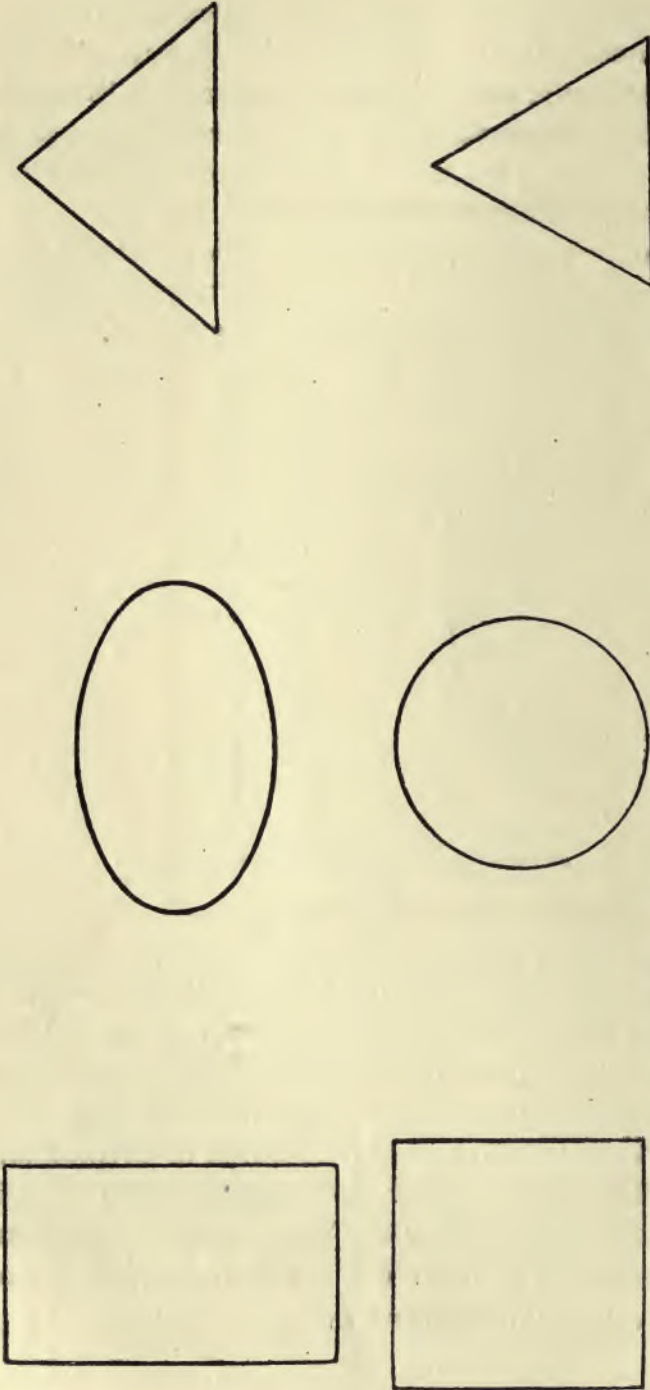


Figure 1.

longer as 3 is to 5, the same pleasing impressions result. Architects and artists followed this principle in their works long before they discovered that they were following an almost universal prejudice. They were working according to their "artistic feelings." In time, however, it was noted that the great works of architecture and of art almost invariably followed this ratio in their proportions, which was called "the golden section of architecture." How frequently it enters into the struc-

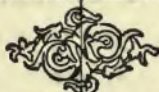
¹ "The Psychology of Advertising," Walter Dill Scott, page 27.



The upper figures are drawn according to the principle of the golden oblong. The lower are equilateral. Which produce the more pleasing effect?

Figure 2

ture of objects that come under our observation every day is seldom realized unless our attention is called to it. For instance, most buildings approach it in which the width and height do not violate our sense of propor-

Holiday Display <i>for</i> 1909	
	
ALLEN & BROWN invite your attention to their Holiday Announcement of	
Sterling Silverware Choice Boxed Stationery Novelties in Leather and Souvenirs	
A special collection of Decorative Pottery and Metal Goods for the Library is also offered	
THE CRAFTSMAN SHOP ALLEN & BROWN 46-48 Nicollet Ave. Minneapolis	

The line drawn vertically through this advertisement divides it into two symmetrical parts. The horizontal divisions shown by the dotted lines are not equal, but the space is so proportioned as to give a very pleasing effect. Variety is gained by this method, as well as by the arrangement of the display and text, and the use of different styles and sizes of type, but the whole is bound together in symmetry.

tion. Whenever this principle is violated, we show our disapproval by appropriate epithets; a person who is disproportionately tall is called a "beanpole."

Most books and magazines use this ratio. The

printed part of this page is arranged according to the principle of "the golden oblong."

If the simple arrangement of the parts of a geometrical figure has such an influence upon people in general, then it is important that the advertiser take pains to choose his space so that the height and width will be in just that relation which will produce the most pleasing effect. That so many advertisements conform to the rule of this golden section is due largely to the fact that the magazine or other medium is itself constructed correctly, and hence the space of a whole page advertisement would of necessity be in correct proportions; likewise would the advertisements occupying quarter sections of those pages.

The pleasing effect produced by figures constructed according to the golden section is due to the variety that is offered. But the parts compared must not be too much alike or too different. If they are, the feeling of unity in the figure or line is destroyed.

The choice of space according to these artistic proportions should be followed by an equally artistic subdivision of the space into symmetrical parts. An examination of the figure on page 37 will show how the same principles of proportion and symmetry are carried out in a subdivision of space.

34. *Rules of attention.*—But the rules of harmony or rhythm do not cease with the form and arrangement of advertising space and matter. After the eye has been directed to the advertisement, it is necessary to use every means possible to hold the attention until the story has been told. Our natures crave rhythm, and when the written "copy" corresponds to our feelings in this respect we respond to the argument and willingly accord it our attention. To obtain the highest efficiency in

the written advertisement two important facts should be kept in mind: 1. Our attention is best employed when a period of thinking is followed by a period of mental rest. Neither period should be too long, for that would produce mental exhaustion; nor too short, for that distracts the attention. The balancing of these two factors produces rhythm and aids the thinking process. 2. The sentence is the unit of thought, and hence its structure and nature determine the rhythm of the composition. By structure is meant the number of words and the grammatical relations of its parts. By nature is meant the character of its predication.

35. *Relative length of sentences.*—It is not generally known that the sentences of experienced writers will average about the same number of words throughout their productions. Likewise will the number of predications per sentence run about the same. A test made of Macaulay's "History of England" showed that the author used on the average 23.43 words and 2.30 predications per sentence and that there was an average of 34 simple sentences to each one-hundred sentences. Investigations have also shown that there is a very decided tendency toward the use of simple sentences having few predications and fewer words. The Greek and Roman orators made frequent use of sixty or more words in a single sentence. Cicero has been credited with producing a single sentence of 124 words. Examples of the best prose writings of to-day indicate that about 25 words is the average number necessary to produce the best conditions for holding the attention of the reader. This does not mean that every sentence in the advertisement should be just about 25 words long, but is simply a caution against the use of long and involved sentences or the opposite—the use of the too short and

choppy sentence, which loses the attention by affording too frequent opportunity for the distraction of the reader's thoughts.

Remembering then, that an advertisement cannot claim more than a few moments of the reader's time, compare the following sentences taken from recent advertisements:

Although this is by no means the first time a king or member of royalty has purchased an Angelus, nevertheless, this most recent royal tribute is doubly impressive and particularly significant in view of the fact that all the leading piano-players, both American and foreign, are sold in London.

Few people will grasp all there is in this sentence at the first reading. The number of words and predications are too many to give the unity necessary for ease in attention. The "thought groups" do not correspond to the sentence structure. Notice how much more easily one reads the following sentences from a telephone ad:

All other means of communication are cold and colorless in comparison. By the telephone alone is the human quality of the human voice carried beyond the limitations of unaided hearing. The Bell System has provided this wonderful faculty for all the people.

These sentences are short and conform in their lengths to the normal units of thought. Although the observance of the principle pertaining to balance and unity is essential to all advertisement writing, it is of special importance in advertisements requiring the writing of many pages. It then assumes the dignity of a pleasing literary style, and a further discussion of principals and applications would involve the whole subject of the

psychology of reading. Only so much of the subject as pertains to the practical side of advertising can be treated of here.

The technical arrangement of the advertising space, the subdivisions of the space into parts, the composition of the various colors and of the written sentence, as we have seen, gain in effect if each feature is carried out in accordance with the principles of rhythm. These are commonly designated proportion, symmetry, tone and balance.

36. *The eye in advertising.*—There is still another rhythm which the advertiser must cater to. If he ignores it, there is a strong probability that he will lose all that might have been gained from an otherwise well constructed advertisement. The advertiser must depend upon the physical eye to do the work of carrying the impression of his advertisement to the brain. If he fails to cater to the eye's desire for ease, he must suffer the adverse discrimination which the eye will put into effect while skimming the magazine pages, the scenery from a railway car or the attractions of a street car. The eye is forced to its work by an over-curious brain which often grows tired in its efforts.

The eye has its own peculiar construction which permits it to perform its functions easily within certain limits, but with increasing effort and labor when forced beyond those limits. It is constantly on the alert and by a glance it decides whether the size of the type or the length of line or the arrangement of the lines are favorable to ease and speed of movement. If it finds that the length of the lines is such as to be followed from the beginning to the end with a minimum of effort, the eye will select that advertisement in preference to one which compels it to move through a wide angle with an

expenditure of considerable muscular force to pull it beyond its habitual range.

37. *The eye and rhythm.*—It is at this point then that the construction of the written lines of the advertisement comes into relation with the law of rhythm. The eyes in reading, like the legs in walking, have a natural “pace.” If the legs are compelled by the condition of the surface of the road or by the tempo of a band to take shorter or longer steps than usual, they soon grow weary. A walker is best satisfied when he can take his own “stride” in his own time.

The movement of the eye from right to left or vice versa is most easily accomplished when rhythmically performed, but this is conditioned by the length of the line along which it must travel. Psychologists have discovered that lines in the newspapers which are of moderate length, rather than the longer lines, facilitate a rhythmical regularity of eye movement for the majority of people. Therefore the advertisers who appeal to the majority in respect to the speed and ease of reading, have a decided advantage over those who do not. Many up-to-date advertisers are gathering all they can from the results which the science of optics has given us. Such a study shows several things that are of practical importance to the advertiser.

38. *Optics and advertising.*—In reading, the eyes do not move continuously from left to right along the line, but proceed by a series of quick movements alternating with short stops until the end is reached, then by an unbroken sweep to the left, the eye returns again to the beginning. Since words or letters are not distinguished during its movements, it is essential that the pauses or “fixation points” be so arranged as to allow the easiest and quickest perception during this time.

The economy of reading depends upon the number of these fixation points in a line, and these in turn are determined by the length of the line. According to one

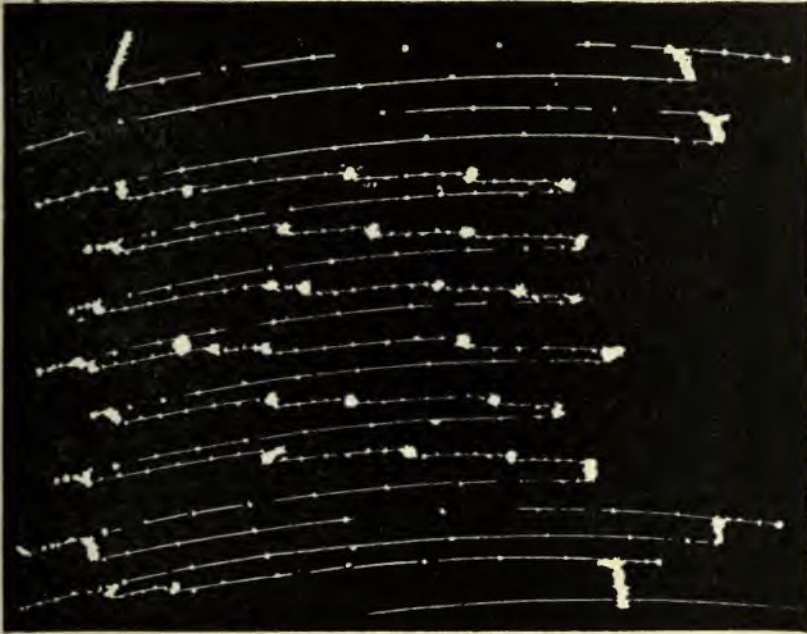


Chart showing the operation of the eye in reading. From "The Psychology and Pedagogy of Reading," by Edmund Burke Huey, A. M., Ph. D. Courtesy the Macmillan Company

Prof. Huey says, speaking of this diagram:

"The curve shows the movements of the eye in reading six lines, preceded and followed by two free movements of the eye each way, in which it was swept from one end of the line to the other, the beginning and end alone being fixated. The broad vertical lines and the round blurs in the reading indicate pauses in the eye's movements, the successive sparks knocking the soot away from a considerable space. The small dots standing alone or like beads upon the horizontal lines, show the passage of single sparks, separated from each other by 0.00068 sec. The breaks in the horizontal lines indicate that the writing point was not at all times in contact with the surface of the paper though near enough for the spark to leap across, as shown by the solitary dots.

"The tracing shows clearly the fixation pauses in the course of the line, the general tendency to make the 'indentation' greater at the right than at the left, and the unbroken sweep of the return from right to left."

authority, it was found that "the more pauses there are in a line, the shorter their length on the average; and vice versa, the fewer the pauses the larger any one pause is apt to be." Since the pauses are less in the

shorter lines than in the long ones, the "expanding of the field of attention" at the fixation points is made more frequently and with greater ease.

These movements of the eyes are so automatic and so unconsciously made that they are very difficult to detect; but Professor E. B. Huey has devised a very delicate instrument which, while affixed to the eye, records its movements. The chart on page 43 shows the record of the eye's movement while reading six lines of print, set in ten-point old-style type, 3 5-6 inches in length. Notice first that the eye took its habitual cursory glance (represented by the first four lines) which is so fatal to many advertisements, since the eye—unless forced to the task by the will—avoids anything difficult to read.

The distance from one large spot to the next is called a "fixation." Within this space falls the portion of the line of print which is "read" or absorbed while the eye is at rest, although in this particular experiment the number of words averaged about three for each fixation. The number of words taken up by each fixation depends largely upon the length of the line of print. Hence it is important to determine what can be easily covered by the vision without eye movement. If this is determined, then the words or symbols can be so arranged that they will present a complete idea to the mind at each pause and can be taken up at once by the eye with ease. By avoiding movement, and fixing the eyes upon the dot in the diagram on page 45, it will be discovered that the reading range of the unmoved eye is very limited. If this were applied to an advertisement an area not more than an inch square would fall within the range of intelligent vision; the rest of the advertisement would be merely a gray blur.

This experiment shows that the eye of the average person picks up and identifies about one inch of a line of print at each fixation, although most readers think they see more.

Another fact of great importance which is closely connected with these fixation points is the mental process concerned in perceiving what is before us, and the means by which the mind most easily takes note of what is there. A scientific discussion of the mental process is

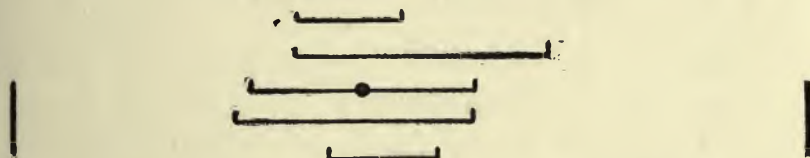


Diagram to show amount of printed matter the eye takes up at once. From "The Psychology and Pedagogy of Reading", by Edmund Burke Huey, A.M., Ph.D. Courtesy The Macmillan Company.

Figure 5

most interesting, but the practical advertiser is concerned chiefly with the means by which the minds of prospective customers are reached most easily.

39. *Illustrations of unsuccessful methods.*—It has been assumed that the lines of print have been arranged according to the customary way and that letters and words were combined in "sense matter." When thus arranged and combined it has been found that twenty to thirty letters may be read with ease at each reading pause. Yet many advertisements violate the rules of correct arrangement by writing the words in unusual ways or by using peculiar type, or in combinations that make nonsense unless the reader reconstructs them. Attention therefore should be called to the fallacy of

these methods. How many r of this sentence rec-

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s

OUR NEW COMBINATION DROP AND JACK

A R M A T U R E A D J U S T A B L E	BECOMING RAPIDLY	P O S I T I V E N I G H T C O N T A C T
	AND	
	FAVORABLY	
	KNOWN	
	AS	
	No. 6 <hr style="width: 50px; margin: 0 auto;"/>	
	HAS	
	FEATURES	
	WHICH THE	
	EXCHANGE OWNER	
WILL		
KEENLY APPRECIATE.		
WE MAKE IT		

L. M. ERICSSON TEL. MFG. CO., BUFFALO, N. Y.

How much of this advertisement do you remember even after you have forced yourself to read it?

ognize the word readers at the first glance? To how many does this last word look fam-i-liar? Or with what

degree of interest or ease do you attend a combination of letters like this—oilpas paos? Yet these three methods are commonly employed by advertisers. Their purpose is, of course, to gain attention by uniqueness, or perhaps by “originality,” as their inventors would call this method.

40. *Reasons for failure of these methods of appealing to the eye.*—Such methods cannot be permanently successful since they violate a fundamental principle of mental activity. Briefly, it may be stated thus: It is not the constituent parts (in this case the individual letters) of any given form that make it recognizable, but it is the familiar total arrangement. The above illustrations have all the elements of familiar words, but the visual forms are not the ones we are accustomed to recognize at once. This recognition by general form depends upon the fact that we have in our minds a storehouse of familiar word forms, geometric forms and so forth, and these are all brought into use when we are looking at a new word, or new picture, or new form.

In the following illustrations there are the same number of characters, but in the first figure their arrangement is not according to any form which the mind has stored away for quick reference. This law of recogni-

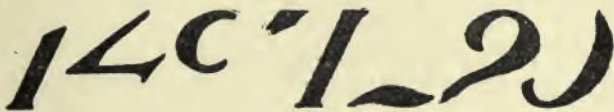


Figure 6

tion may be tested by taking just one glance at the first figure and then attempting to reproduce the lines. It will be discovered that not more than four or five characters can be perceived at a glance, whereas in applying the same test to the second figure, where these forms are

exposed in the more familiar arrangements, the whole is recognized at a glance. "The habitual association of the parts into a unity which makes the perception facile and

1492

Figure 7

the memory after the exposure easy, and the familiarity of the total form as an unanalyzed whole, work together as factors in these as in all such recognitions."¹

The advertiser who uses unusual words, forms and arrangements will find that his advertisement is not easily perceived or remembered—the two things of primary concern to him.

41. *Characteristic part of letters.*—Advertisers sometimes employ a method which often puts a strain upon the reader's perceptive powers. In order to attract at-

ONE FACT IS PROVED. THE VALUE OF
ADVERTISING DEPENDS ON THE VALUE OF
THE READING MATTER THAT GOES WITH IT.

ONE FACT IS PROVED. THE VALUE OF
ADVERTISING DEPENDS ON THE VALUE OF
THE READING MATTER THAT GOES WITH IT

attention by the uniqueness of the advertisement the line of printed words is divided into an upper and a lower half, the upper part being printed in one color and the

¹ Professor E. B. Huey, "The Psychology and Pedagogy of Reading," page 79.

lower in another. Usually the lower half is printed in strong tones while the upper part is less decided in color thus attracting less attention. This is seen most frequently on billboards and poster signs, thus, making their meaning not easy to grasp. By comparing the mutilated passages above, the reason for this lack of clearness becomes evident—i.e., that the upper half of a word or letter is more important for perception than is the lower half.

42. *Power of suggestion.*—Many advertisements attract the attention of the reader and even succeed in impressing the essentials on his memory. Still, millions of dollars are wasted every year on advertising because it does not succeed in giving the desired suggestion. The advertisements are read but the reader is not impressed by the good qualities of the wares offered for sale. An undesirable word or an idea may be suggested by an advertisement, which takes so firm a hold on the mind and becomes so closely associated with a particular article that every impulse favorable to its purchase is hindered or interrupted. How a suggested word creeps into our thoughts even against our will is admirably illustrated in the story told by Professor Hugo Muensterberg.

A long time ago there lived an alchemist who advertised a receipt for making gold from eggs. He stipulated in a contract that he would refund all moneys if his prescription was carried out to the letter, and the promised results did not take place. It is said that he never broke the contract and yet became a very rich man. His prescription ran thus: The gold seeker was to put the yolks of a dozen eggs into a pan and stir them for half an hour over a slow fire, but he was never once to think of the word hippopotamus. Many thousands

tried but none were successful. The fatal word which perhaps they had never thought of before would now unfortunately rush into their minds, and the more they tried to suppress it the more it persisted in coming.

43. *Importance of making the right suggestion in advertisements.*—A writer of an advertisement therefore should be very careful that the idea which he wishes impressed upon the mind of the reader is not subordinated to some other advertising motive. For if this occurs, it may nullify the very purpose of the advertisement, which was to prepossess the reader in favor of the offered ware. Nevertheless, one can turn to the advertising section of any magazine and find this principle violated in many places. For instance, a manufacturer of collars advertised a new device which permits the necktie to slip easily into place. The central attraction of the advertisement is the picture of a man pulling his necktie through the collar. The expression on his face plainly shows the irritation he feels in not being able to put the tie where it ought to be. The set of his teeth, the curl of his lips, the intimation of a snarl about the nose, all suggest the fitting "condemnation" that appropriately accompanies such a situation. The suggestion is forcefully made. It appeals to a common experience, but instead of associating the emotion which is aroused with all collars that do not permit the tie to slip easily into place, the reader connects the feeling of condemnation with the most prominently displayed word in the advertisement, which is the name of this collar that is supposed to have the very opposite qualities of "slide-well."

Another well-known poster represents a guest at a restaurant table. The waiter has evidently brought him the wrong brand and the guest shows his disgust by his attitude while rejecting the bottle. Above the picture

is the name of the "only desirable kind." The intention of the advertiser, just as in the other illustration, is to create a feeling of disgust for all brands not his own. But, logically, what must really happen is that the reader associates the inner feelings of rejection suggested by the picture, with the advertised name of the manufacturer's own product, conspicuously printed above the guest's disgusted face.

44. *Devices for making strongest suggestions.*—The power of suggestion is most successfully used when all parts of the advertisement blend with the final purpose—i.e., the creation of the motor impulse to buy. There are four primary devices to be kept in mind if the strongest suggestions in this respect are to be attained. The first is the suggestion of reliability. Any exaggerated attempt in this direction, however, will only create suspicion, and the presence of distrust destroys all tendencies to carry out the action desired by the advertiser. How important any element is that strongly suggests the feeling of confidence may be seen in the practice of making this the basis of the trade mark. One of the best examples of successful suggestion is the representation of the old Quaker in the advertisements of a well-known brand of oat meal. Another equally suggestive advertisement is that employed by an insurance company of a picture of the rock of Gibraltar as typical of its own strength. In a recent attempt to discover the attractive element in the advertisement, a successful advertising manager received 2,000 replies. The answers of the majority of the readers clearly showed that the first thing they looked for was evidence of the reliability of the goods, the firm, or the medium.

A second device closely associated with the suggested feeling of reliability is that of authority. It is, in

reality, a special device for inducing confidence in the wares advertised. In the realm of oratory or the profession of teaching this device is absolutely essential. The teacher must speak with authority, or his conclusions are taken with hesitation and his suggestions go unheeded. In advertising there is also great need of impressing the prospective buyer with a feeling that the advertisement speaks with authority. This is especially important in financial advertisements and is generally employed by bankers and others, by the use of a long list of the names of influential officers and directors in connection with their various announcements. But the most extravagant use of this device is seen in the advertisements of patent medicines, the testimonials of public officials, ministers and opera stars being especially prominent in all such advertising. The latter also figure prominently in all other classes of publicity, ranging from pink pills to pianolas. They seem, in fact, to be an authority on all things pertaining to human emotions.

45. *Suggestion induced by repetition.*—The third method that is commonly used in arousing suggestion is that of repetition. Many successful advertisers deny that there is anything like psychology connected with their particular method. They even boast that they have violated every principle of advertising as set down by theorists. For example, one advertiser points out the little unattractive advertisement, *Piso's Cure*—only a few lines long, with no attempt at prominent display, “reason-why,” or anything bordering upon balance, symmetry or suggestibility. Another business man scouts at the idea of needing authority or reliability as prominent factors, by referring to the success of a certain shoe advertisement where not only the principles of composition are disregarded, as well as most other

principles, but where the picture of a bald-headed man is thrown in, with whom from a psychological point of view it is difficult to associate the shoe trade. To clinch the argument against the possibility of employing psychology in the field of advertising, the theorist is directed to note the results obtained by the manufacturers of a certain talcum powder. What connection, they ask, is there between a photograph of a bristly-haired, swarthy-bearded individual and the virtues of a dainty powder for the skin? The suggestion might be anything but helpful in its effect upon people's desire to buy this particular talcum powder.

Although these advertisements show a disregard of many things that might prove helpful to them, they have, however, employed one of the strongest methods of inducing a suggestion. Advertisements that are seen day after day have an effect upon the mind similar to that made by daily contact with our associates. Ideas which at first are repellent may, by constant repetition, become more acceptable. Many an advertisement proves a failure upon its first appearance, but grown familiar with its face, we first "pity, then endure, and then embrace." It is said that the face of Gerhard Mennen is printed more than 100,000,000 times a year in the advertisements of Mennen's Talcum Powder, making him a rival of the postage stamp. A photograph for every man, woman and child upon the continent of North and South America! It is upon the power of suggestion induced by repetition that the business man bases his results when he uses insertion after insertion in the same and different publications.

46. *Suggestion by inference.*—A fourth method of inducing the prospective purchaser to buy is a combina-

tion of the other methods. It may be called suggestion by inference. By this is meant the process by which the advertisement brings the reader to the desired conclusion, without directly referring to certain qualities, virtues, or benefits of the goods or services advertised. A reader who is drawn thus to the advertiser's conclusion is bound to it by the whole force of his own egotism. He feels that he has reasoned it all out himself, that it is his own idea. The recent address of Attorney Johnson before the Supreme Court in the Standard Oil Case illustrates this method, although employed in a different field of endeavor. In referring to the subject of unfair competition he said:

“Is there a kind of soft competition, a Pickwickian competition, a kind of kid-glove variety where they just compete so nicely that it won't hurt? General Sherman used a word in describing what war is. I won't use the word in your Honor's presence but that is what competition is. Yet they complain because we undersold someone.”

This method of leading to a conclusion by indirect suggestion is well illustrated in the advertisements of those firms which must meet strong competition, but who know the bad impression made upon the public by a direct attack upon a competitor's products. The “Postum Cereal” advertisement, which indirectly suggests that your loss of sleep and appetite is due to coffee, is an advertising masterpiece. It does not argue. It simply suggests sleeplessness and coffee and then flatters the reader into the association of the two by concluding: “There's a reason.” The addition of the picture of the kindly old doctor further strengthens the conclusion by its own indirect suggestion.

47. *Wider relations of psychology and business.*—

The attempt in this chapter has been not to expound a complete theory of advertising. This would be a most difficult matter, because there is still so much that is unknown in regard to the actions of the mind and the emotions. Still the foregoing principles cover the main points of contact between advertising and psychology. The advertiser should be continually on the lookout for every indication as to whether a great number of people cannot be appealed to through the same emotions or instincts at any given time. A list of these might be expanded indefinitely, but sympathy and the instincts of proprietorship, self-preservation, acquisition, creation, association and curiosity are leading ones. Appeals to such emotions may be discovered if a little analytical attention is given to the various advertisements of medicine, food, clothing, firearms, and so on, in any magazine. It is not possible to tell exactly what result will follow a given line of advertising, but the testimony of one successful advertiser upon this point is significant:

All the emotions of the human race are played upon, appealed to, coaxed, cultivated and utilized. The man who can tell most nearly what one thousand people will think upon any given topic will come nearest to producing successful advertising.

48. *Help obtained from psychological studies.*—The studies of the professional psychologist are adding new material every year for the use of the advertising man. Not only advertisers, but men from all lines of business are watching for further suggestions from this direction. Professor Hugo Muensterberg refers to this point in the following way:

The experimental study of the commercial question may finally bring new clearness into the relations of trade and law.

To give one illustration from many, I may mention the case of commercial imitation. Everyone who studies the court cases in restraint of trade becomes impressed with the looseness and vagueness of the legal ideas involved. There seems nowhere a definite standard. In buying his favorite article the purchaser is sometimes expected to exert the sharpest attention in order not to be deceived by an imitation. In other cases, the court seems to consider the purchaser as the most careless, stupid person, who can be tricked by any superficial similarity. The evidence of the trade witnesses is an entirely unreliable, arbitrary factor. The so-called ordinary purchaser changes his mental qualities with every judge, and it seems impossible to foresee whether a certain label will be construed as an unallowed imitation of the other or as a similar but independent trademark.

In the interest of psychology applied to commerce and labor, I have collected in my laboratory a large number of specimens which show all possible degrees of imitation. In every case it is evident that the similarity of form, or color, or name, or packing is used in a conscious way in order to profit from the reputation of another article which has won its popularity by quality or by advertisement. I have a bottle of Moxie among a dozen imitations of similar names, in bottles of similar shape, and with the beverage similar in color to the successfully advertised Moxie. Tomato ketchups and sardine boxes, cigarette cases and talcum powders, spearmint gums and plug tobaccos, glove labels and vaudeville posters, patent medicines and gelatins, appear in interesting twin and triplet forms. The cigarette boxes of Egyptian Deities are accompanied by the Egyptian Prettiest and the Egyptian Daintiest; Rupena stands at the side of Peruna; and the Pain Expeller is packed and bottled like the Pain Killer.

Not a few of the specimens of my imitation museum have kept the lawyers busy. Yet all this is evidently at first a case for the psychologist. The whole problem belongs to the psychology of recognition. There would be no difficulty in producing in the laboratory conditions under which the mental

principles involved could be repeated and brought under exact observation. Many obstacles would have to be overcome, but certainly the experiment could determine the degree of difficulty or ease with which the recognition of a certain impression can be secured. As soon as such a scale of the degrees of attention were gained, we could have an objective standard and could determine whether or not too much attention was needed to distinguish an imitation from the original. Then we might find by objective methods whether the village drug store or our lack of attention was to blame when we were anxious for a glass of Moxie and the clerk gave us, instead, the brown bitter fluid from a bottle of Noxie, Hoxie, Non-Tox, Modox, Nox-all, Noxemall, Noxie-Cola, Moxine, or Sod-Ox, all of which stand temptingly in my little museum for applied psychology.¹

¹ *McClure's Magazine*, August, 1907.

CHAPTER III

ADVERTISING TECHNIQUE

49. *Relation of typography to advertising.*—At best the attempt to convey our knowledge to other people falls short of complete accomplishment. No medium seems to carry without some distortion ideas as we feel and know them. Even the phonograph, the most exact reproducer of man's spoken thoughts, gives them back deprived of the quality of flexible resonance which only the human organ of speech can impart. Since man's intellectual motives outstrip all means of expressing them, it devolves upon him to perfect the medium so that they may accomplish their work as completely as possible. First among the mediums from the advertiser's point of view is the art of printing. The advertiser's suggestion or argument will acquire or lose force, clearness, and directness in proportion to the fitness of the typography used in the construction of his ad. The division of labor in the printing office has mechanicalized and specialized the printing trade. Says one writer, "Now all is system, knowledge by the grace of formulas and figures." The "all round" printer has given place to a series of specialists—the "ad" compositor, the make-up man, the pressman, the press feeder, the machine operator, etc.

It is therefore essential that the advertiser know something of the printing technique which involves the primary rules of composition, of proportion, of balance and of perspective. It is necessary that he be able to

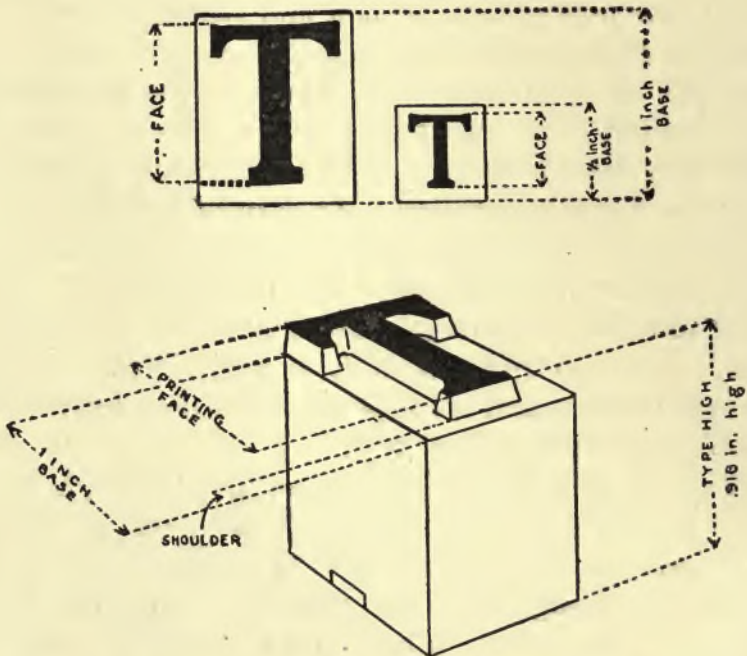
pass independent judgment upon the character of work to be turned out by the printer. His motive is strictly utilitarian, but he does not wish that the shaft of his "story" be turned aside by inartistic printing from going straight to the bull's eye of the reader's comprehension. If the printed advertisement is to be properly balanced, the compositor must give attention to the selection of proper type, its most skillful arrangement and a careful distribution of the white space and black ink.

50. *Point system.*—The printing trade offers many excellent illustrations of conformity to the tendencies of industry in general. The division of labor mentioned above, the development of new and specialized machinery, the organization of typographical labor unions are the most typical of modern industrial organizations for the greatest economy of operation. It is not strange then that here also we find in an advanced stage the process of standardization. To save printers the additional labor and loss of time occasioned by difference in sizes of type which were the same in name and style, the type foundry adopted a uniform standard of measurement. Thus standardized, it became known as the "point" system and all type foundries now follow this standard in casting their type.

The size of a letter has reference to its length from the top to the bottom of the type face, but under the older system this length might vary from foundry to foundry although the same name and style would be given to the letter. Hence if an advertiser ordered two different nonpareil types he would probably discover differences in the appearance of the two advertisements resulting from the smaller size of the letters in the one, although the style would be the same in both.

Each style of type is now standardized, that is, it always bears the same fractional relation to the inch. According to this system the inch is divided into seventy-two parts and each division is called a "point." So a style designated "six-point" type or nonpareil is sixty-seventy-seconds ($6/72$) of an inch in depth and all type foundry, all printers and advertisers should know on just what size to count when nonpareil or six-point is designated.

Confusion, however, may still arise since the printing "face" of a type is not its actual depth as laid down by the point system. An illustration will make this point clear.



1. Upper figure shows type face and base of 72 point and 36 point.
2. Lower figure shows body inclined, giving a view of the face and other features.

The base which here is one inch, determines the size of this type which is the unit of comparison. It is called 72-point. Type with a base of one-half inch is known as 36-point and contains just half as many points as the former. But it will be noticed that the printing face is not quite an inch in length. In a 36-inch point type it would be about three-eighths of an inch. This allows one-eighth of an inch for the "shoulders" top and bottom. Yet type makers seldom vary from a common size of letter.

51. *Type thickness standards.*—Another measurement was found necessary to be standardized—the thickness of the type, i.e., the distance from the base to the printing surface. The term "type-high" is applied to this feature and embraces not only the thickness as applied to type, but to all cuts, borders, plates, etc. The standard established is .918 of an inch and the purpose of establishing a uniform thickness from the base to the printing face is to be sure of an absolutely level printing surface.

The following table shows the different sizes of type. Two nomenclatures are used, since under the old system of measurement the size of type was shown by its name, thus: nonpareil, pica, canon, etc., and these names still persist along with the new system indicating type sizes under the point system.

3½-point	.....	Brilliant
4½	"	Diamond
5	"	Pearl
5½	"	Agate
6	"	Nonpareil
7	"	Minion
8	"	Brevier
9	"	Bourgeois

10	point	.....	Long Primer
11	"	.....	Small Pica
12	"	.....	2-line Nonpareil, or Pica
14	"	.....	2-line Minion, or English
15	"	.....	3-line Pearl
16	"	.....	2-line Brevier, or Columbian
18	"	.....	3-line Nonpareil, or Great Primer
20	"	.....	2-line Long Primer, or Paragon
22	"	.....	2-line Small Pica
24	"	.....	4-line Nonpareil, or Double Pica
28	"	.....	2-line English
30	"	.....	5-line Nonpareil
32	"	.....	4-line Brevier
36	"	.....	6-line Nonpareil, or 2-line Gt. Primer
40	"	.....	Double Paragon
42	"	.....	7-line Nonpareil
44	"	.....	4-line Small Pica, or Canon
48	"	.....	8-line Nonpareil, or 4-line Pica
54	"	.....	9-line Nonpareil
60	"	.....	10-line Nonpareil, or 5-line Pica
72	"	.....	12-line Nonpareil, or 6-line Pica

52. *Measuring by ems.*—The point system does not apply to the measurement of type when the width of the individual letters or the length of a line of type are considered. Type founders follow a certain standard proportion but there is not sufficient uniformity to enable the practice to be reduced to a rule. For this reason, a letter of certain size (its length alone being considered) may be much wider in one style than another. The following lines set in different styles, but containing the same number of letters of the same size, illustrate this difference.

The Alexander Hamilton Institute.

The Alexander Hamilton Institute.

This difference in the width of faces is also observable within the same style of type. Although printers have endeavored to reduce the variations as much as possible there are still great differences. To specify a progressive increase in width beyond a certain standard, the terms fat, broad-faced, expanded and extended are used; likewise a progressive decrease in width is designated by the words standard, lean, condensed, and extra condensed.

- M Expanded** Fat.
- M Standard** Broadfaced.
- M Extra Condensed** Lean.

The use of these different letter widths will make a great difference in the appearance and the number of words in a line of type. Thus the following line:

The Alexander Hamilton Institute

gives a very different impression from the one below,

The Alexander Hamilton Institute.

Because of the variations in width of the styles of letters and for other reasons pertaining specifically to printing and the printing trades, the measurement of a line of type is computed in terms of "ems." It is a printer's term for his standard of line measurement. Each trade has its own peculiar name for its standard of measurement. Thus the dealer in fire wood estimates the size of his wood pile in terms of "cords," the sailor reckons the distance at sea in "leagues," etc., etc. The printer has adopted a simple standard of computing the dimensions of his work by selecting the square of the type body.

53. *Reasons for adoption of "em" as standard.*—But since each size of type has a different square, it was necessary to select some one of the many sizes to serve as a unit to which all others could be reduced. The one considered most convenient for this purpose was the pica style. Since the body of the letter *m* was the most uniform, the square of this particular letter was chosen, hence the name "ems." Thus in the measurement of a line of type, no matter what style of letter, the length is reckoned so many "ems pica." These terms are easily translated into popular language since there are 6 ems pica to the inch. A line of type then, 2 1-6 inches long (the width of an ordinary newspaper column) contains 13 ems pica. This is found by multiplying the number of inches by six. For convenience, ready reference, and quick determination, many advertisers keep a table at hand whereby they may determine at a glance the number of ems in any given line of type.

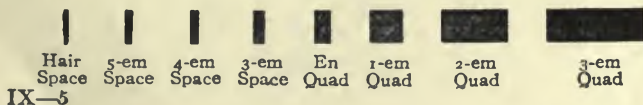
A line of	2	inches	long	contains	12	ems
"	"	"	$2\frac{1}{6}$	"	"	13
"	"	"	$2\frac{1}{3}$	"	"	14
"	"	"	$2\frac{1}{2}$	"	"	15
"	"	"	$2\frac{2}{3}$	"	"	16
"	"	"	$2\frac{5}{6}$	"	"	17
"	"	"	3	"	"	18
"	"	"	$3\frac{1}{6}$	"	"	19
"	"	"	$3\frac{1}{3}$	"	"	20
"	"	"	$3\frac{1}{2}$	"	"	21
"	"	"	$3\frac{2}{3}$	"	"	22
"	"	"	$3\frac{5}{6}$	"	"	23
"	"	"	4	"	"	24
"	"	"	$4\frac{1}{6}$	"	"	25
"	"	"	$4\frac{1}{3}$	"	"	26
"	"	"	$4\frac{1}{2}$	"	"	27
"	"	"	$4\frac{2}{3}$	"	"	28
"	"	"	$4\frac{5}{6}$	"	"	29

Such a table is especially valuable to the trade journal advertisers. These papers vary considerably in the width of their columns. For instance, *The Electrical Age* has a width of column measuring $2\frac{1}{2}$ inches or 15 ems; *The Iron Age*, $2\frac{1}{4}$ inches or $13\frac{1}{2}$ ems; *The American Elevator and Grain Trade*, $4\frac{3}{4}$ inches or $28\frac{1}{2}$ ems, while *The Roller Mill* has columns of two widths, $2\frac{1}{4}$ and $3\frac{3}{4}$ inches or $13\frac{1}{2}$ and $22\frac{1}{2}$ ems respectively. The columns in the popular magazines are of a uniform width of $2\frac{2}{3}$ inches or 16 ems.

54. *Spaces in printing.*—But type alone is not the sole thing to be considered in the composition. The spaces between the letters and between the ending of one sentence and the beginning of the next and the distance between the lines must be provided for. This spacing is done by means of pieces of type metal, copper and brass. These “spaces,” as the pieces are called, vary in size, ranging in width from one-half point to three ems. The narrower pieces, one-half point made of copper and the one-point made of brass, are used chiefly to justify the lines, i.e., to make the lines come out so evenly that they may be locked firmly in the forms. The wider spaces are known as 3-em, 4-em, and 5-em spaces; a 3-em space being 1-3 the width of an em and so on. An em is, as we have seen, the square of any size of type.

The still wider spaces are known as “quads.” The N-quad is the smallest of the group, being $\frac{1}{2}$ of the em-quad, while the other pieces, called 2-em and 3-em quads are double and triple the M-quad in width.

SPACES



For spacing between the lines, thin metal strips are used. These are called "leads" and the process is called "leading." Since they vary in thickness the strips are measured by means of the point system, the smallest being one-point or 1-72 of an inch and the largest, 3-points or 1-26 of an inch. The 2-point, however, is the one most frequently used. If a thickness greater than 3-point is needed, a metal strip called a "slug" is used.

55. *Selection of type sizes and styles.*—The average reader pays very little conscious attention to the various lines which make up the individual letters of a word. Still the human eye has its prejudices and for some reason or other, probably because of legibility, it has given distinct preference to the Roman type. Reference to the specimen books of the type foundries will show that nearly all of the current styles are based on the lines of the Roman letter. For this reason the body¹ matter of the advertisement should be printed in Roman type. There are many other faces of type that may be used for display lines, title pages of booklets, catalogues, folders and so on. But even here the selection of other than Roman type should not be hastily decided upon.

The selection of type requires considerable judgment. There are probably eight to twelve hundred styles of type and this joined with the large number of different sizes makes the "lay-out" of an advertisement a difficult matter. One writer, Mr. A. M. Stryker, advises the following:

¹Type is divided into two classes. 1. "Body" type is used in setting the body or reading portions of ads, periodicals, and books. 2. "Display" type is used for headings, subheads, "catch lines" or lines to be made strikingly prominent. These two faces differ even when both are of the same style.

It is well to caution the beginner that in making the "lay-out" of an ad he should not attempt to indicate the sizes of type in which each part of the entire ad is to be set. To do this successfully requires a thorough knowledge of types. Start by indicating the sizes desired for the headings and principal display lines, leaving the sizes for the other parts to be selected by the compositor. If you make mistakes, don't mind the "knowing" smile of the compositor, for you are learning something—you may be able to "show" him presently. After you have become familiar with types, measurements, proportions and results, you can select the sizes for the entire ad.

56. *Advantage of a type specimen.*—The advertiser may obtain considerable aid in this direction by having at hand a type specimen showing the sizes and styles carried by the printer. It would be impossible for most firms to carry all the different styles and sizes of types, but each will have a selection best fitted for its individual purposes. By arranging these specimens into lines of a column or two columns in length, preferably the latter, and indicating beneath each specimen line the size in points and the name of the type, it will be easy to estimate the number of letters for a given space and to select a desirable style or size for the advertisement.

57. *Estimate of letters in given spaces.*—The following suggestions will be found helpful in selecting a proper style of type and in estimating the number of letters for a given space.

1. Select a popular display type used by ad setters, of which the following are good examples:

Cheltenham Bold.

Hancock.

Winchell.

Caslon Bold.

Gothic.

Plymouth.

Post.

DeVinne.

Litho Roman.

2. Set introductory headings in 8-point if the body type is 6-point. This difference of two points for headings and bodies can be generally followed. The size of the heading should be in harmony with the style and size of the body.

3. Use 6-point or a larger size for the body of an advertisement. Smaller than 6-point is not advisable unless much matter must be crowded into a limited space and the paper is of a high printing quality.

4. Employ 8-point for single column sub-heads, 10-point for two or three column sub-heads, and 12-point if a greater width than three columns is desired.

5. For display heads use

	from 12 to 18-point, single column
“	18 to 30-point, two columns
“	24 to 36-point, three columns
“	36 to 60-point, four columns

6. Printers seldom carry display type of a size smaller than 6-point, the most common sizes being 6-point, 8-point, 10-point, 12, 14, 18, 24, 30, 36, 42, 48, 54, 60, and 72-point.

7. In computing the space that a head-line will occupy, allowance should be made for:

- a. Space between words which counts as one letter.
 - b. Difference in the width of letters of various styles.
8. By following suggestion 7, a table showing the

average number of letters in a line 2 1-6 inches wide may be constructed.¹

Type size	Average number of letters per line	
	All caps	Caps and lower case
12-point	18	22
14 "	15	19
16 "	13	17
18 "	11	15
24 "	9	11
30 "	7	9
36 "	6	8
48 "	4	5

9. If it is desired to use a type size larger than 60-point, which will be but seldom, wood and not metal type must be ordinarily relied upon. Few shops carry the larger metal type, although it is sometimes cast as large as 72-point. The wood type is made in multiples of 12-point or pica and its different sizes are designated as 8-line pica, 10-line pica and so on.

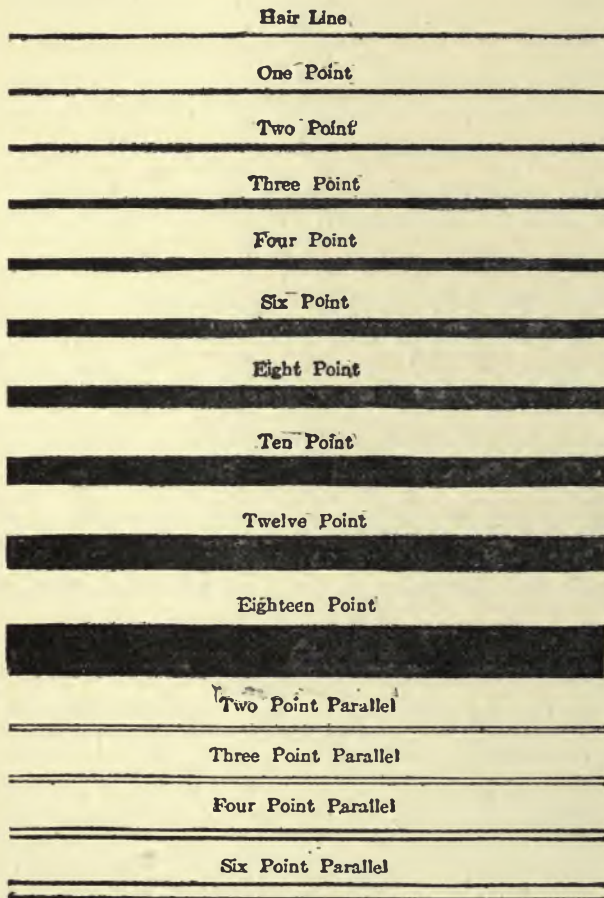
58. *Borders.*—Type founders have designed a great many variations of borders and since they are made of type metal and set like type, it is natural that the point system of measurement should be applied to them also. The principal brass rules used for borders are shown on page 70.

Many of the early borders designed by the founders are now seldom used. The advertising man can make his own designs by getting suggestions from the printed borders of advertisements appearing in the daily papers, catalogues, magazines, etc. It is not always necessary to copy the border. The same result may be obtained by cutting out the print, pasting it on a cardboard and

¹ Arranged from data given in "The Advertiser's Handbook," page 75.

then having it enlarged or reduced by photographing the desired size for the etching.

BRASS RULES



59. *Measurements for advertising space.*—The practical knowledge of some of the printing technique as given above is of value to the advertiser in his estimation of costs. In America, the advertiser pays for his space so much per “agate line.”¹ According to this

¹ This is not the regular agate type, $5\frac{1}{2}$ point, but newspaper agate type,

system a line of newspaper agate is 1-14 part of an inch. It makes no difference whether the advertisement has more lines per inch, which may be the case when smaller type than agate is used, or fewer lines per inch, when larger than the standard unit is used; the space must be paid for on the basis of 14 agate lines or one inch.

Only after long experience can one tell off-hand the amount of space a certain number of words will occupy. The modern newspaper and magazine practice of running a large amount of display in various sizes of type has made it quite impossible to do more than make a "good guess" as to the number of words that will go into a definite space. However, in planning matter which takes several pages, a table like the following may be useful:

TABLE 1

CHARACTER OF TYPE	NUMBER OF WORDS			
	Per Square Inch		Per 14 agate lines, one column wide, 2½ inches	
	Solid	Leaded	Solid	Leaded ²
6-point, Nonpareil	47	33	106	87
7-point, Minion	38	27	85	60
8-point, Brevier	30	21	72	51
9-point, Bourgeois	26	20	63	47
10-point, Long Primer...	21	16	47	36
11-point, Small Pica.....	17	14	38	31
12-point, Pica	14	11	31	25

60. *Printing plates for advertising.*—Among advertising men and printers, printing plates are popularly known as "cuts." There are seven different kinds of these. They are zinc etchings, half-tones, wood-cuts, electrotypes, lead-molded electrotypes, nickeltypes, steel-faced electrotypes and stereotypes. The first

5½/7 point. This measurement is used in newspapers, magazines, and in some trade journals. Most trade journals, however, measure advertising space by pages, fractional parts of pages and by inches, the page being divided into halves, quarters and eighths.

¹ Table arranged from data in "Advertiser's Handbook," page 45.

² "Leaded," i. e., lines separated by 2-point leads.

three of these differ from the others in that each is an original plate while the last five are reproductions of these three original plates. The zinc etching, commonly called a "line-cut," is etched in zinc from any line or stipple drawing. A print from a zinc etching is characterized by the fact that it contains only blacks and whites, the effect of tones being produced simply by the use of light and heavy lines and by dots, which is sometimes spoken of as "spatter work" or stipple. These line-cuts are made by the photo-engraving processes. Since the process for zincs is fundamentally the same as that of the half tone, it will be described somewhat in detail.

61. *Zinc etching.*—The essential instruments and materials necessary for producing a zinc etching are the following: the drawing or other copy fastened to a board, a camera, a long frame in which the camera is placed, a powerful electric light, a zinc plate with a highly polished surface, a glass plate for holding the film, a shallow tank and the inks, acids, developers, etc., necessary for developing and etching the plate.

The order of procedure in this process begins with placing the board upon which the copy is fastened before the camera, the two being within the long frame and so arranged that the camera may be moved forward or backward in order to get the proper enlargement or reduction of the copy. The correct position for the camera in order to obtain a negative of the right size is easily found by measuring the image of the copy as it appears on the ground glass of the camera.

The copy is now in position for photographing and powerful electric lights are thrown upon the copy. This insures a clear and strong negative. After the negative has been developed, the film is given a coating

of a solution made from collodion and rubber in order to toughen it and is stripped from the glass and placed in a reverse position on another glass where it is allowed to dry.

The zinc plate now comes into the process. Its smooth surface having been thickly covered with a highly sensitized coating is placed in a strong frame with its sensitized side up. Then the glass plate with the film side down is placed upon the zinc. A clamp is put about the two and they are together exposed to the glare of an electric arc. The light causes the exposed parts of the sensitized coating upon the zinc to develop and adhere tightly to it. Of course, the light acts only upon such parts of the sensitized plates as are under the transparent parts of the film.

After taking the zinc from the frame and separating it from the glass it is prepared for its first wash. This is done by coating it with a thin layer of ink which is applied by a soft roller. The zinc is now put in a bath of water and washed. This operation removes the ink and coating from all those parts where the light has not caused the sensitized coating to adhere to the zinc during the previous operation. The water having washed away the ink from the portions just mentioned, a perfect print, although in a reverse position, is left upon the zinc.

62. *Ready for etching.*—The zinc is now to be prepared for the etching. As soon as the plate is dried it is dusted with a fine red powder called "dragon's blood" which sticks to the inked parts of the plate. Next the plate is held over a flame until the powder melts and glazes over the ink. This is done to make the ink adhere more closely to the plate and to protect the underlying zinc from the action of the acid. In order to protect

the back of the zinc plate, a coat of asphaltum varnish is applied.

The plate is now ready for etching and is placed in a shallow tank containing a solution of nitric acid to receive its first "bite." The acid eats or bites away all those portions of the zinc not protected by the dragon's blood. The eating process is aided by a mechanical contrivance which rocks the tank and so permits the acid to run over the plate from one end to the other. However, as soon as the acid eats away the zinc from between the lines or protected parts, it also begins to eat under the edges of the lines. This would soon destroy the light lines and if it were allowed to continue any length of time, it would weaken the bolder lines also so that they would break off during the printing process. To avoid this, the zinc is soon removed from the bath and given another coat of powder which is applied with a brush. The plate is then ready for the second "bite," but just as soon as the acid begins to undermine the lines again, the plate is removed and given another application with the brush. The operation is repeated until the zinc has been given four bites. This completes the etching so far as the acid process is concerned, but the plate has still to be thoroughly cleansed of all acid and of all superfluous metal around the cut, and between widely separated lines. The plate is now mounted on a wooden or a metal base, care being taken to make it just type high.

63. *Making a half tone.*—The procedure in making a half tone is much the same as that followed in making the zinc etching. The first difference arises when the copy is photographed. A screen is interposed between the copy or print and the negative plate. These screens are very important in the process. They are

simply clear plates of glass which are ruled very accurately in two directions, the ruled lines crossing each other at right angles. The screens are named according to the number of lines per inch. Thus there are 65-line screens, 85-line screens, 100-line, 120-line, 133-line screens, 150, etc.

In photographing, the light from the copy must pass through the screen before it reaches the negative. The lines, by cutting off some of the rays, cause the negative to photograph in dots which correspond to the light portion of the copy and in cross lines and in mass where portions of the copy are in shades and blacks.

In developing the negative and in transferring the image to the metal plate, the same methods are followed as in the case of the line cut, except that where a fine half tone is desired a high grade of copper plate is used instead of zinc. The latter, however, is often used for coarse screen half tones, as it costs less and is more easily etched.

There is a difference to be noted when the half tone plate is taken from the frame, as it is not inked. However, the surface of all the parts not to be etched is given a hard finish by holding it over a flame and the back is coated with a preparation similar to that used on the line cuts. When the copper plates are ready for etching, they are placed in a solution of iron and given only one "bite" and no more. In this condition it is called a "flat half-tone." These are not finished cuts since the work requiring the greatest skill is still to be performed.

In order to get striking contrasts in tone which cannot be obtained by etching, a still further operation is performed. Those parts of the plate that are to be dark are given a coating which will resist the action of acid

and are put into the bath again. The dots and lines are thus made finer since the acid eats away the unprotected parts about them. Those parts of the plate which contain the high lights are treated directly by the acid which is applied with a camel's hair brush, great care being taken to wash off the acid at the proper moment. Although the operations of finishing, mounting and tooling are similar to those in making the line cut, yet more care and skill is necessary. The excellence of the half tone depends largely upon the tooling. A skilled engraver using the most delicate engraving instruments performs this work with the aid of a magnifying glass, through which he follows the dots and lines.

64. *Kinds of copy for etchings and half tones.*—A half tone may be made from photographs, wash-drawings, directly from the object, or from any kind of copy, including line-drawing; but a zinc etching can only be made from a black and white drawing. Only under very favorable conditions can a few dark colors be used.

65. *Cost of etchings and half tones.*—A considerable amount of labor is required in both these processes and very little mechanical aid of any kind can be used. Training, skill and judgment are necessary elements in cut making, which therefore becomes expensive. Many advertisers in spite of this buy cheap cuts. It is a good idea to examine well those made from zinc, since it is much cheaper to etch shallow than to a proper depth. Sometimes on account of poor workmanship, the fine lines may be entirely eaten away or so weakened that they will crumble as soon as pressure is brought upon them in the printing press. Such cuts generally cost less, and the reason is evident. The average price of a zinc etching is about six cents per square inch. A cut measuring 5 by 8 inches and containing 40 square

inches would cost \$2.40. However, a minimum price is set by most makers and all sizes of 10 square inches or less are charged for at the uniform price of 60 cents a cut.

The making of a half tone requires more skill than the making of a line cut and consequently it takes a longer time to make and costs more. A slight error may compel the workmen to start the work anew from the beginning. Not understanding this, advertisers often accuse the cut makers of being unnecessarily slow. Although half tones can be made in six hours, better results will be obtained if two or three days are allowed for their production and delivery.

The average cost of half tones is about 18 cents per square inch. At this rate 40 square inches would cost \$6.20. Here, too, there is a minimum charge of \$1.80 for all cuts containing 10 square inches or less. Where two or more half tones are made from the same negative a discount of 25 per cent is usually allowed for all "duplicate half tones." This allowance is supposed to cover the cost of making a negative which in such a case is saved.

66. *Importance of the "screen."*—The printing quality of a half tone plate depends upon the coarseness or fineness of the screen before mentioned. It is important, therefore, to decide upon the paper upon which a book is to be printed before making the half tone plates.

The same is true of plates to be used for advertising purposes. The quality of paper used by the publications in which the advertising is to appear, should be considered before making the plates. That is, if half tones are to be printed in newspapers or on a similar grade of stock, 65-line screen should be used. If the

paper runs a little better, 100-line screen may be used: while for the ordinary fiction magazine 120-line screen is best adapted.

For booklet work on fairly good, coated paper 133-line screen should be used; while on very fine grades of paper excellent results may be obtained with 150- or even 175-line screen.



(1) Cut made with 65-line screen.



(3) Cut made with 120-line screen.



(2) Cut made with 100-line screen.



(4) Cut made with 133-line screen.

The plates printed herewith show different screens from 65 to 133. The dots being much wider apart in the coarser screen makes it possible to get a good printing result on the low grade paper.

When the surface of the paper is hard and clean as it

is in the better grades, it becomes possible to print well the finer screen. It will be noted that in the finer screens we obtain a more perfect reproduction of all the detail in the object.

67. *Wood-cuts*.—Wood-cuts are engraved by hand on box-wood. In earlier days the design was drawn in a reverse position on the surface of the wood and then engraved. To-day, however, most wood-cuts are made by photographing the design upon the sensitized surface of the plate and then engraving the picture by hand. The shading or "tone" is procured by manipulation of the lines and the apportioning of white space, much after the method employed in making copy for a line-cut.

68. *Impression cuts*.—Various substitutes are employed for the original cuts in order to reduce the time and cost required for making zinc etchings and half tones. The commonest of these substitutes is the electrotype. Of these there are two kinds, differing chiefly in the methods by which they are made. The name electrotype is applied to the reproduced half tone, line-cut or type matter when the mold which takes the impression of the original cut is a composition of beeswax or ozokerite.

69. *Production of electrotype*.—The process of making an electrotype is as follows. When the wax has been applied to the half tone, an impression results which shows in minutest details a representation of the original cut. This impression is called a mold and it becomes the basis for making the electrotype. By means of brushes the mold is dusted with a very fine plumbago and then placed in a bath of muriatic acid, water and sulphate of copper. By means of an electric current passed into the solution, a chemical action is

created. The result is that a thin coating of copper is deposited on the mold. When this coating is thick enough, the mold with its adhering shell is taken from the bath and the wax is removed by hot water. The copper shell is filled with metal, and when the printing surface has been made perfectly smooth and even, it is mounted on wood or metal and is ready for the printer.

It takes about four hours to produce a good electrotype that will stand a run of 100,000 impressions without injury. If the process is hurried in any way, a weak copper shell will be deposited and this means a short life in the press under the wear and tear of printing.

70. *Making the finer electrotypes.*—If a harder shell is desired than that offered by a deposit of copper, nickel is sometimes used. The plate is then called a nickeltype. When well made, clearer print results and it will outwear the copper electrotype. The process of making the nickel type is the same as for the copper electrotype.

A still further refinement of the method of electrotyping is found in the use of the lead-mold for the reproduction of original cuts. A print from a lead-molded electrotype is clearer than the copper electrotype and can seldom be distinguished from the original half-tone without the aid of a magnifying glass. Lead-molds are made by forcing sheet lead against the face of an original cut. Great pressure is required to obtain a sharp impression, six-hundred tons being sometimes applied. Consequently, type matter cannot be electrotyped by this process. Lead-molds are treated to a chemical process differing somewhat from that accorded to the wax mould, but the resulting shell is the same,

excepting that the former are said to be harder and to give better printing results.

71. *Stereotypes.*—When cheapness is the essential item and a fine reproduction is not required, another process called stereotyping is employed. A stereotype is made from an impression or mold taken from the original cut, in a composition formed of papier-maché. While in a pulpy condition, the papier-maché is rolled upon the original cut until the impression is made. The cut is then heated until the mold is dried, whereupon the cut and mold are separated, and the latter, often spoken of as the “matrix,” is filled with molten metal. When cooled, the stereotyped reproduction is mounted. This “matrix” may be used for making stereotypes fifteen or sixteen times. Stereotypes cannot be made of the finer half tones which use a screen of over eighty-five lines per inch.

72. *New styles in newspaper illustration. Ben Day process.*—It may be well to mention at this point the difference between the problem of the magazine artist from that of the newspaper artist. The magazines use a finer quality of paper and greater pains are taken with the printing than is generally the case with newspapers. The problem presented to the newspaper artist is a difficult one. The paper is coarse and the stereo plates only imperfectly reproduce delicate half tones. Even with line drawings of the usual kind only indifferent results can be obtained, and the simple outline drawing, which is generally successful from a printing standpoint, soon becomes monotonous and is apt to tell its story only to those who already know.

To meet the demands of newspaper conditions, artists are giving much attention to the development of a style of drawing which will prove as effective in its sphere as

the beautiful and artistic work of the magazines. At present the Ben Day process is in high favor.¹

73. *Other methods.*—A rival of this style, however, has arisen through the efforts of Mr. George L. Hunter, of New York, to develop a style that will not only be attractive when printed on the cheapest of paper and by the most rapid press, but that can resist all ordinary efforts of the engraver and stereotyper to emasculate it.

The problem of the artist consisted in producing a cut that would contain no solids to blur and blotch. This was solved by producing shapes by the direction and frequency of lines only. Not only lights and shades were thus obtained, but by the use of thin lines contrasted either by the direction or number, even color values were secured.

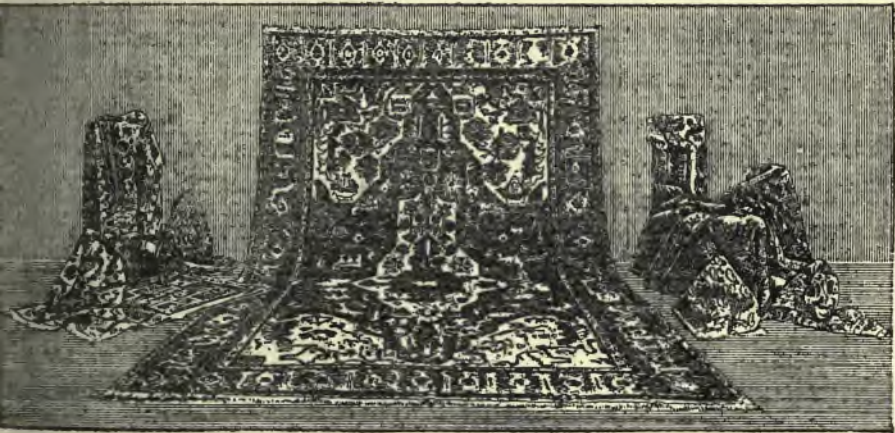
The two illustrations given on page 83 show the merits of Mr. Hunter's style.

The illustration of the sofa shows how directly and simply the story is told by this method. The rug grouping not only brings out the same qualities, but illustrates how successful the artist has been in getting balance and proportion in his display and yet keeping the space relations and the relations of units simple. It may be further noticed how the straight lines of the background in the rug picture give value to the contrasting lines that form the pattern. Says Mr. Hunter:

A distinctive feature of the style is flatness of surface. The advertising part of the ordinary newspaper page consists of

¹ This is a process for shading and stippling line cuts. It is accomplished by means of working on a design through a semitransparent celluloid sheet bearing the shading lines in relief which are inked with a hand roller. When pressed on the copy in the places desired these inked lines make a point. Artists sometimes produce a Ben Day job by hand, but this, when fine work is required, may be done much more quickly and cheaply by the photo engraver.

hills and valleys and peaks and promontories. Every advertiser is trying to rise above his neighbor. My advertisements are



A NEW STYLE IN NEWSPAPER ILLUSTRATION.

Courtesy of the Publishers of Advertising and Selling.

intentionally low and flat—beautiful plains that get accentuated by the surrounding mountains.

If most newspaper advertisements were in quiet good taste,

I admit that screeching would be an effective way in which to attract notice, but at a period when bad taste is so rampant, good taste has the charm of novelty in addition to its intrinsic beauties.

74. *Cost of reproduced plates.*—Stereotypes, nickel-types and electrotypes are charged for according to size, quantity and mounting.

The cost per square inch diminishes as the size of the plate increases. According to the standard electrotype scale, an electrotype containing one square inch costs 23 cents, while one containing 36 square inches would cost only \$1.19. Combined with this scale is a system of discounting which allows changes in the price to be made without altering the scale itself. It is done by varying the discount rates which is a simpler process than arranging a new price scale. The usual discount is about one-third of the scale prices. The prices as quoted are for line-cut mounted electrotypes. 15 per cent should be deducted when unmounted cuts are desired. If wood-mounted copper or nickel electrotypes are made of half tones, 25 per cent and 50 per cent respectively should be added to the scale prices. If unmounted, it will be 10 per cent less. If metal-mounted bases are desired, then scale prices should be increased two and one-half times.

Stereotyping costs may be computed from the scale for electrotyping by deducting the discount and then making a further allowance of 25 per cent to be taken from the remainder.

75. *Kinds of paper.*—The advertiser should have at least a general knowledge of paper and its uses. The cheaper grades are made chiefly from a mixture containing one part of sulphite fiber to two parts of ground wood filler. Such paper cannot be used for high grade

work, as it is very porous, and has a rough, uneven surface, and turns yellow within a comparatively short time. For these reasons it is used for type matter, not smaller than 6-point, line-cuts and the coarser half tones.

The medium and best grades of paper are made of cotton and linen rags; but the method by which it is finished has much to do with its printing qualities. One finish known as "sizing" is composed of a resinous, vegetable substance and when applied to the surface of the paper renders it impervious to ink. For the most expensive grades gelatine is used, while for the lower grades and for cardboards, clay is employed for sizing. A higher finish is given to paper by ironing it between hollow metal cylinders heated with steam. Thus the paper may be marked "S. & C." if it has been sized and calendered, or "S. & S. C." if it has been super-calendered by having been given an especially high finish. The various kinds of finish have special names. In the "enameled," both sides have been completely coated with clay and glue; while the "antique" has a soft uneven surface.

76. *Book and print papers.*—As the name indicates, book paper is used for books, catalogues, magazines, etc. The cheaper grades are made of wood-pulp while the more expensive grades are composed of rags. Various finishes are given to book paper, such as S. & C., S. & S. C., cameo, antique, enameled, but if half tone illustrations are desired, only the best enameled papers should be used, as the antique will not take a fine half tone. Book paper is also used for the better classes of circulars and other forms of advertising literature to be sent through the mails.

The common sizes of book paper are 24×36 , 25×38 , 28×42 , and 32×44 inches. Double sizes are also

made in which the sizes run twice those of the above, as 36×48 , etc. The weights range from 35 to 140.¹

Print paper is used principally for newspapers, posters, hand bills and the like. The colored posters which are used so extensively for out-of-door advertising are made of tinted print papers. The usual sizes are the same as the book paper sheets, and the weight ranges from 25 to 100 pounds.

77. *Cover paper, Bristol board, Manila papers.*—Although the name indicates the use to which cover paper is generally put, nevertheless it should not be implied that its sole usefulness from the advertiser's point of view is so limited. It may be effectively employed in making mailing cards, novelty folders, hangers, etc. For the purpose of getting valuable suggestions as to form, printing, and color schemes, the advertiser will often find it useful to have on hand a large assortment of sample cover stocks. These will be furnished free of cost by any large wholesale paper house. There is no way in which the ingenuity of the advertising man can be given a wider scope than in finding new uses for cover paper and in originating new and striking designs. With the fine enameled stocks, the most delicate effects can be obtained. By exercising care in the selection of the proper tint, a three-color effect may be had by the use of only two printed colors. Cover paper comes in three regular sizes: 20×25 , $22\frac{1}{2} \times 28\frac{1}{2}$, $23 \times 32\frac{1}{2}$. The weights of these sizes are respectively, 20 to 100 pounds, 20 to 120 pounds,

¹ Weight usually means the number of pounds to the ream. The usual "count" has 500 sheets to the ream.

In listing paper, the prices are quoted in two ways, by the pound and by the ream. In ordering, the following specifications should be given, the name of the brand or maker, the size of the sheets, the weight, finish, tint or color.

45 to 75 pounds. Some of the less usual sizes are: 25×40 , 22×34 , 22×28 , $22 \times 28\frac{1}{2}$, 24×36 , $18\frac{1}{4} \times 28$, 18×28 and 25×28 inches.

Bristol board is made by pasting sheets of paper together, each layer being called a "ply." As this process was first used in Bristol, England, the name of that city has attached itself to this kind of cardboard. Its ability to fold without breaking determines in great measure the grade of this paper. Folding Bristol is given a better finish than the ordinary kinds and may be used for announcements of a particular nature. The ordinary white Bristol board is used for signs, business and mailing cards, etc. The size is 22×28 inches and the weight may be as high as 160 pounds.

Manila paper is made in two colors, white and buff. It is used principally for mailing booklets, catalogues, etc. The common sizes are $22\frac{1}{2} \times 28\frac{1}{2}$ and 24×36 inches, the weights ranging from 80 to 100 pounds.

78. *Qualities of paper.*—By consulting any good encyclopedia, one may find information in regard to the process of making paper. It is intended here to simply call attention to the qualities which depend upon the process. Paper is made of fibrous materials that are merely pressed together. There is nothing to hold the particles in contact except the adhesive power of pressure and the glutinous quality of the sizing. No spinning or weaving processes are employed as in the making of cloth; consequently any change of temperature or humidity produces a change in the "cohesive equilibrium" of the fibers and the paper either shrinks or swells. But as it is more likely to stretch cross-wise than laterally since the fibers increase in thickness more than in length, the sheet increases in width rather than in length. All this must, of course, be allowed for by the

printer, and such allowance often taxes his skill and resourcefulness. Much, therefore, depends upon the paper merchant. It is he who controls the paper in stock while awaiting the orders of the advertiser or printer. These should know under what conditions of temperature and "seasoning" it is stored.

Many kinds of wood-pulp papers deteriorate in storage because of the action of the moisture upon the resinous acids contained in them. Other papers are damaged by being kept too long in stock because of the tendency of the fibers to arrange themselves, thus destroying the individuality of the paper which depends upon the satin and glove finish. Colored papers are seriously affected by careless handling in storage. Heat and light cause them to fade. In the case of writing papers such as bond and linen, it is found that the best work upon them is out of the question unless care has been exercised in thoroughly seasoning them. That is, all this paper should be kept under similar conditions of temperature and humidity for the same length of time so that each sheet may have the same homogeneous qualities. If possible, the conditions in the press room should not vary from those obtaining in the store room. From this it may be seen that a merchant who keeps all kinds of papers in one room cannot furnish the best qualities for every line of advertising.

Two other simple precautions will give an advertiser good returns: (1) Paper should be worked with the grain. (2) In some classes of advertising it is much better to use the right and not the wrong side of the paper.

79. *Testing paper.*—Every advertiser should know how to apply simple tests for determining the fitness of papers for specific jobs. Mr. George French in his

book "The Art and Science of Advertising" gives the following suggestions on the testing of papers:

Usually, printing paper requires a surface adapted to receive the impression of the type, rather than great strength or much sizing. It is important that the paper shall be free of acid, alkali and chlorine; that it has no uncooked wood or ligneous matter; that the sheet be opaque. To properly test paper it is necessary to have: A pair of scales, a dial-face micrometer gauge; a Mullen strength tester, apparatus for boiling water; five glass breakers; small bottles of nitric acid, red litmus, Congo red, silver nitrate, solution made of three or four crystals of potassium iodide dissolved in an ounce of water, to which is added one or two crystals of iodine; a bottle of this solution:

- Phloroglucin 2 grains
- 95 per cent alcohol 25 c.c.
- Conc. Hydrochloric acid 5 c.c.

To test for ground wood and lignin, wet the paper with a drop of the last mentioned solution and allow it to dry. If the cellulose is pure the color will not change; if it contains wood not properly cooked it will turn a light pink, and it will turn from a mottled to a brilliant red if the paper contains ground wood.

To detect the presence of acid, alkali, chlorine or starch, tear a piece of the paper in shreds and boil in a beaker with just enough water to cover. Cool the liquor and pour it into four different beakers. Into one glass drop a minute bit of Congo red, and if the liquor turns blue it indicates the presence of acid. Into the second glass dip red litmus paper, and if it turns blue there is alkali in the paper. To the third glass add three drops of nitric acid and three crystals of silver nitrate, and if there is chlorine in the paper there will form a white precipitate. To the fourth glass add a drop of the iodine solution, and it will turn blue if starch is in the paper.

For durability, tear a sheet in halves. Put one-half in a dark

drawer and the other in sunlight. After two weeks compare the color, and test for strength on the Mullen tester.

To test the sizing, touch the paper to the tongue and note if the moisture is quickly absorbed or remains on the surface; or make a wide line on the paper with pen and ink, and when the ink is dry examine the edges of the line and the reverse side of the paper, to note if the edges of the line are sharp or if the ink soaks through.

To detect clay in paper, burn a piece and rub the ashes in the fingers.

To detect dirt, hold the sheet before a light and mark each spot; count the spots and compare with a standard sample of same grade and size.

To judge of the formation of a sheet, hold it to the light and look through it, or tear it in different places and both ways of the sheet. If properly made the sheet will tear evenly, and will not look cloudy.

To judge if a sheet will "fuzz" in printing, rub it with the coat sleeve and look across it toward the light. If it is "fuzzy" the fibres will be plainly seen standing on edge on the surface, (This test is not infallible. There are papers that are difficult to print on account of the "fuzz," but which endure this test successfully.)

To determine the way the "grain" runs, cut two strips one-half an inch wide by eight inches long; cut one lengthwise the sheet and one crosswise. Lay one on the other and hold by one end between the thumb and finger, and note if the top strip supports own weight or rests on the under strip. Reverse them. The strip cut with the grain will show itself stronger; that cut across the grain will sag more.

Strength of paper may be judged by tearing it, but it can only be satisfactorily determined by using a tester such as Mullen's.

To judge the opacity of paper, lay two sheets over printed matter and note through which the type can be more plainly seen.

To judge of the finish, look across the surface of a sheet held level with the eyes.

To find the thickness of a sheet, and so estimate its "bulking" quality, fold it twice and measure it in the micrometer gauge.

80. *How to figure stock.*—In getting out booklets, catalogues, etc., the advertiser will find it convenient in estimating the cost to have a simple formula at hand. Suppose it is desired to make a booklet with a page size 4 inches wide by 6 inches long, and the advertiser wishes to know how much stock will be required to produce 10,000 booklets of 12 pages each.

It is obvious that each leaf in the book must carry four pages, also that any book must have a number of pages which is a multiple of four. A book of ten pages, for example, would not be practical as there would be two leaves carrying four pages each and an extra leaf of two pages which could not be bound in and would have to be glued on. In figuring the amount of paper required, therefore, the unit of measurement will be a sheet 8×6 carrying four pages 4×6 . A book of 12 pages will contain three of these sheets 8×6 .

81. *Formulae for determining size of paper and ensuing waste.*—The size of paper selected will depend upon the amount of waste resulting from cutting out this size sheet. As there are several sizes easily obtained, the advertiser should try the various sizes as given on the previous page, to determine which will cut most economically, that is, with the least waste.

24×36	(Size of paper)
8×6	(Size of page required)
$3 \times 6 =$	18 pieces without waste

The first trial in this case produces satisfactory results, since there is no waste. The result is obtained by dividing 24 by 8, which gives 3; 36 by 6 which gives a quotient of 6. This shows that the 18 sheets 8×6 may be cut from a sheet 24×36 without waste.

Since each 12 page book will require three leaves 8×6 , 10,000 books will require 30,000 sheets. As each 24×36 sheet cuts out 18 8×6 pieces, the 10,000 books will require 1,666 of the sheets 24×36 . It should be noted that a reasonable margin should be allowed the printer for spoilage; this quantity depending upon the nature of the work.

In order to illustrate the case when waste appears in cutting, the following example is given of the number of pieces 6×5 which can be cut from a sheet 24×36 .

Solution:

$$\begin{array}{r}
 24 \times 36 \quad \text{(Size of sheet)} \\
 \underline{6 \times 5} \quad \text{(Size of piece required)} \\
 4 \times 7 = 28 \text{ pieces with no waste one way, but one} \\
 \text{inch waste the other}
 \end{array}$$

It will also be noted that this is the most economical way to cut the paper in this case. If the figures of the size of the page had been reversed, the result would show in the following solution:

$$\begin{array}{r}
 24 \times 36 \quad \text{(Size of sheet)} \\
 \underline{5 \times 6} \quad \text{(Size of piece)} \\
 4 \times 6 = 24 \text{ pieces with 4 inches waste one way}
 \end{array}$$

Yet many times by reversing the figures as above, waste may be avoided, since by doing so the upper figures are brought into the relation of being equal or more nearly equal multiples of the lower figures.

There are many applications of this principle and by

a little experience in actual practice it will be found easy to adopt it to many requirements. For example: How large a sheet will be required to cut 16 pieces, without waste, each piece being 6×9 inches?

$$\begin{array}{r}
 6 \times 9 \quad (\text{Size of sheet required}) \\
 4 \times 4 \quad (\text{Factors of 16, the number of pieces}) \\
 \hline
 24 \times 36 \quad (\text{Size of piece})
 \end{array}$$

In every case where a book runs into many pages the problem of binding is an important one, and the printer who is going to handle the work should always be consulted as to size of sheet best adapted before the paper is finally ordered.

This formula, however, will be found very practicable as a method of getting at the approximate cost of the stock.

CHAPTER IV

CONSTRUCTING AN ADVERTISEMENT

82. *Importance of harmony in style and purpose of an advertisement.*—The designer of a dwelling house is guided in his work by two primary considerations—the use to which it is to be put and the building site. When these points are decided upon, he proceeds to adapt the size of the house, its arrangement and style to these fundamental considerations. The feudal chief who desired protection from foes as well as an abode, built a castle on a hill; the feudal planter of later days in a land of hospitality, builds a mansion with inviting verandas and open driveways whose approaches have no suggestion of a sentinel. Both these styles of architecture are used to-day. The sites are generally appropriate, but the purposes are in most cases rather for display than protection or the exercise of hospitality. The castle on the Hudson River does not to-day suggest greater security. The mansion in New England is an anachronism, where every thirsty wayfarer is expected to pay for his glass of milk.

In these comparisons there is a lesson for the advertiser. Although his advertisement should have as a first requisite the power to attract attention, nevertheless he should not, in order to gain attention, sacrifice that harmony which must exist between construction and style on the one hand and its purpose and position on the other. Two reasons may be assigned for a common practice of ignoring this law of the “universal fitness of

things." One is the straining for "originality," and the other is the attempt to adapt a motive which has made an advertisement a great success in one line of goods to another entirely unrelated product. When we go to the circus we expect to be startled. The bold assertion which shouts at us from the billboard in elephantine type is in keeping with the purpose of the business; but to adopt this method in announcing the annual rate of interest of a savings bank is as incongruous as to erect a barn in the style of the Parthenon.

83. *Illustrations should be pertinent.*—Many advertisers have been carried away with the effectiveness of illustrations in attracting attention. Without considering the suitability of the picture to the thing advertised, they have not hesitated to associate a pretty feminine face with everything ranging from ribbons to heavy iron farming implements. When a suitable picture is difficult to procure, careful study of type faces and borders and attention to their artistic arrangement, makes it possible to draw up an attractive advertisement without using an illustration. It takes no less ability to construct a clever "typographical picture" than it does to produce a well-executed half tone. When the advertiser realizes that pertinent and well-made illustrations are chiefly helpful in drawing attention to the reading matter and that artistically typed advertisements are most effective in attracting the eye and holding the attention, he has accomplished much toward the preparation of a good advertisement. It ought hardly to be necessary to add that if he has mastered its purpose he must have learned the "selling points" of the thing to be advertised.

In a lecture given before the class in advertising of the School of Commerce, Accounts and Finance, New

York University, Mr. M. M. Gillam, the originator of the Wanamaker style of advertising, illustrates the importance of making the most of the selling points:

Mr. Singerly, publisher of the *Record*, had a magnificent herd of Holstein cattle at his country place outside of Philadelphia. They were kept with greater care than some people keep their children—housed in stone barns, fed on ensilage, groomed like horses. The milk was scientifically cooled, the cream separated by centrifugal machinery and butter churned from it with every regard for the best product. In Philadelphia at that day the famous Darlington butter sold at a dollar a pound and never lacked buyers. But the butter from Mr. Singerly's Holsteins, every whit as good, was put on sale two days a week at the Old Central Market at regular market prices. It didn't sell. There were some buyers, but no regular demand.

"Hang it all, Gillam," he said to me one day. "Why doesn't it sell? See if you can write some sort of advertisement to make that butter go."

Well, when I got around to the matter, the first thing that struck me was the old style pica of the Wanamaker ads—Wanamaker type, we called it. Then I began to ask myself what argument could be employed to interest people in this Holstein butter. This brought me eventually to what I believe is the principle of all advertising. I asked myself why I, or my wife, or my family, should use that butter. Because it was good—better than any other to be had at the price. The point was, therefore, to let people know how good it was.

I began an investigation of Holstein cattle, and found that for a thousand years this breed has been the pride of Europe. When America was a wilderness the Holstein herds had been cared for like children, and many famous butter-making strains, like the English Holderness, were derived from them. It was intensely interesting to me, and I felt sure it would be to the public. So three ads were planned—the first to give the history of the Holsteins, the second to tell about them in America, and the third to deal with Mr. Singerly's herd and the

methods of making butter at his farm. Three cuts of Holstein cows were made. The ads took a half column of space in the Wanamaker type, with the cut in the center. The facts were so interesting that any one who began to read would continue to the end. The only advertising argument was comprised in a nonpareil line at the bottom—"Butter from a herd of Holstein cows will be on sale to-day at the Central Market at regular prices." One ad did the business. At noon of the morning the first ad was printed there wasn't an ounce of the butter left, and the other two ads established a demand that far exceeded the capacity of the dairy.

Some months after Mr. Singerly asked me what I knew about music.

"Nothing at all," I said.

"Well, there's a man named Willard Spencer here in town who's writing an opera for the Temple Theater, and I want you to advertise it."

The Temple Theater belonged to the publisher of the *Record*, but had never paid. This new opera was "The Little Tycoon." The Japanese were an unknown people then, and I found out what I could about them from books. A hundred and fifty little ads were written describing their life and manners, such as their way of sleeping on a wooden pillow with a lantern to keep away evil spirits, their custom of shaking hands with themselves, getting onto a horse from the right side and so forth. These were printed with little cuts of Japs planting rice, drinking tea, and so on, and at the bottom of each was a line, "The Little Tycoon will give a reception at the Temple Theater to-night." Almost immediately the theater began doing a business that far exceeded its capacity, and the opera had a run in Philadelphia that was never equaled on the road. After that I wrote some advertising for Kellar, the magician, then a youngster in his profession, using the facts of Kellar's own life and travels as the main theme of interest.

But this is like getting into an old garret. Perhaps I am telling you things that are of no interest to present-day advertisers.

84. *Determining the amount of space.*—The principles mentioned in this chapter should be supplemented by a careful study of the physical structure of the advertisement. The first consideration is the amount of space which it will occupy. In the matter of cost, this is of great importance, especially in magazine advertising or in the extensive use of any medium. The Wanamaker stores found that one of the great savings effected by putting in their own composing room was that of having the advertisements set in the store, where a strict watch could be kept, and where a word could be cut out here and there, a saving in the course of a day amounting to many lines of space. As the cost of a line in all the papers was something like four dollars, the composing room paid for itself.

Although the trade journals ask less for advertising space than the magazines, yet measured by results, many advertisers pay an unnecessarily high price—even at \$50 a page—because they fail to use this space to the best advantage by not writing copy that “pulls.”

85. *Summary of considerations in the use of space.*—In deciding upon the amount of space to use, the six following considerations will help to guide the advertiser through the many questions that will confront him in making his decision.

(1) Everything else being equal, a full page will attract more attention than a fraction of a page.

(2) The market for an advertised article should be ascertained as closely as possible in order to avoid the buying of more space than the profits warrant.

(3) The size and complexity of structure or the numerous qualities of a thing advertised are important elements in the determination of the amount of space to be used.

(4) The number of publications in which the advertisement is to run will often decide the size of the individual advertisements.

(5) In advertising a number of articles, it is better to devote a certain space to a few of them than to devote the same space to the whole list of articles.

(6) The advertising appropriation may limit the extent of the publicity but it is generally better to cover only as much of the field as can be done in a thorough manner.

86. *Size of advertisement in relation to expense.*—Taking up these points in order, it has been found that although the larger the advertisement, the more attention it will attract, the question resolves itself to a matter of expense. As one writer facetiously puts it, when we go to the circus we never fail to see the elephant, while the leopard sometimes escapes our notice. However, an elephant is a much more expensive animal to keep than a leopard. Then the question is simply this: Does the elephant pay as an attraction?

87. *Ascertaining the market.*—A disregard of the second factor has cost many advertisers heavily. It can be easily seen how an article which appeals to only a limited number of people in any community might be over-advertised. For instance, the number of persons in any community who have use for glass eyes is comparatively small. An advertising campaign, therefore, might be planned which would be so expensive that the profits from the sales could never overtake the costs for advertising space even though every market was fully supplied.

88. *Character of goods advertised.*—In considering the amount of space necessary in connection with the third item, it is obvious that the simpler the thing is

that is to be advertised, the more easily is prominence given to those parts or qualities which it is desired that the public shall see. For instance, less space is required for the display of a gas mantle than would be used in showing the mechanism of an automobile.

Advertisers often lessen the amount of space that would be necessary to display adequately all the important points which an article may have by showing only a part of the mechanism at a time. Two common ways of directing attention to some special point are the use of large arrows pointing at the desirable attribute, or by drawing the particular thing on a larger scale than the rest of the illustration, thus making it more prominent.

89. *Choice of publications and space used.*—When the question of the number of publications in which the advertisement is to appear arises, the advertiser will find that he can distribute his space among them with greater effectiveness if he first determines the quality of the circulation from the point of view of his particular commodity. It will not be necessary to put the same sized advertisement in each of the twenty-five or more papers that may be found necessary to cover the entire field. If on the other hand, two or three papers reach all the prospective customers it may prove profitable to use more space per paper than when the field is much larger. In this connection Mr. A. M. Stryker, in the "Advertiser's Handbook," says:

Take as much space as you will be able to make use of. If you are sure that you have sufficient striking, explanatory illustrations and "educational" copy to fill two pages—take two pages. If you only think you need two pages, and then begin to wonder how you are going to "fill" them—you don't. You more probably need only a page—maybe a half. Running a

few general assertions and the firm name in big black type through several pages is not using space—it is wasting space.

Most advertisers who try to make their advertisement do duty for a catalogue make a serious mistake. The majority of readers are interested in particular things and not in the mass. They are attracted to the advertisement by the special features. This is made plainer by devoting the space to a few specialties giving each its amount of space in proportion to its importance rather than by trying to give equal emphasis to a long list of articles that have little connection besides a common salesman.

90. *Distribution of advertising appropriation.*—It hardly seems necessary to caution an advertiser that his advertising appropriation is the measure of the cloth by which he must cut his coat. Yet there are various ways of distributing the appropriation. A grand splurge may be made one month and the next month little or no space may be used; or a steady, consistent method may be adopted by which the advertising space varies according to the emphasis it is desired to put upon certain features. Speaking of this point Mr. Gillam says:

The average space used by Wanamaker's in those days was a column a day, but sometimes we took a page, and once two pages. But the next day's ad would be a half column. The advertising simply reported the normal gossip of the store. The size of the ad indicated its importance. A three-column announcement in the Philadelphia morning papers was instantly recognized by the people of that city as an event at Wanamaker's. It was a good method, that. I think to-day that the normal news of a large store can be amply told in a column of newspaper space. The news of the store is like the news of the world. You can't take Port Arthur every morning, or bury a

Queen or assassinate a President. If you do, the thing palls. Worse yet, the advertising man must work in the treadmill of a page a day with the result that the advertising becomes lifeless and perfunctory. I firmly believe that present-day ads are too big. The desire to attract by bigness of space and bigness of statement has become a disease. The bread is spread so thin sometimes that you can't taste the butter. The everlasting grind of filling a page a day inevitably leads to exaggeration.

The last part of this statement is extremely interesting, coming as it does from one of the oldest and most successful advertising men in America. There seems to be no turn of the tide as yet in the direction of smaller advertisements on the part of the large stores. There is, of course, no hard and fast rule that can be laid down, but it is well to remember that an advertisement of the proper size and in the proper mediums is far better than the same amount of space divided among a large number of papers. The one makes the proper impression so far as it goes, while the other because of small type and weak display gains few, if any, readers. In the one case the advertiser gains readers at the expense of circulation; in the other, he gains in the number of publications and circulation but he sacrifices the public's attention.

91. *Planning the "layout."*—The size, form and content of the advertisement having been decided upon, the next thing for consideration is the arrangement of the type and cuts. The first possible difficulty consists in cutting down the text. The writer has written too much for the space at his command. The true test of the writer-advertiser now comes since he must be ready to sacrifice much that is "clever" for brevity's sake. He must keep his sales story strong yet fit it into the space harmoniously in order to catch and hold the attention.

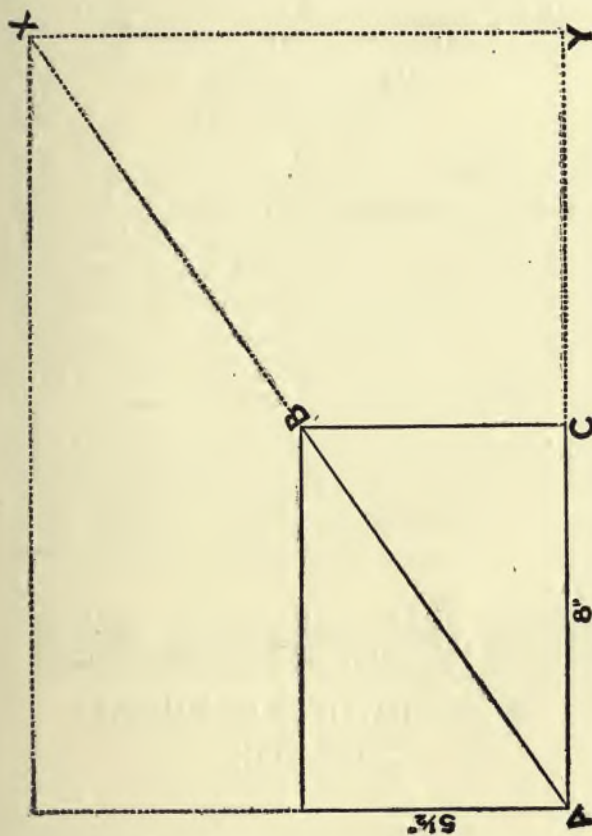
The first revision should be made with the idea of gaining clearness, forcefulness and pertinent content. Additional revisions should seek to give special emphasis to the selling points. This may be done by putting the important statements in the most prominent positions or by the use of display type. The "catch-line," the heading, the introductory and display lines will be first items of importance for which to provide suitable typography. By referring to the specimen types, it will be easy to judge whether a certain size of type can be used in the allotted space or not. The writer should be cautioned now against the tendency to choose "Ad" types and unusual arrangements, examples of which have been given in previous chapters. This is the chrysalis stage of the advertisement and the strength and force of the sales story may be easily injured by injudicious rearrangement of the copy.

A few practical suggestions are about all that can be given since the production of an attractive advertisement in harmony with the principles of rhythm involves an understanding of all that has been said in the other chapters. If any line is too short, it may be "letter-spaced" to the proper length or an "extended" type face used. A line that is too long may be shortened by being set in a "condensed" type face. Failing to get the right results from these methods, smaller or larger sized type may be tried. If this fails, then the copy must be changed.

The advertiser will save extra expense if he gives careful attention to the planning of the layout. After the matter has been put in type every correction must be paid for. The design, the balance and the proportion can be as thoroughly tested before being set in type as they can be afterwards.

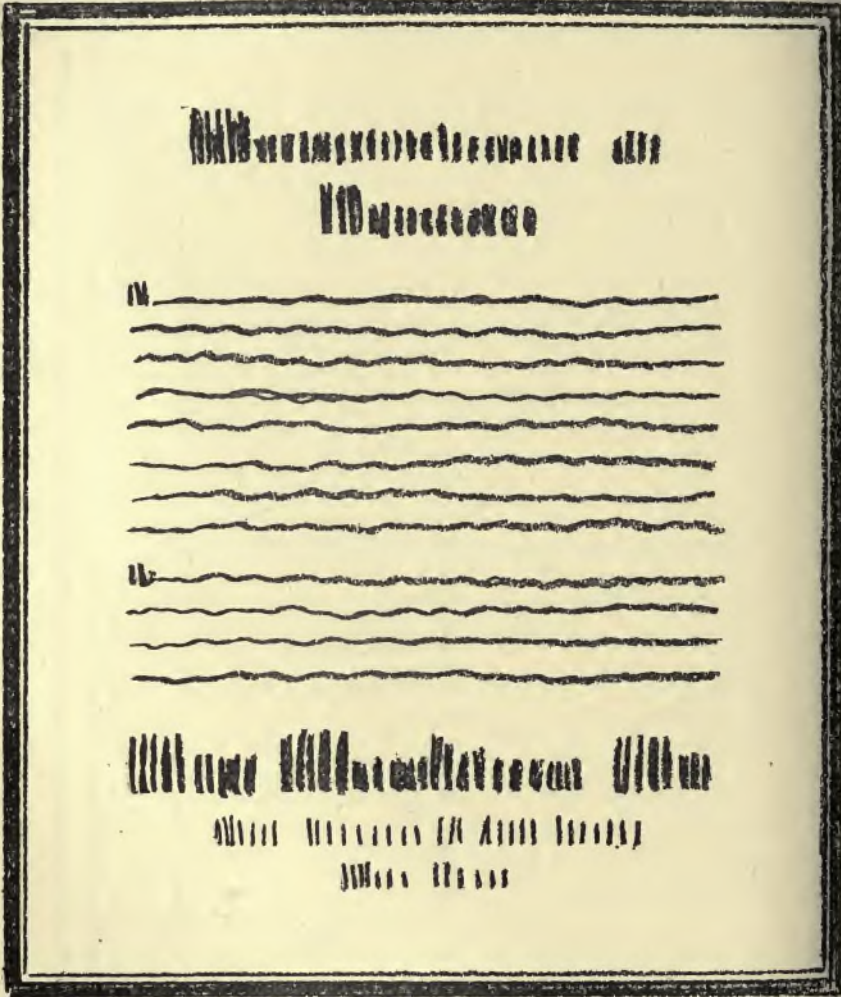
92. *Making the layout in mass.*—The layout in mass is simply a rough sketch of the advertisement which shows in bold outline the ideas of the advertiser. Such sketches, no matter how crudely executed, are of more assistance to the artist or draftsman who is to make the illustration than any amount of worded explanation. In making this layout it should be borne in mind that the work must be limited to the use of three colors. The display type will be black, the small type composing the body of the advertisement will be gray and the unoccupied space white. The only tools used in the making of the layout are paper, pencil or pen and ink and a ruler. The method of procedure will be as follows: Draw the border in its exact proportionate size. If the advertisement is to be engraved it is always better to have the design drawn on a larger scale than the one intended for the newspaper or magazines. The right proportion may be obtained by a very simple device. Supposing that the space allotted for the advertisement is to be a standard magazine sized paper $5\frac{1}{2} \times 8$ inches. How large and in what proportions could the original advertising copy be made in order to be reduced to the desired size? By constructing a rectangle $5\frac{1}{2} \times 8$ inches and then drawing a diagonal line so that it will extend beyond the rectangle, it may easily be determined how large the original drawing should be made by constructing another rectangle upon this extended diagonal.

Having decided upon the proportionate size as shown by the border, the display lines may be indicated by drawing heavy lines close together. If no reduction is intended, these lines should be of the same length and the proportionate width the same as the lines of type which are to fill these spaces later. The body type may then be indicated by light lines, keeping in mind con-



To find how large a "copy" should be made in order to reduce to a size $5\frac{1}{2} \times 8$ inches. Extend the diagonal AB to a distance equal to itself. At the extremity X drop a line parallel to BC. Extend the line AC until it intersects at Y. Complete the rectangle, and this will give the dimensions of a copy that will reduce most effectively to the desired size of the cut.

tinually that the white space is as important in its distribution as is the black of the heavy types and the gray of the body type.



LAYOUT IN MASS, BEFORE SETTING AD. IN TYPE,
SHOWING HOW TO TEST TYPE HARMONY.

GORHAM ADVERTISEMENT.

A simple test for noting the correct distribution of

the black, gray and white is to hold the layout at arm's length and look at it with the eyes slightly closed. If the effect is pleasing, the design has stood the test.

Masterpieces in Bronze

Some years ago we started an effort to popularize in this city the best bronze work of America and Europe, and today we offer for your inspection the results of a carefully selected collection of masterpieces of bronze in sculpture of both American and foreign artists,—original works which any collector or connoisseur would be fortunate to secure.

This exhibition now in progress, on the third floor, is the most notable one of its kind in America, and the present "revival" of bronze emphasizes its significance

The Gorham Co.

Fifth Avenue & 36th Street
New York

THE ADVERTISEMENT AS IT APPEARS AFTER BEING
SET UP ACCORDING TO THE LAYOUT.

If the advertisement is to contain an illustration, this can be indicated either by pasting a proof of the cut into

the layout, or if that is not feasible, the form of the cut may be roughly indicated and its color harmony tested by drawing horizontal lines after the manner shown above for the testing of type harmony.

93. *Insertion of cuts.*—The position of engravings or cuts in the advertisement is subject to many conditions, but a few rules that are often applied may be given.

Engravings that do not match or are not dependent on each other should be kept apart. This may give better balance to the page and often permits better relief of type matter around them. Small cuts are generally set into the side of the advertisement, but if the cut is very small it may be inserted in the middle with reading matter to be adjusted on both sides. The lines may read across the page but care should be taken to see that the connection of the two parts of the lines is not broken by too great a distance. To avoid this, it may be advisable to put the reading matter into two separate columns on the sides of the cut. Large cuts which permit very little reading matter on the sides may be set in the center so as to be independent of the type. The regulation of the white space about a cut may be aided by the general appearance of openness or closeness of the advertisement. If the cut has a well-defined and regular outline, it may be set closer to solid type than if it were irregularly formed. The blank spaces between the type and cut should be uniform on all sides. The title placed under an engraving may be set in small capitals of the text-letter if that is not too large; in lower-case of a smaller size; in italic lower-case or in capitals and lower-case of any light-face letter which will not destroy the harmony.

A long title should be set in two short lines, the first one longer than the second rather than to have one very

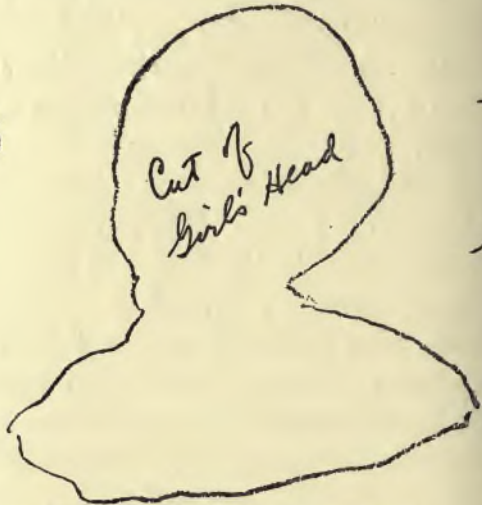
long line. Illustrations do not require bold type for legend or title lines. A plain neat line is always preferable. A title or descriptive line may be put at the side, or if the cut is large, at one of the upper or lower corners.

94. *Layout for compositor.*—When the advertiser has satisfied himself that the layout in mass represents his ideas sufficiently well, the next step is to prepare a layout for the compositor. The latter must be instructed in every detail so that the advertiser's idea may have adequate expression in type. These details will include style of composition, location of cuts, etc. The following example shows the method of making a layout for a compositor. The advertisement is to contain two half-tone illustrations. The size of the advertisement, $5\frac{1}{2} \times 4$ was thought to be large enough to show the important details of the pictures and yet to give plenty of space for the type matter.

95. *Care in placing cuts.*—When several cuts are to be used in an advertisement, costly mistakes caused by transposing the cuts in the composing room may be avoided by marking the number of each cut in the space it is to occupy. Cuts are numbered by stamping the figures into the side of the block upon which they are mounted. When this is done with a pencil, the marks will soon be obliterated by frequent handling. A set of steel numbers can be obtained at almost any stationary store. Another favorite method employed by advertisers is to paste proofs of the cuts directly into the layout. This not only shows the exact amount of space to be occupied, but also shows how the cut will appear in a finished state. It is an especially good plan to follow in making up the "dummy" of a catalogue or booklet. In case there are no proofs of the cut at hand, it is not

30 Pt.
Cheltenham
Bold w/d

Makes
a
Fair
Skin



36 Pt.
Cheltenham
Bold w/d

Hinds ==> Cream

10 Pt.
Caslon
O.S.



A.S. HINDS - West St. Portland, Me.)

10 Pt. Caslon O.S. Italic

Layout for the compositor showing all the details to be observed in setting up the ad.

**Makes
a
Fair
Skin**



The secret of a clear complexion lies in the faithful use of Hinds' Honey and Almond Cream. Being antiseptic and immediately absorbed, it cleanses and invigorates the pores, enabling the glands to throw off impurities, stimulating the circulation and assisting Nature to supply the nutrition necessary to build a healthy, unblemished skin fabric.

Hinds' Honey and Almond Cream

quickly heals all irritated, sore, eruptive surfaces, and is especially good for chapping, chafing and babies' rash. Hard, rough, dry shriveled skin becomes soft, smooth and velvety after a few applications; continued use making the complexion clear, fresh and youthful. It is absolutely free from chemicals and all greasy, sticky or starchy properties; — will not aid a growth of hair. At your dealer's, 50c., or postpaid by us.



Write for free sample bottle and booklet.

A. S. HINDS, 18 West St., Portland, Me.

The ad after it has been set up.

necessary to send to the printer for them. Ink the printing surface of the cut from an ordinary stamp pad, being careful not to mar or scratch the surface if it be a half tone, and then place it face downward upon a piece of paper under which are several other sheets all supported by a perfectly even and solid surface. Then by striking the base of the cut a mild blow with a hammer a rough print may be made, that will answer all the purposes of a layout.

96. *Two factors in determining form.*—The form of the advertisement may be determined by two important considerations:

{(1)} An illustration of an object which is long vertically, such as a windmill, should be made longer than it is wide; while an illustration should be wider than it is long if it is to give proper emphasis to important facts concerning an object whose length is horizontal, as a motor boat.

{(2)} One position on a page may be far more effective than another; the outside half of a page, divided vertically, is the one generally desired, and therefore a half-page illustration by fitting these dimensions may thus be made more striking than those in which the page is bisected horizontally. Of course, other conditions may make an illustration which runs across the page the more effective. Nevertheless, the form of the advertisement should not be governed too much by the usual form of the fractional parts of the page upon which it is to appear. As Mr. Stryker says:

Advertisers who make use of space in this manner are just as unwise as would be a tailor who would make a suit of exactly the same size for each patron so that on a little man it would hang in folds and on a big man, burst with tightness. By comparing the ads in three or four issues of the same publica-

tion you will soon discover that advertisers are divided into two classes—those who have purchased space and have prepared their advertising to fit it: those who have prepared their advertising and have purchased space to fit it. It is hardly necessary to commend the latter method, as advertising produced in this manner “speaks for itself.”

97. *Kinds of proofs.*—Every advertisement should be read several times to insure correctness of the size and face of the type, the arrangement, the thickness of leads, the punctuation, capitalization, spelling, etc. Proof is the name for the paper upon which is the impression in ink of the type or cuts. The cheapest kind is the stone proof. This is a rough proof made by forcing the paper against the type as it stands on the composing stone. If the advertisement has a half tone illustration, the method is not satisfactory as the half tone will not stand out clearly. For the most ordinary corrections, however, and for a cut which will print easily, a stone proof will do.

In other cases the following order is customary in making proof. The first is called the galley proof, which is on long strips of paper. It is called so because it is taken from type held in “galleys” or long narrow trays of metal or wood. Page proofs come next in order, made after the corrected galley proof. They are sometimes called the first revise and are made up in pages of the prescribed form. Page proofs are expensive when there are many alterations. When the corrected revise has been returned to the printer, the matter is made up into pages which are called press proofs. These are generally the final proofs and are supposed to be a perfect copy.

Besides these there are engraver’s proofs or press proofs taken by engravers of half tones, zinc etchings,

etc., for the purpose of showing how the cuts will appear; color proofs taken in colored ink or type for covers, back pages, calendars and other advertising matter, but which on account of their expense are not always furnished by engravers; flat proofs, which are unfinished proofs or proofs of unfinished plates and are sometimes furnished instead of color proofs; and silver print proofs, which are prints of illustrations and designs made from the negatives of these, and in this way a line drawing of a photograph may be made. After a silver print has been made of the photographs, a pen drawing is made directly on the print, whereupon the print is bleached.

A blue print is also used when it may be necessary to see exactly how the cut or advertisement will appear before the plate is made. Blue prints are the same as the photographer's blue print used by amateurs or architects. They are especially valuable in the making of catalogs, where there are expensive and very fine engravings to be made.

98. *Proof-reading.*—If a perfect copy of an advertisement is desired, it is of great importance that the proofs be read carefully to insure correctness not only of spelling, paragraphing, punctuation, etc., but also correctness of leading, spacing, display, indentation, etc. Although there are many methods of correcting proof, the knowledge of certain simple conventional marks will suffice for the ordinary proof reader of advertisements. These marks are placed both in the body of the type and on the margins to draw attention to certain alterations or corrections. Each mark in the margin shows what is to be changed and must have a mark in the type to show where the correction is to be made. The marks save considerable time both for the composer of the ad-

- ¶ Paragraph.
- No ¶ No paragraph.
- rom Change from italics to Roman
- ital Change from Roman to italics
1. c. Put in lower-case, or small letters.
- S. C. Put in small capitals.
- caps Put in capitals.
- ⊖ (Dele), take out the type or matter with a line drawn through it.
- ⊙ Reverse the type.
- ∧ Left out; insert the matter which is written in the margin.
- tr. Transpose the order of letters, lines, or words which are underlined.
- wf. Change the incorrect type or a wrong font or style.
- Stet. Let the matter stand as it was originally set. Stet is written in the margin.
- These are put below a crossed word. Let it stand as it was originally set.
- # Insert more space where caret is marked.
- ⌣ Correct uneven spacing between letters and words. The mark is placed in the type and "even" is written in the nearest margin.
- Bring line to this point.
- × Change faulty letter.
- ⊙ Insert period.
- ,/ Insert comma.
- ;/ Insert semicolon.
- ⊥ Push down space which blackens the proof into correct position.
- Indent line an em.
- /-/ One-em dash. Insert dashes of this length.
- /—/ Two-em dash.
- ⊖# Less space.
- Out, see copy. Something omitted. See copy.
- == Straighten lines.
- Qu. or ? Is this correct? See to it.

vertisement and the printer. Those most commonly used are shown on page 115.

99. "*Closing*" of advertising forms.—In order to allow for the time needed for the setting of the type matter, the reading of the proof, printing and getting ready a magazine or other publication in which advertising matter is inserted, a "closing" date is set by these publications which is the last day upon which any kind of copy intended to be inserted in a particular issue will be accepted. If a certain magazine is issued on the twenty-fifth of the month and it requires fifteen days for getting it ready, the magazine will "close its forms" on the tenth day of the same month. A publisher should be allowed at least one week before the closing date so that there will be sufficient time to send the advertiser his proofs and have them returned for any needed changes in the type matter. Otherwise dissatisfaction may result both to advertiser and publisher. Information in regard to "closing dates" if not announced on the rate cards may be procured from publishers on request.

CHAPTER V

ADVERTISING MEDIUMS

100. *General meaning of the term.*—The word “medium” is used in both a broad and a limited sense. Anything by means of which an advertiser calls attention to his goods is a medium. This would include billboards, trade papers, circulars and street cars. In a more restricted sense the term is confined to newspapers and magazines. These represent the chief means of reaching the consumers, as contrasted with the trade papers which reach dealers only. Magazines, newspapers and trade papers are generally spoken of collectively as periodicals. In distinguishing between monthly and weekly publications, the former are termed magazines and the latter periodicals. Advertising men distinguish between monthly magazines as well. The *North American Review*, the *Outlook*, *Munsey's*, *Scribner's*, and others of this class are described as standard size magazines, while the *Delineator*, *McCall's* and others that appeal to women chiefly, are dubbed women's publications.

The weekly publication is well represented by such papers as the *Saturday Evening Post*, which has a semi-news character. The trade papers appeal to special classes of readers and are therefore sometimes called “class” papers. However, some advertisers describe trade papers as those which are published for different trades as, the *Butcher's Advocate*, the *Market Journal* and the *Implement and Vehicle Journal*, while

the *Christian Herald* and the *Epworth Herald* would be called "class" papers.

101. *Newspaper versus magazine.*—One of the first questions that confronts the large advertiser is the choice between the newspaper and the magazine as an advertising medium. As a general rule, it ought not to be difficult to decide. Each medium has its peculiar virtues, and it remains for the advertiser to judge whether his product will be given more and better publicity in the one or the other. Perhaps both may be used to advantage. The chief differences between the magazine and the newspaper are as follows: (1) A magazine lasts thirty days; the newspaper, only one day. (2) The magazine is read slowly; the newspaper, hurriedly. (3) The circulation of the magazine is general; the newspaper is local, i.e., confined to a city, state or section of the country. (4) Magazines, as a rule, by using a better quality of paper and a slower process of printing, enable the advertiser to employ higher grade cuts for his work. (5) Conditions surrounding the publication of a magazine require that an advertisement be ready from three to eight weeks in advance of the date of publication. A newspaper will accept an advertisement within twenty-four hours of its going to press.

102. *Character of goods advertised.*—In the first place, the character of the advertiser's wares will largely determine the medium to be used. Second, if a ware can be advertised to advantage in either medium, the business policy which calls for immediate returns versus returns in the remote future must decide. Third, the mode of campaigning may influence the advertiser to prefer the newspaper to the magazine. The newspaper is adapted to intensive methods. Localities can be worked systematically one after the other. Sometimes

an article is especially appropriate for a certain district, or perhaps the advertising appropriation is limited. These conditions are generally met by the newspapers more satisfactorily than by the magazines. Fourth, conditions of trade must also influence the advertiser in the choice of a medium. Trade conditions for some lines of goods change rapidly; therefore some business men by waiting for their advertisements to appear in a magazine might lose many favorable trade opportunities.

These conditions resolve themselves into an analysis of the product on the one hand, and a study of the market conditions on the other. When these have been determined, the advertiser must choose his means of reaching the consumer by a study of the character of the circulation and its territorial distribution.

103. *Character of a newspaper.*—What we really mean by “determining” the character of a newspaper is finding out the class of people who read it. A newspaper simply reflects the desire of its readers, and hence serves as a valuable guide in directing the advertiser’s style and appropriation.

In the United States the newspapers are read by the masses. An appeal to the people that is to be quickly and thoroughly effective must include the daily journals; but a wise discrimination should be exercised. The American masses are not uniform in their attitude toward political and ethical questions, and they are keen in detecting inconsistencies between the editorial and advertising and news sections of the same paper. As one expert in bank advertising puts it:

The newspaper that preaches the brotherhood of man and the Christian spirit, that is always assuming a high moral tone in its editorial columns, yet panders to the lusts and morbid curiosity of the mob in its news and advertising columns, is

worthy of no support and has little valuable influence for the banker.

Some will dissent from this view, arguing that it is to the class that reads this sort of stuff that the appeal must be made. Experience has proven otherwise. City bankers wanting the deposits of saloon men, race-track touts and bookmakers, dive keepers, and all the moneyed men of the underworld, of course, will go where their customers are most likely to see and hear them.

104. *Importance of discriminating choice.*—The same discrimination which the banker must use should be adopted by every advertiser in judging of the policy and method of the newspaper. It is well, therefore, that from an advertiser's point of view some standard be set that may help in separating the good from the bad. Mr. Waldo P. Warren, at one time advertising manager for Marshall Field & Company, Chicago, describes the ideal newspaper from the advertising point of view thus:

The ideal advertising medium is the home newspaper. It is a paper which is so filled with good thoughts for every member of the family that it finds a warm welcome and an eager reading wherever it goes. It is free from crime and scandal and unwholesome things. It takes more pride in the quality of its circulation than in the mere quantity—but it has the quantity as well as the quality. It is not boastful, nor too much given to finding fault. It wins the confidence of the people by its simplicity, honesty, purity and progressiveness. It handles the news of the day in a manner which appeals to the better class of people and to the better nature of all people. It emphasizes the hopeful features of the news rather than the discordant ones. It has a permanent location for its special features. It is an authority on whatever it undertakes to exploit. It has a reputation for correctness. It regulates its advertising

pages by reasonable requirements regarding display and illustrations, so that the page represents a pleasing whole.

In remarking upon this passage, Mr. E. St. Elmo Lewis adds: ¹

While some of these qualifications may be thought Utopian none of them will be considered impossible. Yet few newspapers of our acquaintance could approximate even half of these requirements, which we will admit, are in every way desirable. Mr. Warren might have suggested, in addition, that the ideal newspaper will endeavor to maintain honesty and integrity in the advertisements it permits to occupy its columns, and I think he would then have embodied all the requirements of an ideal newspaper.

The same kind of discrimination which applies in the selection of newspapers applies also to magazines, and vice versa. A striking illustration of gaining an appeal to different classes of people is offered in a comparison of the *Ladies' Home Journal* and a monthly publication called *Comfort*. Both have enormous circulations, but a study of their respective make-ups would speedily show that an article intended for the intelligent and well-to-do American woman should go in the well-edited and well-printed *Journal* and not to the other publication. On the other hand, cheap goods such as "jewelry," remedies, agent's supplies, etc., which are meant to interest the ignorant classes would find *Comfort* a profitable medium in which to advertise. The fact that both of these publications rank among the most extensive advertising mediums in the country shows that each is successful in its own province.

105. *Choice of evening or morning editions.*—The question in regard to the relative effectiveness of ad-

¹ "Financial Advertising," by E. St. Elmo Lewis.

vertisements in the evening and morning newspaper has often been discussed, as though a definite rule could be established whereby the one or the other could be excluded entirely without detriment to the advertiser. No such arbitrary and general rule can be made. The difference between the two papers is chiefly a time distinction. Only by a careful study of the local habits and customs of the people can the business man determine in which paper his advertisement will obtain the widest and most attentive perusal. The artisan class has as a rule little time for reading a morning paper. Purchases in the homes of these men are generally weighed before they are made. An evening paper is likely to be read thoroughly, both because there is time and because there is no other literature competing for the reader's time and attention. On the other hand, an advertisement that appeals to the commercial class—to men who are habitually accustomed to quick action in matters pertaining to their affairs—may give better results if published in the morning paper. For instance, the merchant reads his paper on the way "down town." He is interested in the market news. A bank advertisement upon the financial pages would probably be effective in his case. Yet, even in the single matter of bank advertising, this rule would not prove an universal one, for a savings bank which appeals chiefly to the "home folks" would find greater success in the evening paper.

106. "*General impression*" as an index.—The character of a newspaper is best expressed by the term "general impression." This impression may be radically different from some one business man's private ideas. In choosing a paper, therefore, a careful study should be made in order not to let a prejudice stand in the way of a profitable business venture. The selection of a proper

style of advertising depends upon the character of the paper and this is often indicated by the term "general impression." Take New York City as an example. There are nineteen daily newspapers. Each reflects the diversity existing in the population. The *New York Herald* and the *New York Times* appeal to about the same type of people—the intelligent wage-earner and the average business man. The *New York World* is a newspaper for the wage earners and working men. The *New York Sun* and the *New York Evening Post* reach men of affairs, financiers and bankers, the *Sun* bearing the "general impression" of having a special Wall Street following. The *New York Commercial* reaches the market interests. The *New York Telegraph* reflects the demands of the stage and of the sporting fraternity.

107. *Methods of discovering newspaper preference of locality.*—Having classified the newspapers of a locality according to their "pulling power," the advertiser should endeavor to eliminate the personal prejudice in favor of the medium that appeals to his own social or business set. He may draw his profits from an entirely different quarter. There are many ways by means of which the sentiment of the various classes of people can be found out. One firm gained valuable ideas of this kind by instructing the clerks to find out what newspaper their customers read. Another firm took a vote on the matter among the clerks, porters and servants in their employ. Several banks which felt they were not in close touch with their trade were able to revise their advertising apportionments, by sending out with each of the monthly settlements a card asking for information that would permit the bank to confine its announcements and advertising to the people most interested in

their banking business. Such questions as the following were asked:

What morning newspaper do you regularly read?

What evening newspaper do you regularly read?

What newspaper goes to your home?

In which paper do you have the most confidence respecting honesty, fairness, responsibility?

The card closed with a request that the customer's answers be returned with the pass book when his next deposit was made. The information thus received threw new light on the old advertising policy of these banks and led to a change of the advertising mediums.

One source of information regarding the character of a paper as an advertising medium should not be overlooked, i.e., internal evidence gained from a perusal of the advertising columns of the papers themselves. This will often indicate its value for some special line of business. A bank looking for deposits may reason thus: high grade retail advertising indicates prosperous and thrifty readers—a home circulation and home influence; a home with money for spending in the retail store; and it also indicates some surplus saved for the bank.

108. *Trade journals and class publications.*—The character of an advertising medium can be more clearly determined in the case of trade papers than in any other. The size of the circulation is not the deciding factor in this case. The number of people interested in any particular business enterprise is relatively small when compared with the general newspaper or popular magazine, but from a point of view of publicity, the trade paper offers less uncertainty as to potential results. The advertiser can be certain that his appeal will be made to people who are directly interested, provided his product meets a demand of the particular trade.

Within the last few years great improvement has been made in the character of the contents of trade papers, both in news and advertising columns. The purely "write up" stage is gradually passing away, and "card" advertising has largely given place to advertisements that really have something to say.

The trade paper fills an important gap in the field of general publicity. The consumer has usually been made the point of attack by the advertiser for increasing the initial demand for a product. He in turn bears upon the dealer or wholesale consumer, an important class interested in the journals pertaining to their trade.

How costly the overlooking of any material link in a great national advertising campaign may be is illustrated in the case of a certain soap campaign. When this firm began advertising their product in the United States they confined their appropriation, amounting to \$500,000, to the magazines. A great demand was stimulated, but the dealers had never heard of it and hence could not meet the demand. The tactical mistake in the campaign consisted in not telling the trade about the efforts being made to introduce the soap into this country.

109. *Advantages of trade journals.*—The better trade papers have also an advantage over the newspaper and magazine in the fact that the readers of trade journals follow the advertisement from the business man's point of view—i.e., profits. Advertisements become real news of the market, prices and qualities of goods are compared, and valuable commercial knowledge, pertaining to the latest improvements in design of product, or methods and organization of the trade, becomes a substitute for the news sections of the daily papers. Advertisements are practical and essential ideas are put

forward in concise manner, and often in much better form than the extended articles, which do not give the greatest amount of information, in a way that consumes a minimum of the reader's time. Mr. Gordon C. Keith, managing editor of the *Power House*, says in this connection:

Giving the paper to the subscriber at a lower rate is very insignificant compared with the educative value of the advertisements. The advertisement has a mission of its own to perform that is of vital interest to engineers. Stationary engineers have told us that they owe their position solely to information gleaned from advertisements and catalogs. The engineer who gets in touch with different systems is in a position to recommend the most suitable under certain conditions. Then when the machinery or equipment is installed he can see that it is operated in the most efficient manner, because, thanks to the advertisement, he was well acquainted with it before it was ordered.

110. *Present status of trade journal advertising.*—One thing that has kept the advertising pages of the trade papers below the standards of the magazine and that of the large daily paper is the widespread notion that benefits to be derived from the advertising pages of a medium depend solely upon the amount of its circulation. For instance, it is not uncommon to see in magazines of general circulation advertisements of such specialties as pulleys, boilers, concrete reinforcing bars, etc. Manufacturers of purely technical products are often fascinated by an advertising agent's proposition which calls for \$7,200, perhaps for a "double page spread" in a paper such as the *Saturday Evening Post*. The same men would turn a deaf ear to a trade paper proposition which calls for \$40 a month per issue in the half a dozen trade papers that reach with small percentage of waste the very readers desired by the advertisers.

That the general newspaper or magazine can compete successfully with the technical press which goes to a limited but directly interested number of readers leads to another consideration—the attitude of the advertising agency toward the trade publication. Two causes have contributed to a feeling of indifference on the part of the agency toward the trade paper. First, it is more difficult for an agency to create new business for a technical paper than for one of general interest. Second, the trade paper generally charges a much lower rate for its advertising than the other publications. Both of these causes reduce the possibilities of the agents receiving large returns in the form of commissions.

There is no doubt that the agencies have done much valuable work in “educating” the manufacturer and the business man to the value derived from high class advertising, but the general mediums have been deriving the material benefits from the agent’s labor because they could pay for it, while the trade papers were too indifferent to engage high-priced copy writers. A change is taking place now in a number of instances and copy departments are being established by some of the large trade journals.

111. *Formation of syndicates of trade papers.*—To overcome this lack of coöperation between agencies and publishers, there is a movement on foot among the trade publications to join together in a syndicate all the papers of a certain class. This permits them to treat with the advertising agency on a basis more profitable to both parties concerned. For example, one enterprising concern has formed a syndicate of textile papers. Any advertiser who wishes to secure the coöperation of the department stores throughout the United States can do so at once through one central medium. By this method

a higher grade of copy is guaranteed. The syndicate can afford to employ a higher grade of talent than the individual paper. This method permits an advertisement to be prepared for forty different papers at once, and it is hoped that both the buyers of space and the publishers will gradually see the advantage of good copy. A few publishers are attempting to convince their advertising patrons of the benefits of good copy by furnishing through their own copy departments live matter to advertisers without charge. The *Practical Engineer* says: "We're ready for you with skilled, well-trained assistants in the preparation of selling copy, with ideas, sales methods, etc., which have grown out of long, intimate relations with sales problems of others in the same or similar lines. All at your service without charge."

112. *Changes in methods adopted by trade papers.*—Perceiving that the appeal to advertisers must be made along different lines than those employed by the other kinds of periodicals, the publishers of trade journals are emphasizing the element of quality rather than quantity in their circulation. To do this they are striving to remove the stigma which has attached itself to the trade journal advertising, i.e., that it is the safest way on the part of the advertiser to avert a species of blackmail—silence being bought by signing a contract for a certain amount of space for a time. Closely allied to this method of browbeating the members of a trade are the laudatory personals, the "write up" and the "special number." So closely are these schemes associated sometimes with the solicitation of advertising, that instances are known of subscription records which showed the number of times each subscriber had been "mentioned." Such care for a subscriber could hardly go unrewarded when a renewal was asked.

Of course the better trade papers are not using these methods. Instead of threatening the business man, they are showing him the true nature of their circulation. A trade publication that is popular in the office and also in the shop would hardly omit an opportunity to show the advertiser that while the men in the factory may never directly purchase machinery themselves, yet they have a great influence in determining the choice when several competing products are presented to the management and the office.

The *Textile World Record* recently published a statement which illustrates this attempt to establish a new faith in trade journal advertising. After emphasizing the necessity of knowing the names of buyers among the larger textile mills, it presented the following summary of three-hundred mills prepared from the *Official American Textile Directory*, and showed the kind of men into whose hands the *Textile World Record* fell:

POSITION HELD BY BUYER	Cotton Mills	Woolen Mills	Knitting Mills
President	18	19	23
Treasurer	24	25	30
Secretary	4	2	2
Agent or Superintendent....	47	46	40
Special Buyer	7	8	5
	100	100	100

113. *Gaining the advertiser's confidence.*—The advertiser ought to know these vital facts, and if, in addition to this, the size of the circulation is truthfully stated, he can accurately judge of the nature of the medium. Continuing its statement the *Record* says:

If the treasurer or president of a big mill reads a paper because it contains spicy gossip about manufacturing shares or the fluctuations of the cotton market, that is no guarantee that he reads the machinery advertisements—it may be the reason he doesn't.

The man who pays to read the *Textile World Record* does so because its contents relate to the machinery and processes of making textiles, as well as factory equipment, and he is the man who *will* be interested in your advertisement if it be of that character.

If he be a buyer of machinery, he *may* be president or treasurer also, but it doesn't follow that *because* he is president or treasurer, he also buys machinery.

The thing to be determined is whether a paper reaches the man (regardless of his official *title*) who would buy your product.

Discriminate; therefore, in your choice of an advertising medium for reaching the textile trade. If you wish to sell Textile Machinery, Equipment or Mechanical Supplies, choose the *Textile World Record*, the one periodical most likely to interest, and be a necessity to, the men who are responsible for the quantity and quality of the mill's output.

In these days the advertiser wants to know just what he is getting for his money, and so he asks: "*What kind of subscribers have you and how many?*"

An illustration from the *Railway Master Mechanic* shows the same effort to gain the advertiser's confidence by showing him that its pages are read by the men who can sign the requisitions. The following phrases selected from its advertisements show where it considers its strength as an advertising medium lies.

It circulates in the mechanical departments of the railways of America. . . . Contains each month news of vital interest to motive power and car officials. It covers this one field only. It lays no claims to other departments. Its readers are the officials who operate the great systems and say what equipment shall be bought. A railway magazine for mechanical officials. Practical, technical, clean, clear cut and close to the motive power department.

The *Electrical Record* even goes so far as to prepare a list of buyers which it lends only to advertisers, with a guarantee of one dollar to any advertiser who will notify them of "any name omitted which should be included."

These illustrations from the trade press show that the publishers are making a fight to put their papers on the high plane which their opportunities as advertising mediums demand of them. Heretofore, the publishers rated themselves low both as to rates and advertising value. It is no wonder, therefore, that they suffered a further discount in the minds of the advertisers, the result being, as one publisher says, "the too general impression that a trade or technical journal is a first-class nuisance, to be gotten rid of at as low a price as possible in the shape of a standing card on a T. F. contract."

114. *Trade publications must depend on quality.*—The trade paper must be content with reckoning its subscribers by thousands instead of hundreds of thousands and millions, as the magazines do. If it is to compete with the larger circulations of the magazines, it must show that results do not depend entirely upon mere bulk. Quality in a paper from the advertiser's point of view comes from the ability of the medium to create an effective demand for the goods advertised. Such a demand means the need for an article coupled with the power to buy it. Suppose that a technical publication goes to six-thousand manufacturers, and that each of these needs a new machine of a certain kind, costing \$400, every ten years. The effective demand here represented is \$40 per year for each subscriber. If the advertising rate is \$60 per page, it costs the advertiser of the machine 1 per cent to reach each of the 6,000 possible buyers.

On the other hand, we may suppose that the machine advertiser, in order to "cover the country," uses a general magazine of 500,000 circulation. He pays for his space \$500 per page. If this medium reaches 5,000 prospective buyers of the machine, which is a most generous allowance, the cost of reaching them will be each time 50 cents per man. Furthermore, because of the high price paid for his magazine space the advertiser spends more time and money in preparing a high grade advertisement to suit the space.

Considering the quality of the two mediums from the point of view of this particular product, it might be well to calculate the possible results if the \$500 paid for a page in a general medium were spent for eight pages in his trade paper; if the whole story were told and a powerful appeal were made to the men most in need of his product and capable of buying it.

115. *Editorials as indexes to quality.*—The man who buys advertising space should keep an eye on the editorial page of the trade paper. An editor who is anxious to keep up the number of his subscriptions must do more than fill his editorial columns with matter secured through a manipulation of the shears, a little general news and a variety of antiquated jokes. Strong, earnest and original editorials devoted to the particular technical field hold up the subscription list more strongly than any other element in a trade paper. Mr. H. L. Aldrich, publisher of *International Marine Engineering*, says:

The editor of a technical journal should have the one aim of giving to his readers the very best editorial matter that can be secured in his chosen field, so as to make the publication worth the full value of the subscription price. To throw in pocket knives, chromos, fountain pens and a variety of other things to induce a man to subscribe for a technical publication is a

confession of rank weakness in editorial quality, or charging of a subscription price out of proportion to what the paper is worth. . . . The superintendent or manager of a shipyard would not waste his time in reading a publication that did not have the best of editorial quality. Neither would the chief engineer of a merchant marine vessel, or the senior engineer officer of a war vessel, bother himself about a publication that was edited by a "chair-warmer."

That a lively, aggressive and decided editorial policy is a strong factor in bringing an advertisement before the reader can be judged by the reading attention given to a publication. The following list of trade papers in the financial field was prepared by a prominent user of banking publications. Fifty bankers in each state of the Union were asked three leading questions as follows: First. What banking publication do you pay a subscription for? Second. What banking publications do you read most? Third. What banking publications come to your office free of charge? Answers came from a total of a little over 50 per cent of the bankers to whom the questions were put.

	Question No. 1	Question No. 2
¹ Bankers' Monthly	324	94
American Banker	311	250
Bankers' Magazine	205	263
Southern Banker	113	67
Banking Law Journal	104	81
Financier	88	43
Financial Age	83	65
Commercial West	74	58
Wall Street Journal	63	57
Pacific Banker	63	52

¹ Quoted by St. Elmo Lewis, in *Financial Advertising*,

	Question No. 1	Question No. 2
Commerce Monthly	56	42
Southwestern Banker	54	46
Northwestern Banker	54	32
Daily Banker and Stockholder	54	1...
United States Investor	54	37
Financial Review	54	38
Confidential Banker	41	...
Chicago Banker	39	36
Western Banker	31	6
Banking and Mercantile World	30	10
Bulletin of American Institute of Banking ..	23	10
Banker and Tradesman	19	20
Money	17	14
Wall Street Summary	15	...
Mercantile Adjuster	13	3
American Bank Reporter	16	3
Michigan Investor	12	9
Van Norden Magazine	11	4
Finance	11	8
Moody's Magazine	10	3
Bankazine	12	1...
Journal of Commerce	11	11
Financial Section of New York Times.....	9	1...
Economist	9	...
Texas Banker	10	12
Financial World	10	4
Bank Advertiser	10	5
Dun's Review	6	4
The Commercial Bulletin	6	2
Texas Bankers' Journal	6	4
The Banker	5	1...
Clearing House Quarterly	5	2
Rhodes Banking Journal	5	3
Financier	5	43

	Question No. 1	Question No. 2
Bonds and Mortgages	4	1
National Banker	4	1
Trust Companies	4	1
Michigan Banker	3	1
Oklahoma State Banker	3	3
Monetary Record	2	...
Capital	1	...
Nebraska Trade Review	1	...
Bankadote	1	1
The Bulletin	2	2
Banker and Investor	1	1
Bankers' World	1	1

If such statistics could be collected for all branches of trade, it would probably be found that in every line of business, sample and free copy circulation is of little value to advertisers. A comparison of the two columns of the table clearly shows that the banking publications which are read most are generally those that are paid for. Furthermore, anyone familiar with the magazines in the list mentioned would be struck at once by the relatively low place which those publications hold that are weak from an editorial point of view.

116. *Opportunities of the technical advertiser.*—Because of the general backwardness in the method and quality of advertising in the class publications, there are great opportunities for the advertiser who adopts more progressive ways. His work would stand a good chance of being successful if only by reason of the agreeable contrast with the poor displays. The modern advertiser who will put in contrast with the worn-out general formulas, such as “proven by fifty years of unsullied success,” “built for wear,” interesting statements of con-

crete facts such as "these cylinders are made of close grained iron, thick enough to be re-bored if necessary," will have little opposition so far as competing for the



SPECIMEN OF THE OLD STYLE OF COPY.

90% WILL PASS A 10,000 SIEVE

We are now grinding all cement so that 90% will pass through a 10,000 mesh sieve.

This increases its efficiency 25% more. You can accomplish, without increased cost, more work with a given quantity, as the finer the cement the greater its sand-carrying capacity.

Thus improved

Louisville Hydraulic Cement

meets the demand for a very finely ground, reliable cement for brick, stone or concrete construction.

Nature is our chemist. Our product is therefore uniform.

We should like to have you write us for our illustrated pamphlets. They are interesting to cement users.

Western Cement Co.
251 W. Main St., Louisville, Ky.

THE NEW AND BETTER KIND OF ADVERTISING.

reader's attention is concerned. This contrast is well shown by the above advertisements which recently appeared in *Advertising and Selling* as illustrations of this very point.

Another opportunity for the progressive advertiser lies in the fact that so many technical advertisers are fearful of disclosing some of their trade secrets if they use specific facts which might be adopted profitably by competitors. One advertiser who was not afraid of telling his "secrets" is the maker of a now well-known safety revolver. He told the public of the safety lever that makes accidental discharge impossible. He came into a field already well covered by old and reliable revolver makers, but his method was unique—it dealt in a "trade secret," and it has built up a great business. Although others have followed with safety devices, he was the first to inform the technical readers of his product, and no competitor has yet overtaken him.

117. *Question of free advertising.*—The trade paper finds the question of free advertising especially important. Such advertising is generally given to advertisers through the "reading matter." It consists of news about the movements of officials, reproductions of addresses they may have made or articles they may have written upon topics of the day. This method gives valuable publicity to any business man; but it is doubtful if any credit accrues to a business that merely sends to the publisher those inane personals which are of no interest to anyone but the advertiser himself. Such notices are taken by the trade as good evidence of an advertising contract which reflects more credit upon the business capacity of the paper than upon the person mentioned, or upon the editorial policy of the journal or upon the publication itself.

118. *Contracts and terms.*—Many business men do not think it good policy to sign contracts for two or more years unless they know by ascertainable data that such a procedure will pay them either by advertising

returns or through a large money discount. As a rule the short term contract is followed since this allows the advertiser to take advantage of any new turn in the course of trade. This method is especially valuable when the advertising appropriation is limited.

The best trade papers are insisting upon consistency in their advertising terms. Cut rates produce the same havoc here as in any other line of business. The utility which the paper offers in the form of selling power is more easily comprehended by the buyer of advertising space if a one price policy is adopted and held to.

Although trade paper circulations are not fixed with the same degree of accuracy as those of the popular magazine and although this is not the most important factor, yet the publication with the large circulation is, of course, most valuable. It must, however, cover its field in a thorough manner and be editorially strong.

The practice of charging from 15 to 40 per cent more for three or four insertions than when a yearly contract is signed makes it desirable to examine the quantity as well as the quality of the circulation. Other discounts allowed by trade journals are discounts for cash, discounts for a certain number of consecutive insertions, discounts contingent on the amount of space used, and for various other reasons.

In writing to publishers the prospective advertiser should request specific information in his first letter. This is necessary since many rate cards issued by trade journals fail to give complete information.

119. *Use of general mediums.*—Illustrated papers and magazines may be said to cover the caption of general mediums.¹ A recent newspaper directory showed

¹ The question is frequently asked, "How many more newspapers and magazines are there now than there used to be?" The statistics are inter-

a total of 23,595 different publications, of which 17,026 were weekly papers, principally local weeklies; 2,814 were monthly publications; and of the class publications, 952 were religious, 307 were devoted to agriculture, 239 to general literature and magazines, and the remainder were devoted to various special interests. The total circulation of each issue reached the enormous sum of 114,299,334 copies; i.e., for a period of 365 days the circulation amounted to 8,168,144,749 copies or enough to give every person in the United States 107 copies each in a single year. Among these publications the monthly magazines furnish at least 520 copies for each 1,000 of the inhabitants. The figures show something of the power and the opportunities of the advertiser who uses the general mediums.

120. *Distribution of publications.*—It is important that every national advertiser study carefully the territorial distribution of the general medium. A periodical that has a large circulation in Chicago may be far out-distanced by another of the same character in St. Louis. Thus it may be well to have a population map at hand, which should be compared with the statistics furnished by the solicitors' departments of the various publications. Such a comparison will show that, in a general way, the density of population and circulation

est. The number of publications in the United States at different periods are as follows:

Year.	Publications.
1861	5,203
1871	6,056
1876	8,129
1881	10,267
1886	14,160
1891	18,536
1896	19,760
1901	20,879
1906	22,326
1911	24,235

of periodicals roughly coincide. For instance, a map showing the relative density of circulation over the United States would disclose the fact that, of all kinds of publications, the greatest circulation is confined to the country east of the Mississippi River and north of Mason and Dixon's line. Illinois, New York and Pennsylvania each have a circulation of 10,000,000 and over. Maine, Massachusetts, New Jersey, Ohio, Indiana, Missouri and Tennessee each have between 2,000,000 and 10,000,000; while California, New Mexico, Kansas, Nebraska, Texas, Minnesota, Iowa, Georgia, Virginia, Maryland and Kentucky each show a circulation of between 500,000 and 2,000,000. The other states have less than 500,000 each. A further analysis shows that the first ten states named contain 81 per cent of the combined circulation of all publications. It is evident, therefore, that in a general campaign, unless special effort is made to use the papers that circulate in the far west and south, the publicity will be confined largely to the northeastern section of the United States, where the population is densest and consumption of all products greatest.

121. *Analysis of publications.*—The same general method should be followed in determining the character of a general medium as is used in the analysis of the trade paper. Its circulation and its personality determine the pulling power and the advertising rates of a magazine.

122. *Magazines for women.*—Advertisers commonly speak of the general mediums as being divided into three classes, since each attracts a distinct class of readers. This makes some publications more valuable to one advertiser than to another. First come the women's periodicals, of which the *Ladies' Home Journal* and

the *Delineator* are prominent examples. In a sense these two mediums have set the type for all others of this kind of publication. It would not be safe, however, for an advertiser to rest contented with so simple an analysis, for each of these papers has an individuality quite different from the other.

The *Ladies' Home Journal* and the *Delineator* appeal to every class of woman; to the home side of her nature, and also to the social side. These two publications show distinct characteristics in their make up. The *Journal* among the women's papers has set the standard size for this class of publications. The size of its type page is $9\frac{1}{2}$ by $14\frac{1}{2}$. *The Delineator* held to a size of its own for a number of years with a page $6\frac{1}{2}$ by $9\frac{1}{2}$, but recently its dimensions were made the same as those of the *Journal*.

In another respect these two papers resemble each other and that is in their power to hold their position as a "regular" family paper. The renewal of subscriptions year after year for some one paper is not so characteristic of American homes to-day as in the past. One or two magazines will be taken one year, and the next year something new will find a place within the household. But in the matter of women's publications the choice is more restricted, and as a consequence the *Journal* and the *Delineator* hold the family allegiance with great tenacity.

123. *General monthlies and weeklies*.—The second class of magazines embraces the great monthlies, such as the *Atlantic Monthly*, *Harper's* and *Scribner's*. An analysis of these publications would show that each has a peculiar advantage as an advertising medium. Each wields an influence over its constituency worth paying for. These papers appeal to their readers in a manner

that makes them look upon the magazine as "their paper," and hence an advertisement gets the benefit of the confidence with which the magazine has inspired those readers. If the business man has an article that appeals to the conservative, educated man and woman, he would find appreciative readers in the subscribers to these magazines. There are shades of difference, of course, among these publications, for, whereas, the *Atlantic Monthly* is considered the most conservative literary publication in the United States and has a comparatively small circulation, *Scribner's* stands in the middleground between the conservative *Atlantic Monthly* and the popular magazines, such as *McClure's* and *Everybody's*. These latter differ from the *Century* and *Harper* class in that they belong to the masses and enjoy a proportionately larger circulation. By their aggressive business methods and journalistic policy these popular magazines have developed a field—or rather filled a demand—which no other class of publication reaches without political affiliations, free of that newspaper bias which goes with the daily and weekly papers. These magazines appeal especially to the typical American man of affairs.

Following closely the above publications in general characteristics, comes another division of the monthly class, i.e., *Munsey's* and the *Cosmopolitan*, yet upon close analysis each is found to reflect a different and distinct constituency, and it is in this that the advertiser is interested chiefly. Thus the *Cosmopolitan* has always assumed a more or less radical editorial attitude in literature, politics and art. "Progressives" in thought and action read this type of paper. *Munsey's Magazine*, as is shown in a former chapter, has always been a paper of the common people, making as its

specialty an appeal to the better taste in illustration and personal journalism.

There are other monthly publications which fall within this general class, such as the *Journal of Accountancy*, *System*, *World's Work*, etc., but they really belong to the class publications which were named above.

Turning to the great weeklies we have a third class of general mediums. Prominent among these are *Collier's*, *Harper's Weekly*, *Leslie's Weekly*, *Outlook*, *Youth's Companion*, *Literary Digest*, *Saturday Evening Post*.

124. *Influence of editorial policy.*—No attempt will be made to analyze these publications even in a superficial way. The analysis made of the monthly magazines was simply to indicate the direction which the investigator must take if he would remove as many as possible of the uncertainties that lie in the path of every advertising venture.

What the advertiser wants to know is the size of the circulation and where the medium goes. Some of this information may be obtained by a general inspection of the editorial policy. A difference in the editorial point of view indicates a difference in the mental attitude of the readers. For example, the *Saturday Evening Post* makes a specialty of discussing savings investments. In harmony with this point of view the editorial policy takes a sane and conservative stand on the questions of the day; hence its influence with the average man is very strong, because he feels that every proposition advertised by the *Post* has been investigated.

The advertiser may further learn that *Harper's Weekly* represents the opinions of the commercial East, and that *Munsey's* is relatively stronger in the West than in the East, or that the *Review of Reviews* has a

larger circulation in Chicago than in St. Louis. But if he wishes to know whether the circulation management is working vigorously and effectively in any particular territory, the advertiser should demand such knowledge of the solicitor. He knows, and if he will, can show every subscriber for his publication in any town in the United States.

125. *Experience of Collier's Weekly*.—An example of what one publication has done to gain the confidence of its advertisers is shown in the statements issued by *Collier's Weekly*, which are printed on pages 145-6.

The actual net circulation of *Collier's* is given in a statement signed by public accountants. That this guarantee is not an advertising dodge is proven by the policy pursued by the company since its adoption in 1908. In this year the company refunded every advertiser pro rata of what they had paid in and on a basis of about 13,000 copies shortage. This refund amounted to many thousands of dollars.

This was the beginning of a policy which places *Collier's* in an unique position among the publications of today. Again in 1909 another refund was made to a part of its advertisers, namely, those who used the paper the first part of the year, but not the last six months. Those advertisers who used the paper the whole year did not get a refund because during the second half there was an excess over the guaranteed number. Furthermore, the advertisers who received an excess above that which they were guaranteed paid nothing for the surplus.

Although this guarantee has been in force only about two years, yet the business world has quickly responded to this attempt to strengthen their confidence in the advertising policies of magazines. This response is shown

Circulation Analysis of COLLIER'S The National Weekly

STATEMENTS ARE ISSUED UNDER THE FOLLOWING CLASSIFICATIONS:

1. By States
2. By Occupations
3. By Buying Centers (i. e., within fifty mile radius of the larger cities)
4. By Groups of Cities
5. By Individual Cities on Request

The contents of the first two statements will be given only as examples.

STATEMENT No. 1 — BY STATES

NORTH ATLANTIC		% of Total	SOUTH CENTRAL		% of Total
Maine	3,080		Kentucky	7,344	
New Hampshire	2,201		Tennessee	7,284	
Vermont	1,982		Alabama	5,296	
Massachusetts	25,101		Mississippi	3,074	
Rhode Island	4,734		Louisiana	7,726	
Connecticut	6,956		Arkansas	4,456	
New York	64,328		Oklahoma	7,300	
New Jersey	17,336		Texas	13,492	
Pennsylvania	38,604				
	<hr/>			<hr/>	
	164,322	30.1		55,972	10.2
SOUTH ATLANTIC			WESTERN		
Delaware	983		Montana	3,489	
Maryland	8,016		Idaho	2,184	
District of Columbia ..	3,724		Wyoming	934	
Virginia	6,711		Colorado	9,943	
West Virginia	4,789		New Mexico	1,758	
North Carolina	4,587		Arizona	2,042	
South Carolina	2,315		Utah	4,041	
Georgia	5,160		Nevada	743	
Florida	3,467		Washington	13,656	
	<hr/>		Oregon	5,204	
	39,752	7.3	California	36,060	
NORTH CENTRAL				<hr/>	
Ohio	28,617			80,054	14.7
Indiana	18,074				
Illinois	33,936				
Michigan	15,223				
Wisconsin	12,411				
Minnesota	12,952				
Iowa	10,981				
Missouri	18,429				
North Dakota	2,544		Canada	30,021	5.5
South Dakota	2,708		Foreign	2,075	.4
Nebraska	6,640			<hr/>	
Kansas	11,319			<hr/>	
	<hr/>		Total	546,030	100.
	173,834	31.8			

STATEMENT No. 2 — BY OCCUPATIONS

FINANCIAL CLASSES		MANUFACTURING PURSUITS	
Bankers and brokers.....	5,287	Officials and owners.....	56,031
Bank officials and cashiers	7,564	Foremen, expert mechanics, etc.....	33,278
Real estate and insurance brokers	11,519		<u>89,309</u>
Insurance and trust officials	515		
Treasurers	507	RETAIL DEALERS	
	<u>25,392</u>	For example: Grocers, 14,823; butchers, 7,768....	89,812
PROFESSIONAL CLASSES		OFFICE WORKERS OF ALL CLASSES	129,767
Physicians, surgeons and oculists	21,293	SALESMEN AND BUYERS.	23,664
Lawyers	13,592	HOTELS, CLUBS, RESTAURANTS, READING ROOMS, AND PUBLIC INSTITUTES	20,750
Dentists	7,488	TRANSPORTATION	
Druggists and chemists...	7,923	Steamships and Pullman cars	230
Scientists, professors, teachers	5,948	Officials	643
Electricians	4,243	Engineers, despatchers, agents, conductors, etc..	19,280
Students	2,774		<u>20,153</u>
Secretaries	1,726	HOUSEHOLDERS, HOUSEKEEPERS, ETC.....	14,101
Architects	1,341	ADVERTISERS AND ADVERTISING AGENCIES	5,059
Clergymen	1,242	NEWSPAPERS AND MAGAZINES	3,543
Artists and sculptors....	1,154	MISCELLANEOUS	5,024
Miscellaneous	3,353		
	<u>72,077</u>	Total	546,030
BUILDING AND ALLIED TRADES			
Including builders, contractors, engineers, dealers in lumber, decorators, dealers in building materials	32,356		
GOVERNMENT OFFICIALS AND THE PUBLIC SERVICE			
Federal and municipal officials	6,485		
Public service	7,854		
Consulates	684		
	<u>15,023</u>		

Collier's guarantees to every advertiser for 1910 an average of 500,000 copies, 95% of which is to be net paid, for the numbers in which his advertisement appears. A pro-rata refund will be made to every advertiser for any shortage of this guarantee. Any advertiser can have access to their circulation books at any time.

The above circulation of 546,030 was certified to by Messrs. Price, Waterhouse & Company, Chartered Accountants, upon their examination of our circulation, December, 1909.

P. F. COLLIER & SON,
Per J. H. GUY, Comptroller.

in the larger amount of advertising carried by *Collier's* in the year 1909 as compared with 1908, while the amount carried in 1910 was at least 25 per cent more than that carried in 1909. In commenting upon this policy and the success with which it has been carried out, Mr. C. E. Patterson, the advertising manager, says:

Advertisers and advertising agents are no longer worrying about *Collier's* circulation. They do not worry whether they get 300,000 or 500,000; they know from past experience that they only pay for what we actually deliver.

I believe advertisers have a right to demand to know the exact circulation of publications that they are using. Investigation shows that this information is hard to obtain. Publishers will not quote in round or net figures, or if they do, they will not promise to refund for shortage.

As an excuse for not doing this some publishers say it is not right to ask them to pay for shortage unless advertisers pay for excess. Wheat is sold by the carload but paid for by the bushel; woolens are sold by the bolt and paid for by the yard.

In addition to quoting a circulation, *Collier's* gives its advertisers all the information that they could reasonably demand. Thus besides the statements shown above it also prepares statements showing the circulation according to buying centers (i. e., within fifty mile radius of the larger cities) by groups of cities, and by individual cities on request.

By pursuing this policy *Collier's* has set an example that must sooner or later be followed by all reliable publications. This is in harmony with the constant demand of advertisers that magazines and newspapers furnish reliable data as to the amount of their circulation.

CHAPTER VI

ADVERTISING MEDIUMS (Continued)

126. *Newspapers, home prints, patent insides.*—Newspapers may be spoken of as dailies or as weeklies. The former may be either metropolitan or country papers, but such a division is purely an arbitrary one. Advertising men generally consider as metropolitan dailies those which are published in cities of the first rank, of which there are about twenty. All other papers are called country dailies.

There is another division of newspapers which is important because of its numbers. This consists of the weekly newspapers and they exceed all other publications put together, there being about thirteen thousand in all. Two reasons may be given for the growth of the number of weekly newspapers in the United States. The postoffice department has given more assistance to this form of periodical than to any other, and a system of coöperation exists by which many different weeklies are printed in part by one central printing concern. The cost of printing has been greatly reduced for the small country publisher. These concerns are called "ready print" companies and they supply on an average about eight thousand newspapers with ready prints. This feature is important to the advertiser since it permits him to economize in the matter of plates or electrotypes whenever undertaking an extensive campaign. For example, only one plate or electrotype need be sent to the home office of the "list" where the insides of per-

haps two thousand papers may be printed from the one plate.

127. *Coöperative printing.*—The following extract from the Twelfth Census of the United States shows the status of the coöperative plan of printing papers in the United States: ¹

THE CO-OPERATIVE PLAN OF PRINTING PAPERS.

There has been little development, for several decades, of the “patent insides” system described in the special report of the Tenth Census on the Newspaper and Periodical Press. The general advance in printing has led to some progress in methods, and the number of papers served has increased with the growth of the newspaper industry in general, but growth in this line has been relatively slow.

The following table shows, by states and territories arranged geographically, the number of newspapers printed on the co-operative plan:

Table 57.—Newspapers printed on the co-operative plan, by states and territories: 1900.

STATE OR TERRITORY	
Number of Newspapers.	
United States	7,749
<hr/>	
North Atlantic division	728
<hr/>	
New England	177
Maine	13
New Hampshire	30
Vermont	10
Massachusetts	90
Rhode Island	16
Connecticut	18

¹ Twelfth Census of the United States, 1900, Vol. 9, pages 1104–1105.

Southern North Atlantic	551
New York	196
New Jersey	79
Pennsylvania	376
South Atlantic division	511
<hr/>	
Northern South Atlantic	185
Delaware	4
Maryland	49
District of Columbia	6
Virginia	62
West Virginia	64
Southern South Atlantic	326
North Carolina	81
South Carolina	51
Georgia	135
Florida	59
North Central division	4,725
<hr/>	
Eastern North Central	2,110
Ohio	337
Indiana	358
Illinois	703
Michigan	365
Wisconsin	347

Table 57.—Newspapers printed on the co-operative plan, by states and territories: 1900—Continued.

STATE OR TERRITORY	
Number of Newspapers.	
Western North Central	2,615
Minnesota	409
Iowa	619

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Missouri	376
North Dakota	122
South Dakota	224
Nebraska	462
Kansas	403
South Central division	1,179
Eastern South Central	476
Kentucky	59
Tennessee	114
Alabama	134
Mississippi	169
Western South Central	703
Louisiana	94
Arkansas	143
Indian Territory	62
Oklahoma	153
Texas	251
Western division	606
Rocky Mountain	285
Montana	32
Idaho	40
Wyoming	20
Colorado	177
New Mexico	16
Basin and Plateau	43
Arizona	4
Utah	35
Nevada	4
Pacific	278
Washington	95
Oregon	65
California	118

128. *Location of papers printed coöperatively.*—It will be seen from this statement that over 60 per cent of the papers printed on the coöperative plan are found in the North Central division. The number in Illinois alone (the highest for any single state) nearly equals the number shown for the entire North Atlantic division, and Iowa (next in rank) surpasses both the Western and South Atlantic divisions.

Many of the newspapers of this class are the only ones in their respective towns—this being the case with 60 per cent of those sent out by one concern. At the present time most of the newspapers printed in this way are weeklies, and these form about half of the total number of weeklies in the United States. Many semiweeklies and triweeklies, also, are issued in this way, and some dailies adopt the method. These dailies are printed at a distributing center, sent out by express in the morning, and finished at the local office in the afternoon.

Some concerns endeavor to avoid the sameness of appearance in “patent insides” by issuing material in the form of stereotyped plates ready for printing, instead of in printed sheets. They first send out proof sheets, showing what articles they have on hand, and from these the local editor selects what he chooses. On receiving the plates he cuts them up as he likes, for arrangement in his page, even cutting off the headings and supplying headlines of his own, to secure greater individuality.

The American Press Association of New York, organized about 1880, controls much of the business in plate matter, and has already been referred to as the association supplied by the Associated Press with telegraphic news for use twelve hours after the regular service. The news received by this association in the morning is set up in plate form and distributed to some 2,500 dailies for use the same afternoon. This organization serves a large number of newspapers, including many dailies, with electrotype or stereotype plates of miscellaneous matter, and also sells type uniform with that used in making the plates, so that the papers supplied may be made to appear the same throughout.

There appears to be a growing tendency toward the use of

plate matter in preference to the half-printed sheets. Country journals are beginning to demand telegraphical news, and this the plate-matter concerns can supply fresher than the "patent insides."

Newspaper combinations.—By the close of the last decade there was noted a slight tendency toward consolidation, under one ownership or management, of newspapers published in different places. This plan has thus far been adopted only among certain large metropolitan dailies. Examples of common ownership of this general character are shown in the *Galveston News* and the *Dallas News*, essentially the same paper in both cities; the *New York Herald*, the *Evening Telegram* (New York), and the European edition of the *Herald*; the *Washington Times*, the *Baltimore News*, the *Philadelphia Times*, and the *Boston Journal*, controlled by Frank A. Munsey; and the group of papers owned and published by William R. Hearst—the *San Francisco Examiner*, the *Journal and American* (formerly the *New York Journal*), the *Evening Journal* (New York), the *Chicago American* and the *Chicago Examiner*. In small places the newspapers are in such close contact with the people they serve that it is a distinct advantage for the proprietor to be personally known to his subscribers, and to be identified exclusively with his locality. In small places not only the reading public but the advertisers seem to prefer newspapers owned and published in the place of circulation. Furthermore, it is only in large cities that the opportunities for economy through combination are great enough to warrant the attempt, practically the same results being secured more easily in country districts by making use of the syndicate and the "patent insides."

129. *Ready print lists*.—The business of supplying ready prints to country newspapers is now represented by about six large concerns in this country. Canada has one-half this number. Those in the United States are known as Kellogg's lists, the Atlantic Coast lists, the Chicago Newspaper Union, the Omaha Newspaper

Union, the Western Newspaper Union and the Pacific Newspaper Union. The special importance of the country newspapers for the advertiser lies in the fact that they are home papers. This gives local influence to the advertisements. Also on account of general use of "patent insides" it enables the advertiser to reach many small towns which otherwise must be omitted from his plans. This is the cheapest form of newspaper published and it permits the country editor to carry on his business with a circulation which frequently does not reach more than five hundred.

130. *Space, position and rates.*—Having decided what medium will offer the best returns, and knowing what amount of appropriation ought to or can be used, it then devolves upon the advertiser to decide what space and how much is to be taken. A definite plan as to the apportionment of the advertising appropriation is valuable for two reasons, not generally thought of by the advertiser. In the first place it permits him to meet the advertising solicitor with a definite plan, and thus insures him against the giving of advertising contracts impulsively and without due consideration. Some one has said that an advertiser without a definite knowledge of what he intends to spend, or of the mediums and the amount of space he desires to use, becomes the easiest kind of prey to the solicitor, "because he places advertising on the same basis as a man who buys a meal. If he is feeling cheerful and hungry he buys in abundance. If his stomach is a little bit out of order he cuts it down to a milk and cracker basis."

131. *Choosing necessary space.*—In deciding how to select advertising space three questions will present themselves at once. First, shall a small space be used every day; second, shall a larger space be used less fre-

quently; third, shall a very large space be used occasionally? The answers to these questions can be found only after a due consideration of all the facts in the case. It is our purpose at present simply to state the various technical considerations connected with space, position and rates. However, a principle followed by some advertisers is to the effect that the appropriation is to be spent as it is required. For example, if an educational campaign was planned with the daily papers, at least 10 per cent of the original appropriation should be set aside as a reserve fund, this reserve to be used if the necessity for larger space arose. Such a necessity may arise in the case of bank advertising when a great burglary takes place. The reserve fund could then be called upon to draw the attention of the public to the safeguards which the bank possessed and how safe all money on deposit in this bank would be. This would call for a larger space than the regular daily allowance. Thus the reserve fund permits the advertiser to seize favorable opportunities and to meet unusual conditions.

132. *Relative value of various parts of newspapers.*— Beside the question of circulation, the cost of space in a publication is determined by the amount used and its position upon the page. The question that arises immediately is what part of the paper pays best. A newspaper serves many interests. In most of them there is an editorial section, a local news page, a market page, a financial page, a woman's page, a sporting page and a general news page. That there is a choice between the pages, as classified above, is shown in the fact as an illustration that safe deposit companies get better results from the use of either the woman's or the financial page, while trust companies find it more profitable to use either the local news, where for example, the build-

ing news is usually printed, or the financial page. Likewise, banks or trust companies, advertising their savings departments, find the home page more profitable; while the commercial bank, which deals chiefly in commercial paper, uses the market or financial page to the greatest advantage. However, even financial advertisements would prefer a conspicuous position on the news page to any here mentioned.

Various kinds of positions for which newspapers charge more, varying from 10 per cent to full rates, are the following:

1. Island position—surrounded with reading matter.
2. Top of column or bottom of column, surrounded by reading matter, or following reading matter—called “full position.”
3. Next to and above reading matter.
4. Next to and following reading matter.
5. Next to reading matter, alongside, underneath, or above.
6. Foot of the column.
7. Top of the column.

Of these positions the most exclusive is that of island position, but most papers rarely grant this privilege to an advertiser. There are various opinions among advertising men as to what constitutes the best position but the majority seem to agree that the top of the column, next to and followed by reading matter, on the news page, is the best position in a newspaper. One strong argument in support of this is that the advertisement is brought in line with the headlines of the newspaper and thus is the first item to attract the reader's attention, since the average man, by force of habit, when he looks through a paper seeks the top of the column in order to find the headlines of the leading articles.

In order to use this space to the best advantage it is better to have an advertisement which is one-half the column page and two columns wide, than a full column in a single column space.

Another thing to be considered in the selection of a position is the relation of the advertisement to the reading matter. Since the eye in reading travels from the left to the right, it is more likely to rest for a longer time upon an advertisement which is placed at the right of the reading matter than when in a position to the left of it.

Advertising position in the evening papers is somewhat different from that in the morning papers. For instance, a position on the editorial page of a morning paper is not so valuable as the same space in the evening paper because the latter frequently uses the editorial page for special feature articles.

When it comes to position in the weekly and monthly magazines the possibilities are considerably fewer. Many magazines have no reading matter position at all. The best positions in a magazine are generally ranked as follows:

1. Page facing last page of reading matter.
2. The second page of cover.
3. The page facing second page of cover.
4. Page facing contents page.
5. Page facing first page of reading matter.
6. Page facing third page of cover.
7. Third cover page.
8. Fourth cover page. This page is divided into quarters, each quarter section priced as one inside page.

In addition to these positions special rates are sometimes asked for guaranteed situations on right-hand pages.

The basis of this charge rests upon the fact that as the reader turns the page the contents upon the right-hand page lie flat before his eyes, while the left-hand page is inclined at an angle and thus out of the direct line of vision.

133. *Analysis of problem of position.*—The questions pertaining to space and position can hardly be separated from each other. If the position upon a page is very good the size of the space used may be much smaller than is the case when an advertisement is buried among many others of the same kind upon the same page. Some advertisers think that an advertisement should be at least four inches long if placed upon a news page, but this same advertisement, placed upon a page surrounded by many others, should be much larger in order to gain the same amount of attention. In deciding the question of position it is important that the publication be thoroughly studied by the advertiser. For instance, there would be little gained for an advertisement which had a good position next to reading matter, if the character of the reading matter was such as to detract from the confidence or dignity of the advertisement in question. Positions are not solely preferred because of some particular space upon the page, but by the character of the reading matter, whether in the form of news or other advertisements with which it is associated. An advertisement for investment bonds is not strengthened by being placed next to an advertisement for some universal health restorer, nor would an advertisement for wedding rings gain any supplementary support by appearing parallel with a column of reading matter which chronicles the events of a divorce case or a wife beating.

There is also a general impression that the cover pages

and more especially the back covers of magazines are the most desirable positions, but again this point can only be determined after a thorough analysis of the situation. Advertisers desiring general publicity, such as is sought for breakfast foods, soaps, etc., can use these special display positions to great advantage, but for advertisers engaged in an educational campaign such positions have little value.

A banking institution, for instance, would gain little in dignity nor win much public confidence by being represented by an advertisement printed in bright colors upon the back cover of a general magazine. And again, provided the character of the magazine was such as to make it circulate chiefly in barber shops and like places, only meagre results could be expected from advertisements which appealed primarily to women.

Some advertisers in trade publications seek the front cover page. As these journals are rarely ornamental there is little likelihood that they will be retained for any length of time upon the library or office table. This fact reduces the value of such positions. It would be better for the advertiser to select positions next to proper reading matter at the top of the page, if possible. If he uses full pages, he should take a position opposite a full page of reading matter.

A student of advertising who notices the methods employed by the *Ladies' Home Journal*, the *Delineator* or the *Saturday Evening Post* will find excellent examples of how these papers, which have developed the method of relating advertising space to reading matter, have succeeded.

134. *Advertising rates.*—Selling of advertising space has not been reduced to a one-price basis. Publishers have not yet realized that this would be the best business

policy, since it would result in giving better satisfaction to the advertisers, and in creating better advertising. The one-price policy which is maintained in the mercantile world is the result of a long commercial development. Countries which are furthest advanced commercially are most strenuous in support of a one-price system. Backward countries exhibit their lack of commercial experience by a practice which uses a sliding scale of prices as their most prominent method of barter, which not only displaces commercial confidence but consumes valuable time. Probably the unsettled condition in the field of advertising rates is due to the lack of commercial maturity in the advertising business. All new enterprises seem to exhibit at some stage of their development a tendency to use a system of differential rates in their business dealings. In the world of transportation, rate discrimination on the part of the railroads has called for governmental interference in order to protect various classes of business men.

Advertising, like transportation, is an important factor in the distribution of goods, and although it has not been found necessary to call for governmental regulation of advertising rates, nevertheless, the business community is beginning to clamor for some protection against rate discrimination. This grows out of a business policy which permits the sale of the same advertising service at different rates to different people.

135. *Temptations to rate cutting.*—The magazines have been the first to recognize the advantage of protecting the advertiser by maintaining a fairly consistent attitude of one rate for all. The newspapers, seeing the advantage which has been gained by magazines in the increased confidence of the advertiser, are tending more and more toward the same policy. In a general way,

it may be said that all first class publications insist upon card rates. The rate cutter, on the other hand, argues for his position, saying that he has a right to bargain, and as long as the advertiser gets full value returned no one is harmed by the transaction. Furthermore, he says, the newspaper turns out a fixed number of pages a day. These pages must be filled with material of some kind. So far as the cost of publication is concerned it makes little difference to the publishers whether this material consists of advertising or reading matter, but when the profits upon the space are considered, every inch of advertising, no matter at what price it is sold, adds to the income of the publisher, while the reading matter may represent an added outlay for reportorial or editorial copy. This is the same argument, of course, which the manufacturer makes when he sells goods in foreign countries at prices much lower than those he receives at home; or when he varies the price of some article for different markets. He argues that the cost is practically the same whether he sells these extra goods or not, yet there is some gain from the larger sales due to the maintaining of his position in the market. The publisher who cuts rates offers a similar reason in support of his practice, saying that the cost of publication is practically the same, and, therefore, any advertising space that may be sold represents just so much less cost to be borne in the publication of his paper. Thus, the temptation among the publishers to cut rates is great. They figure that it is better to get \$5.00 per day for a certain space containing advertising matter than not to have it at all. This space must be used any way and they prefer to have it used by an advertiser who would pay something for it, rather than to pay space rates to the reporter to fill it. Such an argument

as this, however, leaves out of account the rights of the various advertisers who use the publication. Every advertiser who pays more than another for the same service is being put at a trade disadvantage. He is in much the same position as the shipper in a town who pays a higher rate to the railroads than any of his competitors.

Monthly magazines are not open to this temptation so much as the newspapers, since they are in a position to regulate the number of their pages in accordance with the amount of advertising they get. The cost of white paper and the editorial expenses are so great, nevertheless, that the publisher must look to the advertising "to pay the freight." Most of the publications have an elastic advertising space, since business policy often dictates that good editorial or news matter must give way for page advertising. Still, some publishers establish a dead line over which advertising matter is not permitted to encroach. Nevertheless, as the literary character of the magazine retreats farther and farther into the background before the business necessities of modern publications, this dead line is becoming less and less in evidence. Nowadays, the advertiser is looked upon as the chief support of a publication. In consequence, he is becoming a greater factor in determining what the magazine shall contain than is the reader. As an illustration of the relation of advertising to the cost of publication, the following statistics upon the subject, from a well known weekly trade publication will be instructive.

The following table gives the cost per column inch of space sold, and also shows the percentage each item forms of the selling price:

	Cost per inch	Per Cent
Editorial expenses	\$0.19	11
Mechanical—printing, paper, binding, bulk, postage.....	.69	40
Business salaries and miscellaneous expenses .....	.52	30
Profit .....	.33	19
	<hr/>	<hr/>
Total	\$1.73	100

Such an analysis shows that after deducting from these expenses the net receipts from circulation, every inch of the space it sold cost a cash outlay of \$1.40 and brought only \$1.73, in other words, it cost the publisher 81 cents for each dollar's worth of service rendered its advertisers.¹

136. *Other methods of varying rates.*—Besides the direct cutting of rates by publications there are many subterfuges used in getting around the rate question. One of the commonest is the practice of trading space for merchandise, or services of various kinds. Mr. St. Elmo Lewis in his comprehensive book on "Financial Advertising" cites several interesting cases illustrating this method of rate cutting. On one occasion, a business department of a prominent daily newspaper tried to sell the author an assortment of typewriters which it had taken in payment of advertising space and for which it had no use. On another occasion a newspaper took a large quantity of patent medicines and sold them at a cut rate to a wholesale druggist, who sold the supply at reduction prices to the retailers. Again, a certain magazine appealing to office people made a constant practice of trading space for merchandise. At one time

¹ Quoted by St. Elmo Lewis in "Financial Advertising."

The New York Times Advertising Rates

EFFECTIVE OCTOBER 1, 1910

GENERAL ADVERTISING RATES

DAILY AND SUNDAY

	Per Agate Line
<i>Run of Paper</i>	\$.40
Designated inside page other than opposite editorial, second or third page .....	.45
Sporting page .....	.45
Title page of sections.....	.45
Second page .....	.50
Third page .....	.50
Last page .....	.50
Page opposite editorial.....	.60
*Amusements .....	.50
*Business Notices (before Marriages and Deaths).....	.75
*Co-Partnership and Dissolution Notices .....	.40
Death, Marriages, 3 lines \$1.00 (minimum charge); each additional line .....	.40
Memorial and Lodge Notices, 3 lines \$1.00 (minimum charge); each additional line.....	.40
Cemeteries .....	.50
xFinancial .....	.40
20% discount on Banks, Trust Companies and Bankers' and Brokers' Cards on order for 3 insertions a week, 52 consecutive weeks. Minimum space, 10 lines.	
10% discount on order, one time a week, 52 consecutive weeks (Mondays). Minimum space, 10 lines.	
Banks and Trust Companies (Comptroller's Call) Statements .....	.30
*Lectures .....	.40
*Meetings, Dividends .....	.40
*Patents .....	.40
*Personal .....	.40
*Political .....	.50
*Proposals .....	.40
†Publications .....	.40
*Public Notices .....	.40
*Reading Notices, first page. (Adv. affixed)	2.50
*Reading Notices, inside. (Adv. affixed)	1.50
*Reading Notices, designated inside pages, except editorial. (Adv. affixed)	2.00
*Special Notices (on page opposite editorial) .....	.60
*Sporting Events .....	.50
Sporting Goods .....	.40
Undertakers .....	.50

SUNDAY

	Per Agate Line
<i>Rate for Local Retail Stores</i>	\$.40
<i>Run of Paper</i>	\$.40
Local retail stores giving full week-day copy (at least 5,000 lines) for one year, or full Sunday copy for one year, per agate line, 27 cents, for Sunday only. No space or time discount on this rate.	

- *No space or time discount.
- xNo space discount.
- †Discount for insertion in The New York Times Saturday Review of Books as noted on following page.

SUPPLEMENTS

The New York Times Saturday Review of Books—40 cents per agate line. Space or time discounts apply. [210 lines to column, 4 columns to page.]

Contracts for 52 consecutive insertions, minimum space 10 lines, discount of 10%. This discount applies also to all additional book advertising on news pages, during period of contract.

Pictorial Section. Sunday edition, 40 cents per agate line. Space or time discounts apply. [300 lines to column, 7 columns to page.]

The New York Times Weekly Financial Quotation Review—20 cents per agate line. [210 lines to column, 4 columns to page.]

Contracts for 52 consecutive insertions, minimum space 10 lines, discount of 10%.

REGULATIONS

Insertion of advertisements received after 6 p. m., intended for the following day, cannot be guaranteed.

Right reserved to reject or lighten type or cuts of any advertisement or to limit its space without notice. No border heavier than the size of a four-point rule.

Advertisements causing breaking of column rules must be no less than 28 lines in depth for each column rule broken.

No advertisement accepted for less than the price of two lines.

Claims for allowances for errors must be made within thirty days after date of insertion.

Space on all advertisements less than ten lines charged actual counted lines; ten lines or over charged by agate measurement.

Size of Printed Page, 15½ x 21½ inches—7 columns to page, 300 agate lines to column, 14 agate lines to an inch; width of columns; 13 ems pica.

CONTRACTS

SPACE

Space discounts for contract general advertising for space used in one year:

- 5 per cent. on.....5000 lines
- 1 per cent. additional for each 1,000 lines up to 25,000 lines in one year.
- 25 per cent. on 25,000 lines or more used in one year.

Additional discount of 10 per cent. each month on space discount advertising contracts for local retail store advertising, unclassified, when the advertiser shall have used during each month as many lines of space as in any other morning and Sunday newspaper.

Space discounts apply only to unclassified general advertising on written contracts, and not allowed when time discounts are given.

The New York Times Advertising Rates, October 1, 1910

		TIME			
		One	Six	Three	One
Rates per		Year	Months	Months	Month
agate line.					
Daily	.30	.32	.34	.36	
Three times a week	.32	.34	.36	.38	
Twice a week	.34	.36	.38	.40	
Once a week	.36	.38	.40	.40	

Minimum space, 14 lines each insertion. Time discount not allowed when space discount is given. Position charges not subject to time discount.

The New York Times rejects all unworthy or doubtful advertisements, and welcomes information from its readers in aid of its efforts to keep its advertising columns absolutely clean.

POSITION CHARGES
DAILY AND SUNDAY

Extra charge for all general advertising requiring position. Classified advertising to secure position must pay general run of paper plus position charges.

Positions may be ordered at following rates in addition to regular run of paper rate:

- Top of column next reading, 25c. a line additional.
- Top of column, 15c. a line additional.
- Next reading, 5c. a line additional.
- Following reading, 10c. a line additional.
- Following and next reading, 15c. a line additional.
- Bottom of column, 5c. a line additional.
- Bottom of column surrounded by reading, 25c. a line additional.
- Designated page, 5c. a line additional, except last, second, third page or page opposite editorial.
- Page opposite editorial, 20c. per agate line additional.
- Second, third or last page, 10c. per agate line additional.
- Sporting page, 5c. per agate line additional.
- Title page of sections, 5c. per agate line additional.

Advertisements to secure position must be at least 28 lines in depth. No advertisement accepted for editorial page. Position charges not subject to time discount.

CLASSIFIED ADVERTISING

CLASSIFICATION	PER AGATE LINE		
	1t.	8t. a Wk.	7t. con.
Agents Wanted	\$.20	\$.54	\$1.05
Apartments and Flats	.20	.54	1.05
* Auction Sales	.25	.69	1.40
Automobiles	.25	..	..
*† Boarders and Board Wanted	.15	.36	.70
Building Material	.25	.63	1.26
* Business Opportunities	.30	.75	1.40
x Country Board	.20	..	1.26
30 times consecutively or 3t. a week, \$5.00			

*Dogs and Birds	.25	.69	1.40
Employment Bureaus	.20	.54	1.05
*For Sale	.30	.75	1.40
*† Help Wanted	.15	.36	.70
Horses and Carriages	.25	..	..
x Hotels and Resorts	.20	..	1.26
30 times consecutively or 3t. a week, \$5.00			
x Instruction and Musical Inst.	.20	..	1.26
30 times consecutively or 3t. a week, \$5.00			
*Loans	.25	.69	1.40
*† Lost, Found Rewards	.25	.60	1.05
Mortgage Loans	.30	.75	1.40
* Planos and Organs	.25	.69	1.40
* Purchase and Exchange	.30	.75	1.40
Real Estate	.25	.63	1.26
† Religious Notices	.20	..	..
*† Rooms To Let or Wanted	.15	.36	.70
*† Situations Wanted	.15	.36	.70
x Traveler's Guide	.25	..	..
x Time Tables	.25	..	..
30 times consecutively or 3t. a week, \$6.00			
Yachts, Vessels and Motor Boats	.25	..	..

Count SEVEN AVERAGE WORDS to a line, set in agate type, lower case, for classified advertising. Agate caps, or full face agate, 4 words to line.

No border wider than 2-point straight rule placed on classified advertisements measuring less than 28 lines in depth.

Advertisements ordered under other than proper classification pay the higher classification rate.

Slight changes of copy on 3 or 7 time orders, not involving offers of new property or decrease of space, permitted.

Increase of space on 3 or 7 time orders on Sunday and repetition of Sunday enlarged space on week days permitted, provided total charges on order with increased space exceed cost of enlarged advertisements if figured at one-time rate.

LEGAL ADVERTISING

	Per Agate Line
Court Assignments	\$.40
Meetings and Elections	.40
Legal Notices	.20
Assignees' Notices	.20
Bankruptcy Auctions	.15
Bankruptcy Notices	.15
Foreclosure Sales	.15
Referees' Notices	.15
Summons	.15
Surrogates' Citations	.15
† Surrogates' Notices	.15
† Insertions on Monday, entire service, \$50.	

*Single column advertisements only accepted.

†No display except paragraphing, white space, agate caps.

°Change of copy permitted.
xChange of copy and increase of space permitted on 30-time orders.

fully 30 per cent of its total space was sold in this manner. The magazine in turn sold its supplies to wholesale and retail office supply houses at a discount of 10 per cent.

Another method frequently practiced by the newspapers is to take an advertisement for a set number of insertions at a set price, and stipulate in the contract that so many columns of free reading matter will be given in addition. Then too, it is rare that the newspaper is not making contracts with advertising agencies and out of town advertisers at a lower rate than the local advertiser is compelled to pay. Some publications have one rate for local and any foreign advertisers.

The rate card of the *New York Times* is reproduced on pages 164-5 as a sample, although the rate cards of smaller newspapers are never so elaborate.

137. *Rate cards.*—It will be seen from the above that a newspaper rate card is a very complicated affair. To estimate from these rate cards requires the ability of an advertising expert, and it at once suggests the important part which an advertising agency may take in advising the advertiser. Besides knowing what every newspaper will accept for its space, the agency expert must be able to analyze quickly the various items upon many different lists, which contain in addition to their regular line rate and rate for special positions, a long list of classified advertising. The latter has often as many as sixty different headings, for each of which there is a special rate.

Newspaper space is frequently sold in quantities of one thousand lines, and larger amounts to be used within a given time. For these there are always special reductions.

At present there is a strong movement to encourage

what is known as a flat rate among newspapers. A flat rate is a regular rate per line per thousand of circulation for newspapers in the same class, which have the same rate, and the same variations from that rate.

When it comes to a consideration of the leading magazines, it is found that the rate cards are prepared in a style more uniform than those of other publications; yet there are important variations here that should be noted. Some magazines give a discount for three pages used within a year, others give a discount for six or for twelve insertions during the same period. When a quarter page is used in the shape of a single column, which in the *Ladies' Home Journal* is reckoned at a quarter of a page, the line rate prevails. If a special quarter page, which means a quarter page two columns wide and one-half a column deep, is taken then a different rate is charged. In other words, a quarter page in the form first mentioned would cost \$1,400, but if a special quarter page rate was obtained the cost would be \$1,250. The reason for this has been explained in the treatment of space and position.

Magazines also offer a discount to their customers for continuous insertions. Sometimes, however, an advertiser wishes to skip some one issue, but, as this would lose for him the discount based on continuous insertions, it is well for him to know that by using a very small advertisement, consisting of the minimum number of lines which were specified by the publication, the lower rate may be held.

In these days of rapid development, the circulation of many magazines grows greater each year. As a consequence the advertising rates are changed in accordance with the increased service put at the disposal of the advertiser. Sometimes, if an advertiser indicates the

amount of space he will use during the year, the privilege of the old rate will apply to the increased circulation on which the current rate is based.

As an example of a typical magazine rate card the *McClure's* rate card is given. At the same time is given information by which the company wishes the advertiser or agency to be guided in soliciting space from the company. As *McClure's* has been one of the leaders in the movement for establishing standard conditions in the field of bargaining for advertising space, the instructions are given almost in full. (See pages 169-171.)

M c C L U R E ' S M A G A Z I N E

Advertising Rates and Information

April 23, 1910

CONCERNING RATES

These Rates are Flat

One Page	one month	\$460.00
One Half Page	" "	230.00
One Quarter Page	" "	115.00
One Eighth Page	" "	57.50
All spaces less than one-eighth page, per line		2.15

PREFERRED POSITIONS

	Per Page, Flat
Back Cover	\$1785.00
Second Cover	828.00
Third Cover	828.00
Facing Covers	828.00
Facing Last Text	828.00
Facing Contents	621.00
Facing Adv. Index	500.00
Facing Back of Frontispiece	500.00

Contracts the Property of Agent

Contracts for advertising in McClure's Magazine when placed through an advertising agency are considered the property of the agency placing said contracts. Should an advertiser wish to transfer his account to another agent the consent of the agent who placed the contract must first be obtained before we can transfer the contract on our books.

Commission

All advertising agents recognized by us shall pay us the card rates less a commission of 13 per cent.

Cash Discount to Agents

All bills must be settled by all advertising agents within ten days from date rendered, for which a discount of five per cent. will be allowed.

Cash Discount to Advertisers

All advertisers shall be entitled to a discount of five per cent, for cash payment within ten days from date of bill for space in McClure's Magazine.

Rate Cutting: First Offense

Should any advertising agency on our list, or any of its representatives or solicitors, quote or accept, either directly or by making any allowance whatsoever, a rate less than the full card rate for space in McClure's Magazine, such advertising agency shall pay the full card rate for all space on which the said card rate has been directly or indirectly cut, subject only to five per cent. discount for cash within ten days from the date of bill.

Rate Cutting: Second Offense

Should any advertising agency on our list quote a second time a rate which may in any manner be construed as a cut in our card rate, such advertising agency shall then pay the full card rate on all business placed in McClure's Magazine, subject only to a discount of five per cent. for cash within ten days from the date of bill.

McClure's Magazine — Advertising Rates and Information

No Corrections after the 30th

We do not guarantee that corrections will be made in proof received after the 30th of the second month preceding date of publication.

Early Copy

Advertisers who desire their advertising classified or who wish a certain position will please bear in mind that they stand a better chance of being classified and getting the position desired if their copy is in our hands by the 20th of the second month preceding date of publication.

Key Numbers

All key numbers must be plainly written on all copy furnished for insertion in McClure's Magazine, and no rebate will in any case be allowed for errors arising from the insertion of wrong key numbers.

Stocks and Intoxicants

Advertising for stocks in mining, rubber or oil companies, or for intoxicating beverages of any description, will not be inserted in McClure's Magazine.

Word "Free"

The word "free" shall not prominently appear in an advertisement in McClure's Magazine except when the article so advertised as free is to be obtained absolutely without expenditure, or when the conditions upon which such article is to be procured are also stated conspicuously.

NO AGENTS' COMMISSION TO ADVERTISERS

Neither Directly nor Indirectly

McClure's Magazine will not accept any advertising contracts from advertisers direct at less than the full card rates, and will not allow agents' commission to any advertiser, either directly or indirectly or in the shape of a rebate or allowance.

SPECIFIED POSITIONS

Not Acceptable

No orders for advertising space in McClure's Magazine which stipulate an obligatory position will be accepted, except in the case of preferred positions, for which the regular rate for such positions will be charged.

CONCERNING CUTS

Original Half-tones

We request advertisers to send us original half-tones as we can secure better printing from plates made from originals. We necessarily have to make electrotypes from cuts sent us whether they be originals or electrotypes, and it will be readily understood that the farther away the printing electrotypes are from the originals, the poorer are the results.

Extra Cuts Pay

One original cut is often expected to do service for all the magazines an advertiser uses. This occasions delay and sometimes loses the choice of position. The extra cost of duplicate cuts is money well spent.

McClure's First

If you have but one cut please send it to us first and thereby secure advantages which might otherwise be lost.

McClure's Magazine — Advertising Rates and Information

Separate Estimates

All estimates for space in McClure's Magazine shall be made separately, and McClure's shall not be included in any list in which any deductions are made from the publishers' full card rates.

10% Contracts

The making of contracts or the placing of business in McClure's Magazine by any advertising agency on the basis of ten per cent. above such agency's net cost shall be considered a quotation of less than full card rate.

Showing Estimates

Upon the request of any authorized representative of McClure's Magazine, all advertising agencies with whom we are doing business shall show a copy of any estimate made by them for space in McClure's Magazine, and shall furnish satisfactory evidence that no rate less than the full card rate has been quoted in such estimate.

INSERTS

Regular Position

The rate for a single sheet insert of two pages is \$1,000; the charge for inserts of more than two pages will be pro rata. All inserts must be furnished to us ready to bind. Size, 9½ x 6½.

Preferred Position

An additional charge, equal to the difference between run of paper rate and the rate for the position occupied, will be made for all inserts occupying preferred positions.

Weight

No inserts exceeding a weight of one hundred and ten pounds to a ream 27 x 39 inches will be inserted in McClure's Magazine.

READING ARTICLES

Positions Regular and Preferred

All reading articles will be charged at the rate of regular display advertising; if inserted in preferred position, an additional charge equal to the price of one ordinary black and white page will be made.

CIRCULATION

Guarantee

While these rates are in force, and until further notice, all rates shall be based upon a guaranteed average circulation of 450,000 copies per issue.

CONCERNING COPY

Size of Advertisements

No advertisement of less than one-half inch will be inserted.

Closing Date

All copy must be in our hands before the first of each month to insure insertion in McClure's Magazine for the following month, but if the advertiser desires to see proof of his advertisement, copy must be sent so the O. K.'d proof shall be in our hands by the 1st.

CHAPTER VII

SUPPLEMENTARY ADVERTISING AIDS

138. *Supplementary advertising.*—An advertising campaign which would be at all inclusive in its scope would take as its chief means of reaching the public the newspapers and magazines. There are, however, many ways of strengthening the primary sources of gaining publicity. Sometimes these supplementary means rise to a position of prime importance. The Heinz Company, for example, with their "57 varieties," have made the street car and the poster their chief means of advertising. But in general, the street car and the poster must be subsidiary to the publications.

These supplementary methods are often spoken of as special advertising, mural advertising, etc. It is difficult to make satisfactory divisions of these means. To classify the various methods which fall under the heading of supplementary advertising some advertisers divide the subject as follows: street car advertising, outdoor advertising, poster advertising and novelty advertising. It will not be possible, nor does it seem necessary, to go into great detail in describing all these various methods. The extent to which any method is used, its relative importance and its business organization, may perhaps guide the advertiser in selecting one or more of these methods in supplementing his advertising in the magazines and newspapers.

139. *Street car advertising.*—Street car advertising is better systematized and classified than other sub-

sidary methods. The street car work is in the hands of a few companies which have franchises and options upon most of the street car space in the country. It would require about fifty thousand cards to cover the entire United States and Canada with street car advertising. Of this, perhaps one thousand cards would suffice for Canada. This number would supply every full time car with one card. These statistics do not include short time cars or those which make short runs. A census which would include all cars which carry advertising, such as elevated, subway, and railroads, would raise the number of cars carrying advertising to more than seventy-one thousand. Some advertisers use more than one card to a car or, what is much the same thing, a double size card. The service changes cards as often as desired, but as a rule changes are made either once a week or once a month. The agency always sends extra cards to each distributing center in order to replace damaged or mutilated ones.

The size of the single card is 11 × 21 inches and, as it takes about forty-five thousand of these cards to cover the country thoroughly, the cost is necessarily high, averaging about \$14,000 per month, or roughly estimated, forty to fifty cents per card per car per month, according as the contract is for a quarter of a year or for a full year. The following is a list showing the number of cars required in 1910 in each state, based on an allowance of thirty thousand cards for the whole country:

Alabama	124	Delaware	37
Arkansas	46	District of Columbia...	486
California	1,106	Florida	52
Colorado	280	Georgia	226
Connecticut	534	Idaho	2

Illinois	3,256	New York	6,698
Indiana	338	North Carolina	65
Iowa	259	Ohio	1,859
Kansas	70	Oregon	72
Kentucky	463	Pennsylvania	2,626
Louisiana	364	Rhode Island	408
Maine	187	South Carolina	165
Maryland	641	Tennessee	241
Massachusetts	3,087	Texas	279
Michigan	518	Utah	55
Minnesota	411	Vermont	45
Mississippi	6	Virginia	167
Missouri	1,401	Washington	101
Montana	21	West Virginia	47
Nebraska	150	Wisconsin	312
New Hampshire	135		
New Jersey	827		
New Mexico	3	Total	28,170

There are two types of cars in general use, one with seats arranged in pairs facing the motorman, and the other with seats facing each other, parallel with the car windows. This has given rise to two opinions as to which is the best style of car for advertising purposes, assuming, of course, that the spaces used are immediately between the top of the windows and the roof of the car. Which style of car presents its advertising matter to the best advantage depends largely upon the particular part of the car in which the readers of the advertisements are seated. A person seated in the middle of the car would be able to see about the same number of advertisements, regardless of the style of car.

140. *Character of street car advertisements.*—Perhaps the real questions concerning street car advertising are not those of style of car, but rather those that pertain to the character of the advertisement and whether

or not the street car should be used in preference to other methods of securing local publicity. Taking these two questions in reverse order, the following questions should be answered before a decision is made: (1) Who reads the local newspaper? (2) What was its circulation during the past year? (3) What is the circulation in the particular district of the locality to be covered? (4) How many paid rides were sold on the cars? (5) What position can be obtained? (6) What are the rates? (7) How does the cost of car cards, illustrations and engravings compare with like cost of newspaper cuts, etc.? (8) What other business propositions similar to yours have the street car advertising agencies been handling with success? (9) Compare the circulation of the local papers with the population of the district desired to be covered and the number of paid rides on the lines traversing the same territory.

When the advertiser has gone as far as statistics will carry him he may find it a great help to check this data against general impressions which he may receive by going over the territory several times, by observing the density of traffic, both during the slack and rush hours upon the street cars, and of noting the business activities connected with the various news-stands. These general impressions may determine whether the district to be canvassed contains a suitable number of prospective customers. In a large city the various classes of the population tend to settle in certain sections. It would not be necessary to go into all the street cars of a city like New York or Chicago if a firm were advertising goods which appealed chiefly to the wealthier classes.

The matter of attracting attention is of much im-

portance in a street car advertisement, and this factor should receive attention first in determining the character of such an advertisement. Second, it should be kept in mind that the available space is limited and that not more than fifty words of description can be used to advantage. Third, this advertisement must be read by people at a considerable distance from the sign. Fourth, the state of mind of the readers should not be lost sight of, since there are certain distractions common to all travelers, which tend to divert attention from the printed card. Thus it is that the character of the composition of the advertisement should tend more towards winning the reader through forceful suggestions than by lengthy arguments. Nevertheless the latter cannot be ignored. The advertisement of Meyer's gloves, shown on page 177, presents for this particular line of goods a forceful suggestion and strong argument combined with one phrase.

141. *Necessity for direct appeal.*—The success of many car advertisements depends upon the direct appeal to the persons reading them. This is done by the use of the second or the first personal pronoun, and while there is not much space for argument, there is always sufficient room to insert a command. One authority says:

Your car ad must not omit any essentials. It must not sound like a fragment from a book index, and yet it can't take for granted that the public knows any of the details of the advertised article on which you might build your argument.

Each car ad attempts to drive home one good point. The reader's mind is pinned to one good argument without distraction. That argument is the first thing he reads; it's the last he reads—and the first and last impressions usually stick.

In digestible doses the car series sends home, one by one, the



truths of a selling story. Were those truths collated they might be wearisome reading; very possibly they might not be read at all.

An illustration will show the development of advertising copy in an effort to bring out the various points mentioned above. The text as originally composed was as follows:

Much trouble is saved by paying bills with checks.

The check acts as a receipt for payment.

Put your money in the Dime Bank, subject to check, and avoid ugly disputes.

The material for a good advertisement is here, but its presentation is uninteresting. The advertisement was revised to read as follows:

You may SAY you paid your bill, but you can't prove it.

You could if you had used a check.

A check prevents arguments.

Put your money in the Dime Bank, subject to check, and avoid ugly disputes.

But neither in form nor tone does this advertisement yet rise above the commonplace. It is more convincing because it uses the pronoun in the second person, but still it is not direct enough. The form after being recast again and again finally took the form in which it appeared before the public.

"You didn't!"

"I did!"

"You didn't!"

"Hush! Stop Disputing!"

You can PROVE that you paid that bill if you paid it by check.

Put your money in the Dime Bank, pay by check, and avoid ugly disputes.

142. *Street car versus other advertising.*—A few general considerations which differentiate between street car advertising and other kinds depend not only upon the nature of the advertising but upon its organization. In the first place, street car advertising does not permit to any great extent the carrying on of an advertising campaign which depends upon daily announcements, or which expects large returns after the manner of the mail order house. The cost of the cards makes the first method prohibitive, while the limitations as to space make it almost impossible to impress the name and address of the firm upon the reader so that he will remember it when he reaches home. Street car advertising does not have the qualities which give definiteness and expansion to periodical advertising, but since it must confine its forcefulness within certain limits, its effect as far as it goes is very intensive, and so, it becomes a valuable supplement in the general advertising campaign. Furthermore, since it comes before the eyes of a greater number of people, as well as before the same people a greater number of times, than do advertisements in other mediums, the impression is still further strengthened. In discussing this point the authors of "Modern Advertising" make the following interesting statement:

New York City, for instance, by which is meant the entire metropolitan district, on both sides of the Hudson and East Rivers, has a population of 4,500,000. The surface and elevated roads in this district carry every year 1,350,000,000 people. Only a small percentage of these people, who average at least two trips a day, entirely escape the advertising which appears in the cars. The population of the metropolitan district of Boston and suburbs is 1,162,000. The average travel in Boston is 700,000 people daily, or 259,000,000 each year.

Street-car advertising acts on passengers in a more or less compulsory way. It can not be escaped, especially where one is a constant daily rider. Therefore, it is a powerful auxiliary to any other form of advertising. No story which requires details in telling it can, however, be successfully exploited in street-cars. Descriptive space can be obtained only in magazines and newspapers.

With reference to organization of the business of street car advertising, it may be said never to have been controlled entirely by any one agent. The country is divided into sections under the control of different agents. Thus, the whole of New England is managed by one firm; the Middle States, Illinois, Indiana, Iowa, Michigan and Wisconsin are controlled by another; the South, east of the Mississippi, is owned by still another; while the Pacific Slope is governed by a San Francisco firm. New York and Chicago may be considered territories in themselves, each of which is divided among a number of agents. All the surface cars in New York, including the Fifth Avenue stage line, are controlled by one concern. The elevated roads in New York and Brooklyn are under another firm; while the surface system in Brooklyn is controlled by still another company.

143. *Posters and painted signs.*—Outdoor advertising may be carried on by three main methods: Poster work, painted signs, and electrical displays. To use all the sets which may be provided for any one of these methods of advertising would evidently be far beyond any one firm's ability to finance the undertaking. Probably the most impressive attempt to employ the bill board method was that of a food company which undertook a campaign that cost about \$25,000 per month.

144. *Regulation of bill-board advertising.*—So far as the bill-board is concerned there is perhaps no department of advertising in which good judgment is so absolutely necessary. There is much prejudice against this form of advertising. Surely, there could be little gained by putting before a community a sign which would arouse only feelings of resentment in the minds of those who read it. The antipathy of the public may be aroused either by the style of advertising used or by its location. So little have advertisers regarded the feelings of communities in this respect, that most people are coming to believe that bill-boards should be regulated by some authority that will at least enforce a standard as high as that imposed by the Post Office Department in regulating the character of the literature which goes through the mail. One judge, at least, has declared:

It is conceded that the police power is adequate to restrain offensive noises and odors; the same protection to the eye, it is conceived, would not establish a new principle, but carry a recognized principle to further application. A glaring bill-board set opposite a man's house in a vacant lot bordering upon a public highway, in a country town devoted to homes, is just as offensive to the immediate residents as would be the maintenance of a pig-sty giving forth offensive odors, or the maintenance of a stone-breaking machine. . . . It would be a singular result of our laws if relief could not be had against the maintenance, for purely advertising purposes, of an uncouth bill-board opposite my house, having painted upon it grotesque advertisements and being constantly, hourly and daily a detriment to my property and a source of injury to the feelings of myself and family—or if an ordinance having for its object the suppression of this nuisance could not be declared valid.

In some continental countries this form of advertising is under strict governmental control. In England they are strongly questioning the right of any one single man or corporation to monopolize the landscape because he chose to pay a few shillings per annum for its use.

145. *View of bill-board advertiser.*—The other side of the question, from the commercial point of view, is well put by Mr. Samuel C. Dobbs, president of the Advertising Club of America, in a recent address before the Mayor and Council of Los Angeles:

I represent a firm which spends more than half a million dollars annually in advertising. A large per cent of this appropriation is spent in what we term outdoor advertising, such as bill-posting, painted walls, bulletins, etc. By some the bill-boards are attacked as a nuisance. Which is more unsightly, a string of splendidly painted boards (for we advertisers won't have anything else) or a growth of rank weeds and piles of old tomato cans and other refuse which invariably occupy vacant property on which bill-boards are usually placed? The bill-board is an evidence of thrift. We men who spend money advertising spend it where there are prosperous people, and the very presence of bulletin-boards and bill-boards in a town is an evidence of prosperity which is a standing advertisement to the transient guest that that town is a live town. It brings business to your town. In Los Angeles alone the concern I represent is spending more than \$200 per month to pay for outdoor advertising. That money goes to pay the high-priced painters and skilled bill-posters and helps maintain in your city such a concern which is a credit to the town. Instead of being taxed as a nuisance, they should be encouraged and their business fostered. I am told that this plant alone represents something like \$250,000. Let us look for a moment to see where this money is spent. They usually build their boards on vacant property, or what is known as non-producing property.

They pay rental for this occupation, which gives to vacant property an added value and to holders of the same a regular income. The building of these bill-boards gives employment to a large body of carpenters and painters, and makes productive sections of this city which would otherwise be entirely dormant. The city of Los Angeles spends thousands of dollars annually to induce people to come to this city, to encourage manufacturing and other enterprises. Here you have an enterprise which is more valuable to you as a revenue producer in your town than almost any manufacturing proposition which you could induce to come here. Its clientele are mostly foreign, in this way bringing into your city hundreds of thousands of dollars annually from other sections of the United States that otherwise would not come here at all. I submit to you that this bill-board plant in this city is more valuable, vastly more essential to the commercial life of Los Angeles, than any bank you may have in your town or the largest commercial enterprise which you may have here.

This much has been said in order that the advertiser may give due consideration to an advertising proposition which involves social as well as business questions.

146. *Difficulties of bill-board advertising.*—The making of a bill-board advertisement is in one respect more difficult than the writing of the street car advertisement. People do not sit in front of a bill-board as long as they do before an announcement in a street car. The attention of the reader must be gained and the story must be told all within a glance. Therefore, the copy idea suggested for the street car card needs only to be slightly modified to make an effective poster. Posters vary in size from a three-sheet up to a twenty-four sheet. A sheet of standard size is 28 x 42 inches. The cost of the sheets varies from \$130 per thousand to \$182 per thousand, the difference in price depending upon the grade of the pictorial work

and the number of colors used. The above prices are for lots of 5,000. If the sheets are bought in single thousands the cost would be increased from 70 per cent to 80 per cent.

It is difficult to obtain comprehensive statistics concerning the information necessary to undertake a national advertising campaign by means of bill-boards. The following estimates given by a successful advertiser will throw some light upon the costs necessary for such an undertaking. Six hundred dollars, it is estimated, will give a good showing on 8-sheet posters over the whole State of Iowa with its more than two million people. This would provide for four weeks' display in the seven largest cities of the state and nearly 150 smaller towns. A like sum would also cover the expenses of a bill-board campaign in Illinois, leaving out Cook County, and the same amount would cover Indiana and, if we leave out Cincinnati and Cleveland, \$600 will pay for a month's showing throughout the State of Ohio. If the periods of display were for three months or six months, space could be contracted for at a discount of 5 and 10 per cent.

It is safe to estimate the cost of covering cities from one to five thousand inhabitants at about \$2.80 per month. This will allow 5- to 8-sheet posters at seven cents per sheet.

In estimating the amount of display for different cities it should be kept in mind that the city which is compactly built offers better advertising opportunities than the city which is scattered over a comparatively large area.

147. *Organization of bill-posting concerns.*—A study of the organization of the bill-posting industry discloses an unique situation. On its operating side this busi-

ness is one of the best organized of any of the methods of advertising in this country. As has been mentioned before, the street car advertising is divided among different companies and agencies which work at variance, while the competition between magazines and newspapers is notorious. Advertising by means of bill-boards is under the control of an association which has at its disposal for this form of advertising practically every city and town in the United States and Canada. In all, the members of this association, which number about 3,400, have for sale the entire bill-board space which is listed with the association and protected by it. Thus the advertiser is certain that his copy, his position and period of display will be provided for according to his contract.

As a rule, many advertisers do not place their business through the advertising agencies, but give it to the official solicitors of the associated bill-posters, of which there are about forty in all, or to the plant owners themselves. The latter, in most cases, simply attend to their local field and make no pretense of handling national accounts.

It is at this point that the bill-posting industry shows the weakness of its organization. Advertising agencies practically control 75 per cent of the national advertising patronage, and with the exception of four agencies which make a specialty of bill-posting, and which deal directly with the bill-posters in the various towns and cities, this method of advertising has received but little aid from the agencies. There has been little coöperation and little centralized effort to promote the general interest of the bill-posting industry.

To remedy this and, therefore, to meet the growing competition of the newspaper, the magazine and es-

pecially street car advertising, the association has organized a "promotion bureau." This bureau has been given authority to formulate plans by which the selling of this particular kind of advertising may be strengthened. It is their purpose to develop the great field of commercial advertising as successfully as they have that which pertains to the theatrical and circus organizations.

148. *Painted signs*.—Closely allied to bill-posting is the painted sign. Painted advertisements may be classified as regular, chance and temporary signs. Regular painted signs are set up all over the country and regular stands are maintained in the city. Chance painted signs depend for their display on fences and buildings. Chance bulletins are also chance signs which depend upon the presence of a vacant lot or building in course of construction, and are, of course, more temporary in their nature than the regular stands.

The prime elements which enter into the cost of painted sign service are the following: rental of the land or wall space from the tenant or owner; the cost of construction and maintenance of the bulletin board; cost of painting and administrative expenses, such as office rent, yard rent, managers, bookkeepers, stenographers, etc.

A concrete example will show what price is paid for the advertising service and how the cost is distributed. The Coca-Cola Company has contracts in force which aggregate about two million square feet of sign work in the United States. The maximum price paid for this work is four cents per square foot, annually. The work is distributed among the various outdoor advertisers who control this kind of advertising space in the different localities. Such a firm as Varney and

Green, in Los Angeles, would divide their expenses in carrying out their part of the contract with the Coca-Cola Company as follows: One cent per square foot would be paid for their leases; two cents per square foot for painted spaces; one-half cent per square foot for administrative expenses; and one-half cent per square foot would thus be applied to profits. The cost of bulletins such as those erected around a new building or around a vacant lot is twenty-five to fifty cents per running foot per month. These prices include one painting with a repainting at the end of six months on yearly contracts. The displays average ten feet high, but some are as high as fourteen feet. Special locations, of course, demand special rates and are usually sold to the highest bidder. Contracts are not generally made for less than six months.

149. *Risks of advertising by posters or by painted signs.*—Perhaps no division of advertising involves so much risk as that pertaining to bill-board publicity. If posters are used, then the advertiser runs the risk of having his sign destroyed by wind and rain. To meet this emergency extra sheets should always be sent to the local bill-posting agency. If a painted sign upon a wall is used the advertiser may be compelled to see his sign obscured from public view by the erection of a new building. The Force Food Company has a record of having paid \$2,400 for a wall which remained exposed for only eight weeks.

CHAPTER VIII

SUPPLEMENTARY ADVERTISING AIDS (Continued)

150. *Electric advertising*.—Until twenty years ago the chief means of making signs attractive was through the use of ink and paint. Within the last two decades, however, a new medium has steadily grown in importance, until to-day electric advertising has become a recognized factor in modern commercial publicity. The first electric sign made its appearance on Broadway less than seventeen years ago.

In connection with retail advertising electricity made rapid strides from the beginning, and now it is showing its adaptability to the broader fields of national and international advertising. The electric sign makes an appeal to the human eye, and making this appeal, as it does, after dark, it is not compelled to compete with the manifold attractions which are present during the daylight. It is not difficult, therefore, for the advertiser to impress the name of his product and the name of his firm upon the public mind. Although electric advertising is only in its infancy, its general applicability to all lines of business portends for it possibilities that are yet undreamed of.

151. *Greatest electrical sign*.—The highest achievement in electrical signs is seen in the new display facing Herald Square in Greater New York. It is erected on a great steel structure seventy-two feet high and a third of a city block in length. It represents a Roman chariot race with observation stands on which

groups are cheering the first charioteer to victory. Ahead of the first charioteer are five Roman cavalymen. By means of improved electric devices the horses appear to be going at a full gallop, their manes and tails waving in the wind. The wheels also appear to revolve rapidly and the crimson robe of the first charioteer floats in the wind. While the chariots and five horses are plunging on, a device manipulates a light illuminating the road bed which is painted to represent great stretches of track behind and ahead of the racers. By this continual change of the scene the illusion of an actual race around the amphitheatre is greatly increased. The illusion is further heightened by the appearance of dust rolling up behind the wheels.

Some idea of the size of the sign can be had from the fact that the main chariot and the horses are forty-five feet long and twenty feet high. There are posts on the top of which are flaming torches thirty feet in height. To what extent this sign excels other signs of its kind may be seen by the fact that it contains nearly 20,000 bulbs, while its nearest competitor does not have more than 2,000. It requires 600 horse power to generate the electricity and more than 500,000 feet of wire is used in its construction. The space costs \$4,300 per showing for one year—a ten-year contract being compulsory.

152. *Electrical sign costs.*—Prices for such signs are interesting. The Kayser Tip Glove space at Longacre Square has been quoted at \$1,500 a month. The sign space on top of the building across the square from the Hotel Astor has been quoted at \$1,000 per month, and the space across from the Hotel Knickerbocker is said to sell for \$400 per month. There are many other spaces which sell for from \$1,000, to \$1,200, per month,

and it has been estimated by a competent authority that \$2,000,000 a year is spent in the vicinity of New York on such sign spaces. It is interesting to note in this connection that the flash light sign is cheaper than the permanent one, since the latter is using power continually, and it is this item that makes the expense so high. Even the small fractions between flashes is a great saving of power and therefore of cost.

153. *Placing of electrical signs.*—As an illustration of the applicability of the general principles of advertising it may be noted that electric signs are put in certain places because of their influence upon special classes of buyers. The famous Heatherbloom sign at the corner of Forty-second Street and Seventh Avenue was put in this particular place because of its proximity to Hammerstein's Victoria Theatre. During the buying seasons this theatre becomes a meeting place for hundreds of professional dry goods buyers, mostly from out of town, and it is these men, and not the ordinary man or woman who may be passing upon the street, that the advertiser wishes to impress.

154. *Organization of electrical advertising.*—The electric advertising business in the United States shows less organization than the bill-posters or the painted sign advertising business. This is due perhaps to its youth. There are no national solicitors for electric advertising and there is no arrangement whereby a national advertiser can receive information concerning the cost of the display in certain cities, unless he takes the matter up with the local firm in each city. No advertising agency has interested itself to a point where it can render the electric advertiser such aid as would be necessary to secure a national appropriation.

There are, in fact, no data, literature or statistics on

electric advertising. So far the electric light companies have been the chief factors in promoting this new medium of commercial publicity; for example, The Rice Electric Display Company, of Dayton, Ohio, who erected the "chariot race in fire," have closed contracts with firms whose combined capital reaches the enormous sum of \$500,000,000. Only one firm in each line of business will be represented on this list, which is styled "Leaders of the World."

155. *Indoor electrical advertisements.*—Electric advertising is not exclusively an outdoor feature. It may be used in the store with great effect. The window advertising, interior decorating, lighting and display schemes have been revolutionized since electricity came into general use. Interior lighting in reality is a part of the merchants' advertising. It imparts a spirit of cheerfulness and makes the display more attractive and appealing. It has been said that at least one-half of the articles sold are purchased between the hours of five and ten in the evening.

The business of the druggist is especially adaptable to this form of electric display. The testimony of one such concern located in the center of the business district of a large city is to the effect that 60 per cent of his sales are made after five o'clock in the evening. Without attempting to specify all the various lines to which electric advertising may be adapted, it may be said in brief that the term, electric advertising, may be used to designate all the methods of attracting attention by the use of the electric light.

156. *House to house distribution.*—A means of advertising which stands midway between the bill-board method and the use of specialties is the distribution of hand-bills and samples of goods from house to house.

At one time this method was largely confined to drug and liquor houses. This fact, combined with tactless means of forcing hand-bills, booklets and samples into private homes, to say nothing of the disreputable character of much of the "literature," established a strong prejudice against the use of this method by advertisers. More recently, however, the makers of food products, soaps, etc., have been employing this means with considerable success.

157. *Risks of this method.*—The use of this method involves two risks to the advertiser. The first pertains to the getting of honest distribution. The second has to do with the legal liabilities to which the distributors of sample medicines, etc., are subject. To reduce these risks as far as possible, agencies have grown up which assume certain of these risks and guarantee to the advertiser a satisfactory service within certain territory.

Such an agency secures the services of men as distributors in the various towns and cities of the United States. It examines, as far as possible, the character of these men and keeps a close record of their work through a system of reports to the central agency. The agency in return keeps the local distributor informed as to any new legislation ¹ affecting the distribution of

¹ Front copy of card issued to each of the employés when they are making HAND TO ADULT distribution of samples of Medicines or Drugs.

To employés of the

WILL A. MOLTON Distributing Agency.

Your attention is called specifically to the Ohio State Law referring to the distribution of samples of Medicines or Drugs as printed on the back of this card.

In compliance with this law we warn you to make distribution of Medicines or Drugs of any nature TO ADULT PERSONS as follows:

Call on each family by going to the door most used. Rap gently and

circulars, medicine or drugs, tells them of firms that are likely to contract for the distribution of circulars or samples, and sends up-to-date lists of reliable local distributors to large advertisers, such as the Swift Specific Company, The Rexall Company, etc.

The guaranteed local distributor is often given a preference when these companies seek employes to distribute their sample or circulars.

158. *Methods of agencies for distribution of hand-bills.*—The following statement sent by one of the largest distributing agencies describes how the method is carried on by one central agency:

We guarantee the services of all distributors registered on our list to all advertisers who may employ them, and agree to reimburse advertisers for any proven loss sustained through violation of contract, negligence, or any unsatisfactory service.

Guarantee holds good on any distributor as long as he is registered on our guaranteed list. But we are not responsible for orders executed by him after he has been removed from our list.

We claim to publish and guarantee the largest list of reliable experienced distributors, as ours is an open agency devoted to the best interests of all advertisers. We recognize

wait until door is opened, then hand the sample to an ADULT PERSON in a polite manner with the request that they give the sample a trial.

If no person opens the door, DO NOT UNDERTAKE TO LEAVE SAMPLE OUTSIDE OR IN LETTER BOX OR BY THROWING IN OPEN WINDOW.

No samples are to be distributed in shops, mills, offices, stores, or to people on the street.

BEAR IN MIND

At all times that you are subject to arrest, fine and imprisonment at any time you violate our instructions, and that we will refuse to defend you in any way if you violate the law.

Signed, WILL A. MOLTON,

Proprietor Will A. Molton Distributing Agency,

1010 St. Clair Ave., N.E., Cleveland, Ohio.

all proven reliable distributors, regardless of their connection with other agencies, associations, etc., etc., as we reserve the privilege to act as our judgment dictates in order to establish a reliable service at all points.

Advertisers desiring to employ distributors listed herein are requested to correspond direct with the distributor, sending sample of matter to be distributed, stating manner in which it is to be done, and request price per thousand pieces. Also be sure to mention that you were referred to them through Molton's List, and that you hold the Molton agency responsible for the service. Do not ship matter until satisfactory understanding is reached. If any complaints are made that matter has been destroyed or wasted, or distributed differently than agreed upon, take copy of same and forward us, and we will immediately investigate, and if found to be correct, we will pay the damage and also publish full facts, which will cause all advertisers to cease placing contracts with such distributors.

Firms employing traveling distributors who contract with or employ local distributors at each stop should supply their traveling representative with these lists, as we are pleased to furnish them to GENERAL ADVERTISERS in any quantity.

These lists are revised monthly in order to keep them up to date, and advertisers should refer to the latest lists only, which can be had upon application. Our endorsement holds good on all distributors published in each list as it appears, unless otherwise stated in *Up-to-Date Distributer*.

Advertisers are cordially invited to correspond with us freely on all matters pertaining to the business, as we are pleased at all times to render all the advice and service in our power, and free of expense.

Address Main Office.

WILL A. MOLTON DISTRIBUTING AGENCY,
1010 St. Clair Ave., Cleveland, Ohio.

SPECIAL NOTICE—All who employ distributors listed herewith, under our guarantee, will take notice that we only guarantee their service for the towns as listed and not for coun-

try routes or additional territory they may cover, **UNLESS SAME IS LISTED HEREIN.**

We do not guarantee that the number of pieces mentioned to cover distributors is absolutely correct. However, distributors have in every instance stated that their figures submitted are taken from an actual canvass of their whole territory, reaching desirable classes only. In the small towns and cities a small quantity has been added to place into farmers' vehicles when they come into town. This applies only to the agricultural districts.

Circulars and samples are generally distributed at a cost of so much per thousand, and the advertiser should find out the number of pieces necessary to cover a particular locality. There is a great temptation for the local distributor to exaggerate in giving his estimate of the number required. In this respect the central distributing agency is generally more to be relied upon. Even where a firm sends its own traveling representative from town to town and depends upon him to hire the local distributors, it is often wise to consult the guaranteed list of some central division, since the list men are likely to feel their responsibility to a greater extent than the casual distributor who may be picked up at random in any town. This service may cost more but it gets more "under the doors."

159. *Advertising novelties.*—Advertising specialties are articles more or less intrinsic in value incidentally carrying advertisements of the men who give them away. Because of this combination of commercial value and advertising service in the same article some confusion has arisen in the minds of both the manufacturer of these novelties and the merchant who gives them away. This confusion, however, may be in part removed if we first discover from what point of view we wish to

consider the article. From the manufacturer's point of view the article is merchandise. From the point of view of the man who gives it away it is an advertising medium. If the first would succeed then the firm which uses the specialty as an advertisement must also succeed. If the manufacturer of the specialty looks upon each sale as a closed incident and does not follow it farther, he may soon discover that many of his customers, inexperienced in the best method of using these specialties as advertising mediums, will fail. Hence, it is much more important that the advertiser get value received from the advertising than it is for the manufacturer of a specialty to increase the size of any one sales order. Brown and Bigelow of St. Paul, Minn., maintain an information department for the use of their customers, that they may increase the value of the goods they purchase from the specialty house as advertising mediums. In this department men are employed to write advertisements and to suggest methods that will produce the best results for merchants who may have unsold goods on their shelves.

160. *Successful sales of advertising novelties.*—Leaders among the manufacturers of advertising novelties are thus awakening to the fact that their success in the future must depend more upon their ability to sell ideas, and plans of making these ideas effective, than in the selling of novelties as merchandise. The large advertising agencies have shown them the way and if they do not follow, "the specialty man," in the words of one of the leading novelty manufacturers, "will soon be working for the advertising agencies, who will be telling our own customers how to use our own goods."

The advertiser who expects to use this method should be cautioned against two tendencies. First, expend-

ing the whole advertising appropriation in the purchase of the specialties and leaving nothing to spend in their distribution. An advertising campaign of this kind should be planned as carefully as any other. Second, the gift should not be cheapened by promiscuous distribution. Every article should count in the creating of new business.

In outlining an advertising plan of this kind the first question is, What kind of specialty is best? In answer, it may be said, generally, something that is useful to the people whom the firm wishes to serve. Banks often use such articles as pocket books or bill folds. A firm serving a farming community should distribute something useful upon a farm. If the firm was situated in a lumber region, a lumberman's hand book would be acceptable. In fact, there is no end to a list of this kind.

161. *Calendars*.—The store which appeals to a general trade may use a specialty which meets a general want. It is for this reason that the calendar has become so popular as a gift. The use of this medium has grown to such an extent that it deserves special consideration. There are two kinds of calendars, those for the home and those for the office. Little need be said in describing them. The home calendar may be gotten up in elaborate colored effects, while the business calendar should be plain and of a size convenient for office use. A study of the following opinion given by a man of much experience will be helpful in deciding the calendar proposition:

We have bumped from step to step down the calendar proposition until it seems as though we have come at least to a local solution—a plain, tasty business calendar, a good job on craftsman lines with pleasing effect, plain, simple yet forcible

reading matter, not too much, pad as large as consistent with calendar, with figures large and plain enough to be seen across the room, and each enclosed in a square, giving ample room for the housewife to keep minutes of her grocer's bill, milk bill, etc., and the farmer his tests, weights and future bills receivable due dates. Give every calendar man who arrives at your desk a complete description of what you require and ask him to forward samples. It is an easy and effective dismissal and affords an excellent line from which to choose. At first you might imagine that your calendar troubles were now over for the year, but experience has taught us that it is no small task to successfully get your wares before an appreciative public. Again local conditions must govern. We hire two bright and reliable boys to distribute the calendars from house to house in the city, impressing them with the fact that they must, gentlemanly, deliver one calendar to every family in the city. Each mail box upon every rural route leading from the city is supplied with one calendar, every country merchant and creamery has his bundle of calendars stamped by his compliments, an officer presents one in person to every business house and extra effort is made to place one in every logging camp, school district and even hunting camp in the country. Things of this kind seen in out-of-way and unexpected places make a greater impression than when met along the ordinary walks of existence. We have been following this plan for a number of years and find that the demand increases each year. The people have come to expect and depend upon our yearly calendar, and repay us for our time and expense by unconsciously having burned upon their minds our name and ad by keeping the calendar properly torn from January to December.

Twenty years ago there was one firm manufacturing calendars for advertising purposes. To-day there are a thousand important firms, besides many smaller houses, engaged in this business. While the business done by the one firm two decades ago amounted to a few thousand dollars a year, American business houses

in 1910 spent about \$20,000,000 in giving away calendars. It is estimated that the calendar houses have at least three thousand traveling salesmen.

162. *Firms using calendar advertisements.*—The great branches of business that are using calendars would probably rank, as to the numbers used, in the following order: First comes the insurance company. One firm alone recently spent \$50,000 in this direction. Next are the railroads, and in this connection it is said that Mr. Harriman was a great believer in calendar advertising, spending yearly thousands of dollars in this way. After the railroads come the banks, and next to them are the retail merchants. Some firms not only give away calendars but advertise the fact that they have them to give away. Armour Packing Company announced their 1910 calendars through the *Saturday Evening Post*.

Many companies making calendars contract with artists by the year for their whole output. In addition to the goods made in the United States many firms import yearly from Germany millions of "shells" to be made into calendars. Some of these calendars cost the advertiser 25 cents and upward apiece. The great bulk of the calendar sales is made about January first, the manufacturers taking orders twelve months ahead so that they may have something definite upon which to reckon in making and ordering supplies from abroad.

163. *Effectiveness of the calendar advertisement.*—The value of the calendar as an advertising medium is based upon the accumulative effect that its continued presence produces upon the minds of a few persons, rather than upon a single impression made upon great numbers of observers. The makers of calendars reason

thus: Our calendar advertisement will be read by at least five people a day. The normal life of a calendar being one year, it is further reckoned that 1,825 impressions will be made during this time. At that rate the advertisement on 1,000 calendars will be read 1,825,000 times during the year. The cumulative effect will, therefore, be great. Considering that the average cost of an art calendar is 16 cents each year, or \$160 a thousand, this form of advertising compares very favorably with other publicity mediums. Furthermore, it gets a preferred position, since it is placed upon a man's desk or on the wall of his office or home. "But for the calendar," says the novelty manufacturer, "you could not obtain this space for love nor money."

164. *Blotters*.—Blotters are probably used in greater numbers than any other one form of novelty advertising. Perhaps they are used too abundantly. Although the blotter is a very cheap method of advertising, good judgment should be shown in selecting an appropriate form and inscription by which the firm or the goods are announced. An advertiser who shows poor taste in this respect will get poor results. It is not his purpose to leave a bad impression upon the minds of those who use the blotter and see his advertisement day after day. To get the best accumulative results the blotter should be distributed at least once a month to all the customers and to all the business houses in his locality. It is well to have some variety in the announcement, but short, terse, sharp arguments should not be departed from. If the blotter goes into the office the argument should be made to appeal not alone to the head of the house, but to the office force as well.

165. *House organ*.—About the first record, according to Harry Griefe in *Advertising and Selling*, we

have of the house organ is found in the year 1869. One enterprising merchant in Paris in an effort to surpass his rivals and regain interest in his wares conceived the idea of getting out and sending to his customers regularly a publication containing items interesting to them, and at the same time advertising his goods. Since that time the number of such publications has constantly increased, until to-day there are being printed at least 500 house organs of the better class and the number is rapidly growing. Some of these house organs have enormous circulations, one publication in the United States, issued by the Metropolitan Life Insurance Company, having an average circulation of 5,000,000 copies. This house organ, called the *Metropolitan*, contains about sixteen pages and is issued six times a year. It is now in its twenty-sixth volume.

166. *Varieties of house organs.*—House organs may be classed into several divisions: 1. Those reaching dealers. 2. Those reaching consumers. 3. Those reaching branch offices, agents or employés. Probably the most fruitful field has been the one appealing to the dealer. The development of the house organ has been due to a feeling that a newspaper or a magazine did not offer opportunity enough for a thorough exploitation of all the good points in the article advertised. And again, in the general medium, each advertisement must lose much distinctiveness because of the numerous other advertisements with which it is associated. The house organ enables the advertiser to tell his story completely and in detail, and to illustrate his product, while at the same time the advertisement gets that benefit which comes from direct association with editorial matter of a magazine quality. Appearing regularly it has also a cumulative effect in influencing the dealer as does

calendar advertising, and, going as it does to the desk of the business man directly interested in the products advertised, puts the announcements at the right spot at the right time.

167. *Making the house organ.*—If a manufacturer would produce a really good house organ he must take great care in its preparation. It is now generally conceded that the character of its contents should tend toward that which educates the dealer or the consumer in those points which will lead to greater profits and larger success, and it must do this in a way that will both entertain and educate its reader.

Some editors of house organs, like the editors of trade journals, try to make a paper from the clippings of other papers, by joke columns, childish puzzles, pictures, etc. They attempt to fill space which perhaps would have been more effective had it been left unused. A good house organ should be illustrated, well printed and the advertising matter should not overbalance the reading matter.

An advertiser before he begins the publication of a house organ should consider well his own ability, or his opportunities of obtaining an editor who can maintain a high standard of reading matter combined with straight-from-the-shoulder business arguments that are necessary to make the house organ a success.

The question often arises, shall the house organ use "outside" advertising matter? The answer to this seems obvious, since the basic idea of the house organ is to accentuate the individuality of the concern using it. Every outside advertisement detracts from this fundamental purpose, and the house organ loses its chief characteristic and becomes more of a general magazine or trade paper than a house organ.

168. *Value and cost of such mediums.*—In determining the value of the house organ as an advertising medium publishers are quite unanimous in saying that this is one of the most effective forms they use. Mr. Griefe quotes one firm as saying that it was able in one year to trace sales amounting to \$18,000 to its house organ.

The cost of the smaller house organ is not large if it is used in editions of 10,000 copies or more. On this basis an eight-page paper, 6 × 9, can be written, illustrated and printed for about \$200. If \$100 is added for postage and \$25 for addressing and wrapping, the cost per copy will be not more than 3½ cents. Every month for a year, a prospective customer can be reached regularly and forcibly with advertising matter at the comparatively small cost of 40 cents.

Where the house organ is of small form, considerable expense can often be saved by printing two issues at one time. This reduces the cost of the press work by running a full form of twenty-four or thirty-two pages at one time and then cutting the sheet in two.

A proper consideration of what constitutes the contents of the house organ would take a volume in itself. Suffice it, therefore, to hint at the policies pursued by some of our most successful houses. They conduct their publications on the broadest lines, making no direct attempt to produce sales. Educational work is undertaken by teaching dealers and their clerks better business methods, and by advocating a higher standard of personal efficiency. In order to gain the personal interest of certain readers some houses maintain advertising columns for positions wanted, business opportunities, etc. Other houses make a specialty of writing up sales arguments and other suggestions to be used

with a general campaign for the local advertiser. This would include illustrations of goods in use and of window and store displays.

Where two or more different lines of trade are to be reached it is better to devote a small house organ to each, rather than to try to make one publication serve these various interests. Where the one issue method is followed much of the reading matter can have but little interest for a large part of its readers. For example, a firm dealing with architects, plumbers and roofers gets better results if three house organs are used, each appealing to a separate constituency, than if one house organ of a composite type is used.

169. *Booklets and folders.*—A discussion of all the features which pertain to the booklet is not shortened because the subject under consideration is a little book and not a large one. The advertiser has adopted the little book rather than the large one because it is more suitable for his business. But all the problems of composition, printing, etc., that pertain to the larger book, apply here also.

All the reasons, psychological or otherwise, mentioned in a previous chapter, apply with the same force in determining the contents; dimensions and proportions of a booklet. Regarding the size from the business man's point of view, one author says:

I venture to say the vast majority of booklets that have been thrown away will be found to have had large pages and therefore no place could be found about a business man's desk, in which they could fall. Time and again I have heard business men comment on the beauty of typography of the folder or booklet, but they say they should be smaller. A large booklet lies about a desk until it eventually gets in the way, when it is dropped into the waste basket or put away in a bookcase or a

drawer where it soon ceases to have that ever present familiarity and opportunity to do business that goes with a place on a man's desk.

170. *Size and shape of booklets.*—Many books to-day which have combined artistic quality with commercial success are published in the size six inches long by four inches wide, and about three-fourths of an inch thick. This size seems to meet with general approval, and hence meets the demands of the advertiser for a maximum return in response to this appeal. It would seem from this that odd or extraordinary shapes would as a rule be barred. Little booklets in the shape of bells or dollar marks are considered by many business men as an expression of bad taste. They say it advertises the cleverness of the advertising manager rather than the nature or quality of the firm's goods. If such is the case, then such an advertising medium fails in its purpose.

A booklet in order to be impressive should appeal to the reader as a candid statement of facts, namely, that it is an advertising method and that the advertiser wants the reader to trade with him. It makes no difference whether the reader is already a customer, or whether he is one who has simply expressed an interest in your business; or whether he is at the time entirely ignorant of your existence. Each reader, whether he be a customer or not, is open to the approach of competing firms, and although the advertiser may have established trade connections with one of them, nevertheless, he may be taken away by the competitor who has first gained his attention by the stronger appeal in the make-up of his booklets or folder.

171. *A successful example.*—How a high grade of

work may gain the interest of an indifferent firm is well illustrated in an instance told by St. Elmo Lewis in his book "Financial Advertising." The National Cash Register Company on one occasion desired to present to a selected few among the most prominent merchants of this country and France an argument relative to their department store cash register. A booklet was prepared to meet the special conditions, one of which was that the advertising man reach the head of the firm. Folders and advertising in personal letters had failed and so it was decided to make a book that would be so costly in printing, binding and general make-up that a man would inevitably be drawn into a consideration of its contents. Accordingly, a booklet was designed, enclosed in a hand-sewed pig skin traveling bag, of the latest London design and workmanship. In all, it cost more than \$50, but it reached the head office and accomplished its purpose. Of course, this was a device to meet an extraordinary case, but it shows in a measure what the advertising strategist may do when circumstances demand it.

CHAPTER IX

PROBLEM OF THE RETAILER

172. *Retailer and manufacturer.*—The two irreducible factors in the industrial world are the consumer and the manufacturer. The functions of these two are absolutely essential to commercial life. That each might have the advantage that comes from specialization, certain features pertaining to the delivery of the goods by the manufacturer on the one hand, and the search for purchasable goods by the consumer on the other, were turned over to men who could devote their whole time to these duties. Accordingly, there grew up one set of middlemen whose interests were closely associated with the manufacturer, since they sought to find outlets for his wares. Another class of intermediaries likewise arose, but their interests were closely allied to those of the consumer, as they became specialists in the selecting of goods suitable for their respective communities. Although the term middlemen has attached itself to the first of these groups, the wholesalers and jobbers, yet so far as function is concerned the retailers are also middlemen.

173. *Power of middleman.*—So long as the wholesalers fulfilled their mission and thus removed a burden from the shoulders of the producer, they were encouraged and aided by the latter. Many causes, however, tended to so increase the middleman's power that manufacturers felt their economic position growing weaker and weaker. Having many competing manufacturers

from whom to choose their stocks, and often having affixed their own name or trade mark to the goods, the unknown manufacturer was sometimes left dependent upon the middleman's wishes, which meant that the manufacturer had to meet the prices which the wholesalers set for him. The latter knew the market and the consumers, and the manufacturer did not.

Had the means of gaining publicity always remained as crude as they were under the early conditions which gave rise to the middleman's position, the manufacturer would probably have found it necessary to still accept his dependent situation. But printing and the press which brought political freedom also became the means by which the producer was able to make known his existence and to push his claims directly before the consumer. By means of advertising, therefore, the manufacturer is gaining his independence. The jobber is having his activities restricted, or he is being eliminated altogether. This does not mean that the function of the jobber is not as essential as ever, but the manufacturer is directing the distribution himself. The manufacturer has not gone directly in most cases to the final consumer, but has been content to supply the retailer—yet, as we shall see, he has not thoroughly solved the problem of untrammelled distribution.

174. *Closer relation of manufacturer and consumer.*—From the consumers' point of view there is a movement, still in its infancy, which is drawing them into a closer and more direct relation with the manufacturer. Consumers can now go around the local retailer and purchase from the mail-order house, or through co-operative stores can buy directly from the manufacturer or jobber. Some of these institutions take the whole product of certain manufacturers. So far as the

manufacturer is concerned this method does not differ much from the distribution of goods through the wholesaler, but it is a method affecting the consumer and shows that the attack upon the middlemen, wholesalers and retailers, is proceeding from two sides—from the side of the demand for goods as well as from the side of the supply.

As it is natural to expect, the retail stores are not less strenuous in their denunciation of this consumers' movement than the jobbers have been in their attempts to force the manufacturers to deal through them. The following resolution adopted by the Retail Grocers and General Merchants' Association of Minnesota at their convention of 1910, expresses the general feeling of the retail store against the "catalogue house" and the consumers' attempt to buy directly from the manufacturer.

Whereas, it is well known that some of the Twin City wholesale houses, as well as some Chicago dry goods houses, are making a practice of selling to catalogue houses, while the majority are loyal to the extent of confining their sales to legitimate retailers exclusively; therefore, be it

Resolved, by this association, that we hereby most emphatically protest against said practice and urge that the members of this association express their disapproval in a manner that will if persisted in tend in time to correct it.

175. *Opposition to mail order houses.*—And again, the National Association of Retail Grocers' at Springfield, Illinois, adopted a resolution condemning as unfair the selling of goods to a catalogue mail order house by a jobber, broker or manufacturer, or agent who at the same time sought an outlet for his goods through the retailer. According to the resolution, the retailers are to give their loyal support to all manufacturers, etc.,

who protect the retail merchants by refraining from selling to such institutions.

No attempt will be made to describe the situation as it exists over the whole field of distribution. This section of the industrial world is rapidly undergoing a reorganization. It is our purpose simply to indicate the new alignment of the main factors in order to show more clearly the direction from which flow the forces that control, or should control, the policies of national as well as local advertisers.

We should note, then, that the retail merchant is antagonistic to the catalogue mail order house. He is likewise opposed to the manufacturer or wholesaler who sells direct to the consumer. The jobbers, other middlemen, are fighting the attempts of the manufacturers to go round them and deal directly with the retailer or consumer.

The manufacturer, in his attempt to free himself from the control of the wholesalers, tried not to antagonize them more than was necessary. Therefore, in the early stages of this movement a common policy was observed by nearly all concerns. The manufacturer stimulated orders directly from the retailers by his advertising, but these were filled through the jobber. Finally, some manufacturers, feeling they were strong enough to deal directly with the retailer, broke all connections with the jobbers. The manufacturer soon found, however, that he had simply transferred his dependence upon one middleman to another.

The manufacturer in his attempt to induce the dealer to handle his goods often made his advertising appeal directly to the consumers who, by their demands upon the local merchant compelled him to stock up with the advertised wares. This kind of advertising had two ef-

fects. It not only stimulated a demand, but it tended to standardize the price and establish a valuable trade name.

176. *Retailers use substitution.*—Many dealers at once took advantage of this and began to offer customers substitutes of poorer quality, or at least, "something just as good" at a lower price, but upon the sale of which they could make a greater profit than upon the advertised goods.

This practice of the retailers threatened to cause serious injury to the whole publicity method, and thus forced the advertisers into a new campaign of advertising in order to teach the public to discriminate when asking for goods. That this substitution evil has not entirely disappeared is evident from the cautious, "beware of imitations," "see that every box bears our signature," etc., etc., that appear on nearly every well-advertised article; but it is no longer considered the most serious problem to be met by the manufacturer. The most difficult question now before the national advertiser is how to maintain prices.

177. *Manufacturer and price cutting by retailers.*—The dealer by his actions has again forced the general advertiser into an aggressive attitude.

The manufacturer has approached this question in three main ways: (1) By means of an appeal to the retailers' feelings of commercial honor; (2) by forcing the retailers to sign a contract; (3) by educational means.

The principle upon which the personal appeal method is based is that there are few men who would admit that they are wilfully dishonest or that their spoken word cannot be relied upon. In carrying out this method the salesman is instructed as soon as he

closes with a dealer for the initial order, to set forth the policy of his house, which insists upon strict price maintenance, and to ask the dealer point blank to pledge his honor not to cut prices. No evasive answer is accepted, such as "this house has never been a price cutter," and the like. Only a "yes" or "no" answer can be taken. If "no" is given as an answer the method of attack employed by a salesman would be something like this: "Well, Mr. Dealer, I am sorry you can not see it the way we do, and realize that it is to your 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 do not want your order and you really do not 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 goods as it is, upon which you are not meeting selling expenses, or are even losing money."

The testimony of a certain soap concern is that for many years since this method was first adopted, not one dealer has failed to accept the conditions imposed by the firm when the matter has been presented to them on this personal basis.

178. *Requirements of method of personal appeal.*— This method of personal appeal requires the selling concern to keep a close watch on the retailer and be ready to give instant attention and aid to those other firms who must meet the competition of the price-cutting retailer.

The above-mentioned soap house meets a condition of this kind by asking the faithful dealer as soon as he discovers a competitor cutting his price to telegraph the firm at its expense. A salesman is sent immediately to deal with the case. If the dealer admits that he has cut

prices no compromise whatever is made, unless, perhaps, he is permitted to renew his personal pledge to maintain prices in the future.

Some firms have great faith in this manner of appealing to the dealer's sense of honor. Mr. Frank H. Holman in *Printers' Ink* says:

In this 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 handcuffs dealers with steel chains of legal documents.

The second method by which the alert manufacturer is attempting to establish stronger control over his prices is by means of a contract. This contract is generally combined with some kind of penalty plan of price protection. The effectiveness with which the terms of the contract can be enforced generally depends upon two conditions: (1) Where the company has a legal patent monopoly; and (2), where the company has a doubtful hold upon its consumers gained through able and well-distributed advertising.

179. *Where company has legal monopoly.*—In the field of legal monopoly a good illustration is furnished by the rubber industry, where price cutting has been very prevalent. One firm attempting to limit the cutting of prices is the Foster Rubber Company. It manufactures a friction plug heel, which is patented. Its goods reach the consumer through three intermediaries, namely, the jobber, the sub-jobber, and the dealer. In

order to control the last, it was necessary first to control the jobbers. Accordingly a re-sale price agreement was issued, which all jobbers were asked to sign. The chief points of the agreement are contained in the two following paragraphs:

The party of the second part agrees that, upon request in writing by the party of the first part as to whether or not it has violated the terms of this agreement, to make affidavit to the party of the first part as to whether or not any violation has been made, and, upon violation of this agreement by the party of the second part, it is agreed that the party of the first part may discontinue the sale to the party of the second part of all Friction Plug Heels herein referred to; and, in any event, it is agreed for each sale in violation of the terms hereof party of the second part shall give the party of the first part as liquidated damages, and not as a penalty, the sum of fifty (50) dollars.

This agreement, unless terminated as hereinafter stated, shall, as to patented Friction Plug Heels, continue during the unexpired term of several patents, and any renewals thereof, under which the Friction Plug Heels herein referred to are severally manufactured. As to articles which are trade-marked or copyrighted but unpatented, this agreement shall continue for seventeen (17) years from the date hereof.

The manager maintains that should the jobber violate this contract the company would have a right to collect the penalty prescribed in it, and then get an injunction preventing the jobber from selling at prices under a stipulated agreement. They claim that this right is based upon the fact that the goods are patented or trade-marked.

To protect the company against the sub-jobber who might cut his prices, the company refuses to sell goods to those jobbers who re-sell to those who cut prices.

The company also provides in this contract against various re-selling plans, which in effect are nothing more nor less than systems of selling below a company's set price. One of these is to the effect that the jobber must sign an agreement not to give premiums. As soon as the Foster Rubber Company discovers cases of price cutting a notification is sent by registered mail to all the jobbers having business relations with the company.

180. *Companies without patent monopolies.*—An example of a company without patent monopoly putting strictures upon the retailer or jobber is seen in the contract, with penalty attachments, issued by the N. K. Fairbanks Company. They have notified the wholesale trade that the quarterly cash discount is to be discontinued and goods are now to be delivered at net jobbers' prices. There is a provision, therefore, that the sales to the retailers shall be according to list prices furnished by the company. In case prices are cut, a penalty is imposed according to the following clause:

It is further understood that you will not sell to other buyers whom we shall have designated to you as having cut list prices.

In the event of the violation of these terms by any dealer it is understood that said dealer for the first failure to maintain prices as above stipulated shall forfeit to this company the sum of \$50; for the second violation, the sum of \$100, both to be construed as liquidated damages; it being recognized that material damages would result to the N. K. Fairbanks Company from such price cutting in violation of the conditions of sale, the amount of which it would be difficult or impracticable to ascertain.

This new rule is interesting from the fact that the company must depend entirely upon its hold upon the

consumers, and this position has been gained chiefly through advertising.

181. *Contract prohibiting trading stamps, etc.*—Richard Hudnut of New York City, maker of perfumery and toilet articles, has never advertised through the general mediums. As a consequence, he must rely

TO
RICHARD HUDNUT
 115-117 EAST 29th STREET
 NEW YORK CITY

In consideration of the discount of $12\frac{1}{2}\%$ deducted from your wholesale list prices we the undersigned agree that, so long as ^Iwe deal in your Perfumery and Toilet Articles or other preparations, ^Iwe will not on any occasion resell to consumers at prices less than the retail schedule printed in your current Price List, a copy of which is in ^{my}our possession, nor will ^Iwe give any article of value or trading stamps or make any other concession for the purpose of reducing the retail selling prices aforesaid.

^Iwe furthermore agree not to supply said goods to jobbers or other dealers except at your full schedule of retail selling prices.

^Iwe furthermore agree to forfeit your semi-annual bonus discount of 10% as a penalty for breach of the foregoing conditions of sale.

Signature _____

Town _____

Date _____ State _____

ORIGINAL to be sent to Richard Hudnut.

upon a strongly worded contract with the dealer in order to maintain his prices. In those states of the Union, such as Texas for instance, where such a contract would be void, the signing of it would have no more force than a tendency to increase the effect of the moral obligation. The experience of the firm shows that where one dealer cuts prices another who is on the

alert will report the case to the New York firm. Mr. Hudnut handles such cases with firmness and dispatch. A Savannah retailer who was reported to him as cutting prices was immediately visited by a salesman with instructions to buy back all the remaining stock on hand, which he did. The contract, which is shown on page 216 and is filled out in duplicate to be retained by the dealer, is a good example of this form of price control.

182. *Advertising advice for retailer.*—The industrial world has always showed a disposition to condemn the activities of the middleman. Being neither the consumer nor maker of the goods which he handles, mankind has found it difficult to account for his industrial necessity. Men have noticed, however, that it is the middleman who quotes the prices; but because he is the mouth piece which gives expression to the results—that the economic forces of supply and demand have been forging into the concrete form of a price—most people look upon the middleman as the creator of the price. They assume that this power comes to him simply through his strategic position in the commercial world, a position which enables him to take advantage of the needs and necessities of both consumer and producer.

183. *Factors in price making.*—While the middleman does hold a point of vantage from which to observe the movements of industry and commerce, he would have been dislodged long ago if he had not contributed something vital to the progress of economic society. He has assumed some of the burdens and risks of distribution, but this is not saying that he has not also often abused his position, sometimes designedly, but often ignorantly, because he did not realize the importance of the forces that were subtly working out the determination of the prices on any given lines of goods.

It costs more to make good articles than poor ones, at least there is a general correspondence between quality and cost. There is often added to the commercial costs a heavy expense for advertising a good. This is justified since virtues of the good are made known, and society profits thereby. This means that a certain good of standard quality cannot be put on the market at a price below the total cost of manufacturing, marketing, etc. So much from the side of production. But the consumer is also interested. Goods of high quality are cheapest in the end for him. Even the dealer himself profits most in the long run from handling goods of quality, for a satisfied customer is the best advertisement.

184. *Advantages of stable trade conditions.*—Not realizing the importance of these economic factors, many dealers have adopted the methods of substitution and price cutting. Both of these methods may prove immediately profitable, but the profits will be more than counterbalanced by the future losses due to decreased buying desire on the part of the public, which has lost confidence in an article surrounded by such untrustworthy and unstable trade conditions. Lessened sales by the dealer of the goods of the better quality often means the retirement from business of the concerns which have manufactured and advertised the better grade of wares.

To improve this condition of affairs, many large manufacturers and commercial bodies and associations are continually devising means for instructing the more backward portions of the business world in the advantages of fixed or fairly stable trade conditions. One branch of commerce which is still undeveloped, if its progress is measured by the business standard of fixed

prices, is the retail trade. It can hardly be expected that the small retailers can have the commercial experience, opportunities and the business knowledge and foresight which long or wide experience makes possible for the big manufacturer to have. It therefore devolves upon the large concerns to educate the smaller, but far more numerous members of the retail trade.

185. *Well-advertised goods used as leaders.*—One practice that is common among dealers is to use a well-advertised article as a "leader." This means that a dealer offers to the public an article, which the consumer knows to be a staple, at a price below the standard set by the manufacturer and the one which the buyers have grown to accept as just and reasonable. Sometimes the price is cut even below the cost of production. Of course, the dealer loses the difference between the price he pays for the article and the lower price at which he sells it, but this is charged up to his advertising account. So far it may look as though the manufacturer had no cause for complaint. The dealer has paid him his price. But the loss comes when the price-cutting dealer decides not to handle the article longer. All the other handlers of the article in that community have already dropped it from their stock for obvious reasons. Then the manufacturer finds the public educated to a lower price for his product than he can afford. The manufacturer discovers that his trade reputation floated by expensive advertising has not only been pirated, but scuttled as well. To show the dealer that such policies are detrimental to everyone concerned, and that the trade-marked article can be made a permanent asset to the retailer as well as to the manufacturer, many devices are put forth.

186. *Maintaining price.*—The methods adopted by

manufacturers are so numerous that it would be impossible to illustrate them all, but the attempt to maintain prices is one of the most interesting developments going on in the business world to-day.

There is one element common to nearly every method, however. Manufacturers, and more especially the large ones, back up their work of price standardization by advertising for the consumer and education for the trade.

A typical group is presented in the case of a small corporation of New York City. It began business in toilet articles in a small way. Its line comprised about fifty preparations, and they were sold by women agents in the small towns throughout the country. Soon they noticed that one article took hold of the public more strongly than the others, and retailers began to ask the manufacturers to sell it "through the trade." Accordingly, the company decided to canvass the drug and department stores. Experienced demonstrators were employed first to introduce them to the New York City trade. As the goods were placed in stores the newspapers were used to advertise them. This method proving successful, the territory was enlarged and a few other cities were attacked in the same way.

187. *One method of maintaining one price.*—From the beginning, a policy of price protection was followed. The company being small and the article not being covered by a patent right, neither the contract nor other formal agreement could be employed. Instead the company relied upon the demonstrator to explain the company's policy of maintaining one price, which consisted of refusing the goods to any dealer who persisted in cutting that price. For two years there was little trouble, but with the growth of the article in popular

favor the temptation on the part of dealers to cut the price increased. The company met cases of this kind with firmness. One small druggist, being discovered with a sign announcing the article at a cut price, was expostulated with and the policy of the firm was explained to him. It was shown that as the demand grew for the goods his profits would be surer and greater by maintaining the price.

This missionary method did not meet with such a ready response when the large department stores which make a practice of cutting prices advertised this proprietary article as one of their leaders. Here the firm was met with the argument that it was necessary and right from the store's point of view to take off a few cents from the price of such a toilet article. The representative of the firm was told in one store that the toilet department was run simply to cover costs, and if necessary at a small loss, in order that customers might be drawn into the jewelry department where the profits were large. There was only one course to pursue in such a case, and no goods were sold to this department store.

The manufacturer found compensation in the fact that not all the department stores follow price-cutting policies. In fact, some of these asked him if he made a practice of selling to firms which cut prices, since they must decline to handle goods which were likely to be left on their hands unless they followed the same method.

188. *Devices adopted by price-cutting establishments.*—But the stronger the effort to maintain prices, the more desirable became this article in the eyes of the price-cutting establishments. Various devices were resorted to in order to obtain the goods. It was not long, therefore, before the manufacturer discovered that a

large department store to which he had refused to sell was offering his 50-cent proprietary article at 39 cents. He investigated and found that the store had obtained the goods by paying the full retail price at another retail store. When this dealer was taken to task for selling the goods, he protested that the sale had been made in good faith to a stylishly dressed woman who claimed that she wished a gross of these articles, as she was about to sail for Asia where it would be impossible for her to buy them. The dealer was warned by the manufacturer and the result shows how strong a sentiment is growing in trade circles in support of the policy of price maintenance, for the offense was not again repeated.

When the proprietary manufacturer extended his territory to include other cities than New York, he found it necessary in some cases to turn his demonstrators into actual salesmen in order to maintain his price. In these cases he simply turned the retail profits over to the dealer. This he found to be generally a successful method in educating the price cutter up to the standard of a fixed price. Naturally the manufacturer could control his own sales at the regular prices only so long as the demonstrator remained in the store, but the time was generally long enough to make the lesson effective.

189. *Following up consumer's list furnished by dealer.*—It was assumed in the above illustration that the manufacturer had created a considerable consumer's demand for his article. He used this as a lever in forcing the dealer to maintain a standard price. It is frequently necessary to gain the coöperation of the dealer at the same time that the demand of the consumer is being created. The first step toward securing the dealer's interest is to show him that there is a specific demand for the manufacturer's goods. The method

adopted by a hardware manufacturing firm illustrates one way that this may be done. A dozen weekly and monthly publications were selected, in which were placed full and half-page copies offering a catalogue. By this means, a list of prospective customers was obtained. Each inquiry was promptly answered and the inquirer instructed to buy of his home dealer. But in case his home dealer did not carry the goods he was to order directly from the manufacturer. Furthermore, the dealer was notified at once of the demand, and the name and address of the inquirer was given him. At the same time the firm's policy as to prices, the character of the goods, the conditions of sale and the dealer's profit were explained to him.

This method brought in orders from over 10 per cent of the dealers, while 6 per cent more wrote letters. Those who did not answer were sent a second letter at the end of ten days. A complete window display was offered them by express, prepaid. This display included advertising matter which was free, and a complete set of the goods was to be delivered to them at wholesale prices through the jobber. Within a month nearly 20 per cent of the letters sent out brought orders.

Having secured the dealer's attention, his interest was further strengthened by offering other aids, such as newspaper advertisements, booklets, samples, etc. Later on a monthly house organ was published which in a measure took the place of the letters. This publication contained illustrations of the goods, selling plans, diagrams and pictures of the window displays; and the various selling points of the goods were emphasized.

After this, whenever a new dealer was approached, a sample copy of the house organ always accompanied the first letter to him. This showed him how the manufac-

turer was creating a broad and steady demand through methods of national advertising. In this way the retailer gains confidence in the manufacturer and makes a response in the form of an order to the consumer's demand more readily.

190. *Free samples.*—There are many methods depending largely upon the character of the goods, the size of the firm, etc., by which the consumer's demand is created. The hardware concern mentioned above could not employ samples for consumer's distribution, but, on the other hand, soap makers find this method a very profitable one. Advertising by free samples is subject to much loss on the part of the advertiser. Unless the distribution is closely watched, a large proportion of the samples will fall into the hands of consumers with low purchasing power, or they may be confiscated outright by the distributing agency. To avoid this as much as possible manufacturers are continually devising some check by means of which the distributor may be held to account.

Two instances will indicate how such devices are employed.

The producers of Beardsley's Shredded Codfish, discovering that their advertising in Pittsburg was not producing proper returns, adopted a method of sampling through a house to house canvas in order to be sure that the samples fell into the hands of likely prospects. The 193 grocers of the city were canvassed, and 93 of them agreed to supply the names and addresses of customers. Next the qualifications of men and women as successful distributors were determined. It was found that women performed the sampling work better than men. Samples were then prepared and put into packages large enough to meet the requirements of a family of

five persons, and the distributors were instructed to pass them out on that basis, and wherever possible to obtain a personal interview with the women of each household.

191. *Coupon method.*—This distribution of samples by manufacturers through representatives who have been selected with some care is perhaps the surest way of obtaining effective distribution, but it is costly; when a very extensive distribution is required to be made in a short time, some other means must be employed. One firm which found it necessary to make its distribution of samples through the dealers used the coupon method. The plan followed involved an advertisement in the weekly papers which offered a free bottle of ginger ale upon presentation to the local dealer of a coupon to be clipped from the advertisement. The dealer, in return for his trouble, was paid the full retail price for the ginger ale by sending to the company the coupons which he had collected, but which were also to be accompanied by the caps from the bottles. The last requirement was imposed upon the dealer to avoid a promiscuous distribution.

Another company which deals in summer drinks added two new requirements before the coupon, which was presented by the customer, could be honored by the dealer. The first of these required that the coupon be presented by a person accompanied by a friend to whom two free drinks were given; the second required that the bearer be an adult. In explaining the reasons for these requirements, the manager said that sociability heightened the pleasure and deepened the impression of the drink upon the mind. The second requirement was to guard against the coupons being monopolized by newsboys.

The coupons were redeemed by the company at four

cents each. This gave the dealer a profit of about three cents. In addition, the company indirectly called the dealer's attention to the free advertising that his general line of goods received by having people call at his store with the coupons.

192. *Use of dealer's name in advertisement.*—The methods so far have depended upon creating the initial demand through the consumer. Some manufacturers may wish to enlist the coöperation of the dealer by some other means than that of inquiries for goods. The Anticor Manufacturing Company of New York, which makes a safety corn shaver, developed a scheme which was very successful in this respect. The company wished to introduce its goods into Baltimore. It already had a few dealers there, but before it began an extensive newspaper campaign it had added twenty-nine additional dealers to its list. This was done in a half day's work by two men, one, a representative of the firm, and the other, an agent of the *Baltimore American*, a paper which was chosen to carry the first advertisements.

The plan was exceedingly simple, but it succeeded because it enlisted the interest of the dealer at once. He was required to purchase merchandise worth twelve dollars at retail to insure his good faith, and for this he was listed as an Anticor dealer and his name and address printed in a space provided in the advertisement. A copy of the proof of the advertisement containing the blank space for the dealers' names was presented to them by the newspaper representative. Advertising was carried on for thirty days, running twice a week, and varied from one hundred lines to four pages. After this time, although small advertisements were used, the lists of agents were discontinued. As a result of this

three months' campaign three hundred dealers had been induced to handle the Anticor Company's goods.

The next city approached in the same way was Washington. Here within two weeks the company succeeded in adding one hundred and twenty-five dealers to their list.

193. *Advantages of this method.*—Another company which has used the same method with success, is the firm which makes the thermos bottle. The great advantage of this method for the advertiser with limited capital is that he can get quick returns and can thus re-employ his appropriation for further advertising. He can put his money—say \$1,000—into advertising in City No. 1 in January. His money should be returned to him from the dealers who have ordered goods within the next sixty days. He is now in a position to attack City No. 2. With fair success, therefore, he should be able to exploit at least four cities within the year. Of course, if the advertiser has a larger appropriation he can approach several cities simultaneously.

The dealer also profits by the advantages of this method. As a rule he is not required to order more than ten dollars' worth of goods in order to have his name listed. According to the general practice such dealers would be given thirty days' credit. Within this time the general advertising scheme should have aided him in disposing of this amount of goods, so that he, like the manufacturer, has his money returned and he will have received a month's advertising free.

194. *Guarantee as a sales promoter.*—The use of a guarantee in connection with products which have not heretofore been considered capable of being guaranteed has increased the sale of products in many recent cases. To guarantee stockings against premature wearing out,

or to guarantee absolute freshness of oysters on delivery, would have appeared at one time as speculative as guaranteeing the weather. The success of the Hole-Proof Hosiery people and the Booth Fisheries Company show how times have changed. The latter, for instance, during the fall season of 1909 increased the consumption of their goods 80 per cent by laying strong emphasis on the guarantee plan of their advertising. To be sure, a time limit was set on the disposal of goods; any shipment of oysters not sold within a set time was to be returned to the company by the dealer.

195. *Difficulties in distribution of advertising matter to retailers.*—Many dealers take the position that they are doing the manufacturer a favor when they make a small trial purchase of trade-marked goods and receive free an advertising display equal in cost to the purchase price of the goods. As a consequence, much of the printed matter, window cards, posters, price tickets, window displays, electros, etc., prepared by the manufacturer at great expense, is destroyed by the dealer or perhaps never taken from the express office because transportation charges have not been prepaid.

One manufacturer relates how a dealer refused to pay forty cents freight charges upon a free window display costing fifteen dollars. Then there is the case of a manufacturer who had his electrotypes returned to him because the dealer refused to pay fifteen cents express charges. These were sent free to be used by the retailer in his local newspaper and circular advertising work. Another tells of a merchant who was discovered doing up bundles of merchandise in beautiful four-sheet posters, lithographed in five colors. Besides these "evidences of thrift" on the dealer's part, there are well-known practices among dealers of using the advertising

matter or material of one firm to advertise another firm's goods. One manufacturer who furnished an expensive indoor electric window sign to the dealer frequently found that his advertisement had been removed and announcements of another nature put in its place. Perhaps the most familiar example of substitution of this kind is seen in the use by the retailer of the electros sent by one manufacturer to represent the goods of another. Shoe manufacturers have suffered noticeably in this respect.

Other evidences of the dealer's lack of appreciation of the importance of the advertising problem is seen in his careless use of the matter sent him, both in preserving its usefulness as an article for display and in giving it effective notice or distribution. Many manufacturers send out displays so expensive that it is necessary to have several dealers use the same display at different times. One firm even sent out a series of half a dozen electros with the display which could be run in the local newspapers for advertising—not the goods, but the display itself. A schedule had been prepared beforehand showing the dealers how each was to use the display and the electros, as well as the proper time. This plan made it necessary that each dealer, when through with them, should ship the material to the next. It was soon discovered that the dealers were generally so careless in packing for shipment that this part of the campaign had to be discontinued.

Another complaint lodged against the retailer is the poor judgment used in the disposal of costly advertising matter sent to him free. Salesmen frequently report a large supply of advertising matter on hand, when perhaps the dealer has just mailed a request for more. Cases of this kind are more than matched, however, by

those dealers who waste thousands of folders and circulars every month by sending them down the waste paper chute, or giving them away promiscuously.

CHAPTER X

PREVENTION OF ADVERTISING WASTE

196. *Various methods of elimination.*—The manufacturer and the jobber who advertise widely not only look upon the retailer's practices as unbusiness-like, but they also look upon the retailer as a person without a conscience. The advertisers have attempted to eliminate the waste due to these causes by various methods. Their attempts, however, have shown them that the faults did not lie altogether on the side of the retailer; neither was the latter a hopeless fool nor an unregenerate rogue.

The manufacturer's investigation of methods by which the retailer's coöperation may be more effectively promoted has disclosed; first, that there is a growing understanding by the retailer of his own economic position; and that there are a large number of the retail traders who are capable of seeing the line which divides their interest from those of the manufacturer-advertiser's; and who, furthermore, are well equipped with facts and fully capable of presenting their side of the case with logical force. These are the large retailers, such as the big department stores. The smaller stores are also learning that advertising furnished free by the big advertiser is not a philanthropic act on his part desirous of promoting the sales of the retailer, but that beyond the increase of sales lies the desire of the manufacturer to monopolize the market and insure his sales as well.

It is not strange, then, that the manufacturer, in his attempt to "educate the dealer," should meet with half-hearted response from those who know little of the problem of distribution, but who with the trader's instinct become cautious in the presence of an offer of something for nothing. He meets also with open opposition on the part of those dealers who, like the jobbers and wholesalers, realize the meaning of a well-established trade-mark and the power of advertising when attached to a good by the manufacturer himself.

The retail distribution of goods is one of the most difficult problems which the manufacturer has to meet. However, until he can include in the organization of his business enterprise the control of his product until it meets the consumer, either by selling direct or through agencies under his control, he must devise means of influencing the independent dealer to coöperate with him.

197. *Fundamental points in gaining good-will of dealer.*—The first essential which ought to belong to every method of enlisting the dealer's aid is a bona fide attempt to increase the dealer's profits. This will gain his loyalty. A second fundamental is the careful study of each dealer's situation in advance, and a presentation of the plan to be adopted to the dealer for his criticism. Every point of contact should be gone over and the part that each shall take settled upon. This will gain the good-will of the dealer. An important third consideration—an axiom which every branch of business knows and, some time or other, attempts to prove—is the employment of a method which will give the retailer a competing advantage. So long as this method is unknown or unpracticed by the

manufacturer's competitors the enthusiasm of the dealers is assured.

198. *Giving the dealer competing advantage.*—Perhaps this third essential should be further explained. A retailer will have an advantage over his competitor if he can buy more cheaply or can sell at a greater profit. This is the axiom, and it is accompanied by the following corollary. The manufacturers have attempted to give the retailers this advantage by maintaining a published list of prices, but allowing them certain discounts or rebates of which the trade in general knew nothing. One method which worked to the advantage of certain retailers for a while was the giving of a discount to those dealers who ordered their goods ahead of the season. It was not necessary to have them shipped until the season opened. Of course, there is no competitive advantage in this method to-day. It became so general a practice that it has been universally incorporated into all purchasing; and the problem of "dating" to-day is how to get rid of a custom that has no pecuniary advantage for anyone.

Another method which is practiced, but which threatens also to become attached barnacle-wise to business practice because there is no advantage in its use so soon as it is used by every one, is the allowing of the "free deal" by the manufacturers. By this method the dealer is allowed a certain per cent of his orders free. Thus, a grocer ordering ten cases of Egg-O-See would be given one case free, since the practice of this company is to allow the grocer 10 per cent of his absolute orders. Occasionally the company varies its free deal method by advertising in the newspapers with coupons, which may be filled out by the consumer and given to the grocer in exchange for a free package. The coupon

is passed on to the manufacturers who replace free of charge the goods so given away. In carrying out its free deal policy, about 350,000 mailing cards a year are sent to retailers urging them to order under this "coöperative sharing plan."

199. *Arguments for "free deal" method.*—The manager of the United Cereal Mills Company argues for his method in the following language. The retailer should first consider his own profits. The successful merchant is the one who buys right. The limited selling price theory simply reduces the dealer to an automaton. When one buys in large quantities he should be given a better price than he who purchases in small lots. This is the law of trade which the successful manufacturer follows. The larger his output, the greater his purchasing power. He never does his buying on the limited selling plan policy. When he buys his cartoons, his bags, his advertising space, and anything that enters into the manufacture and sales of his products, he always insists that the quantity shall control the price.

This argument appears to have stretched the term, free deal, to embrace "quantity buying," and so long as the firm publishes its 10 per cent allowance as its regular policy there is no "free deal." It is only a round-about way of stating the price. If this amounts to a lowering of the price by the manufacturer, the other concerns must meet it by a like reduction or its equivalent. There is no more free deal in this kind of a transaction than there is in the case of a railway company making lower rates upon car load lots. The real free deal exists in all its vigor when its use is not publicly announced but is given as bonus, having all the effect of a secret rebate.

In the long run this method may be a questionable policy because of the way it allows its discounts. The allowance is not in cash but in Egg-O-See. Besides establishing the same conditions that the railroads have created through their rate discrimination, i.e., a competitive advantage for the large shippers, the breakfast food company, by the character of its "bonus," tempts the merchant to over-stock. The effect of this on the trade is shown in the next illustration, which rejects the free deal in all its forms.

200. "*Protected price*" method.—In contrast to the Egg-O-See Company's policy is the one pursued by the Kellogg Toasted Corn Flake Company. They sell at exactly the same price everywhere. It makes no difference whether the quantity be large or small or whether the location of the dealer be near to or at a great distance from the factory. In support of this policy, the company claims that, whereas the purchasing power of the dealer is limited, better profits are assured him because his selling power is strengthened through the elimination of competition due to price cutting. It also puts the small dealer on the same basis as the large one. So far as the company is concerned, it enables them to maintain the quality of their product in the hands of the dealers. The latter, not being encouraged by the offer of a free deal, do not overstock and thus permit a large quantity of goods to deteriorate on their hands which later must be disposed of at cut prices.

Of the policies exemplified in the practice of the two breakfast food concerns, the retail trade apparently favors the protected price method. In their last annual meeting the National Association of Retail Grocers passed the following resolution: "Resolved, that we

oppose free deals of all kinds and believe they overload the grocers and encourage price cutting."

201. *Schemes for meeting local or trade selling emergencies.*—The methods so far discussed have dealt with the broad principles which any firm must choose before entering upon a general selling campaign in which advertising must be an important factor. A policy which encourages price cutting by the retailer is incongruous with an advertising policy which has as its chief goal the branding of a trade mark upon the public mind.

202. *Out of season advertising.*—Of late years there has been a marked tendency to advertise goods out of season. Broadway stores, for instance, in order to catch the south-going travelers, have conspicuous window displays of straw hats and other summer goods in January and February.

Another reason for out of season advertising is not to create a new business, but to hold the attention of the public until the season opens. This is illustrated by the street car cards used by the Porosknit garments Company in the winter, which have an appropriate picture accompanied by the phrase,

Until next summer here we'll sit,
To remind you all of Porosknit.

Another firm which has made a success is the concern which manufactures the Schmidt-knit sweaters. The fall and winter months are naturally the proper seasons for these goods, but a summer demand was created by advertising them in the spring. The idea which this advertising exploited was the necessity of a sweater for summer boating and golfing.

203. *Getting distribution of expensive specialties.*—

Many firms are met with the problem of marketing an expensive article in connection with their staple products. An illustration is selected from the perfume and toilet business because the character of the goods handled must meet the demands which come from the opposite ends of the social scale. The ordinary methods of giving premiums and the like in advertising low-priced toilet-waters could hardly be used in creating a demand for high-priced perfumes that sell at five dollars per two-ounce bottle.

Richard Hudnut of New York through elegant and expensive booklets makes his appeal to the class of society which demands quality irrespective of the price. His Du Barry perfume was made popular among this class through a booklet prepared by Mr. Hudnut himself. Not only was no expense spared in getting the best quality of workmanship and artistic skill, but Mr. Hudnut spent considerable time in Paris preparing the material for the booklet. This involved an authentic account of the life of Madame Du Barry, and her dependence for her personal success in influencing monarchs and courts upon the use of certain distinctive toilet preparations. Of course, the author emphasizes the fact that the Hudnut preparations are made after the methods employed by Du Barry's own perfumers.

The lists of customers to whom these booklets and letters containing beautiful cards saturated with perfume are sent, are obtained from local druggists and other dealers. But this list is generally checked up by reference to the retail druggists' directory containing the names of all customers of a certain financial rating living in towns of over five hundred inhabitants.

There is, perhaps, no business in which the sample method of advertising can be more effectively used than

in the perfume business, but the method must be adapted to the trade. Expensive perfumes cannot be given away in large quantities, nor can cheap means of distribution be used. The George Borgfeldt Company in advertising their expensive La Rose Pompon, and Dralle's Illusion perfumes furnish an illustration of this point. In the case of La Rose Pompon a minute sample bottle was offered when ten cents in stamps was sent in. But only one sample was sent to one address. In the case of Dralle's Illusion, another scheme was employed, since this perfume sells at \$1.25 per one drachm bottle. Accordingly, aluminum hearts were made with a round hole on one side and the interior was filled with red absorbent. Being non-alcoholic, the perfume is very lasting, and it was found that one drop would give out a strong fragrance for at least a month.

An incident connected with this method shows how direct advertising may often be aided from indirect and unlooked-for sources. The demand for these hearts grew to such an extent that it called for an investigation on the part of the company. The fact was revealed that women ordered scores of these trinkets, payment for them being offered; the purchasers desiring to distribute them as souvenirs at social gatherings.

204. *Winning the coöperation of the dispensers.*—The principle stated on a previous page—that unless the dealer has a financial interest in the article advertised he does not pay much attention to the advertising matter—is one that should never be lost sight of in any attempt to interest him. The advertiser should also remember that advertising matter unsolicited by the dealer is much like unsolicited advice—it is not wanted—and no attention is paid to it.

Again, if the manufacturer wants to interest the dealer, he should not send him booklets printed on the poorest material, show cards that advertise nothing more than the printer's mistakes, counter wrappers that will not wrap, circulars filled with indecent testimonials, and other advertising "aids" which the advertiser thinks are cheap because they cost little. The dealer generally estimates these at just about what they cost and will seldom use them. Upon this point, the advertising manager of a large department store in Buffalo, New York, says:

I cannot but speak feelingly of this waste because hardly a day passes but it is brought forcibly to my attention. Yesterday we started some 20,000 pieces down the waste paper chute, truck cheerfully contributed by easy manufacturers who felt their duty ended when they shipped a package of carelessly prepared, cheap circulars, turned out by a slovenly printer. A two-cent stamp would have brought the manufacturer sending them, important information, and the circulars could have gone down their paper chute instead of ours, saving them the cost of expressage.

205. *Investigation of conditions of coöperation necessary.*—That the advertiser should investigate the conditions under which the dealer is prepared to coöperate with him is further evidenced by the testimony of the Oakland Chemical Company, the manufacturers of dioxygen. This concern sends out only the highest grade of advertising matter. The list includes a ten-color lithograph window cut which in lots of 5,000 cost them \$1.10 each. Before any of this company's material was sent to the druggists, they were asked to select the advertising medium which they wanted sent to them. Along with this request there was to come a positive agreement to use the advertising matter fur-

nished them. This method was supplemented by timely newspaper advertising. With all these safeguards, however, it was found upon investigation that less than 20 per cent of the dealers used the aids sent them. Perhaps, if as much effort had been put into the investigation before the campaign as was used afterwards, the dealer might have been shown that high-grade advertising matter is very costly.

One firm, after an experience like the above, prepared an itemized list showing the cost of each article sent to the retailer. They found this method fully as effective in making the dealer realize the value of the articles, as did the practice of charging the retailer a nominal price for the booklets, hangers, counter displays, etc.

206. *Dealers to account for advertising helps.*—The dealer should be made to feel that circulars, window cards, etc., are not given him simply as a matter of form. An instructive experience is that of the Patent Paint Company of Milwaukee in establishing a rigid system of keeping track of all advertising matters and charging it up to the dealer. If the latter was mailed a hundred circulars for distribution among the property owners of his territory, he was soon asked to report upon the disposition of them. If he were sent an enameled outdoor sign he was asked, after a reasonable time, to tell when and where he put up the sign. Furthermore, the dealer is charged with every piece of advertising matter sent him. Of course, this is a theoretical charge so far as the dealer is concerned, but it enables the firm to check up the results of the advertising. If a dealer is sent a package of special leaflets, booklets or enameled signs, he is charged on the books of the paint house with the actual cost of these,

including a handling charge. By watching the accounts closely, the company can soon tell whether its advertising in any case is profitable or not, and if not, it can locate the trouble. If the dealer did not coöperate effectively, either through improper distribution or through improper use of the advertising matter, or because of some peculiar local situation, that fact will be disclosed through the accounts.

In the distribution of their enameled signs, the Patent Company exercises considerable discretion. The smaller signs are sent only with orders amounting to one hundred gallons of paint. As the signs increase in size, the dealer must fulfill other requirements before he is given one. The largest sign is not sent unless it is asked for, and details given as to where and how it will be displayed. As the company has about a million of these signs on display throughout the country, the expense saved by a rigid oversight of their distribution is considerable.

207. *Inducing dealers to use space on their own account.*—The commonest method of inducing the retailer to use the local papers to advertise manufacturers goods is to send him newspaper cuts and advertisements free. Here again a good method has been injured by the manufacturers' promiscuous distribution. There is a tendency, however, to attach some condition to the sending of these advertising aids. One of the simplest conditions is to require the dealer to ask for electros by filling out a specially designed order blank. To aid the merchant in the selection of cuts one firm sends out a book made up of regular newspaper stock containing impressions of the cuts, so that the merchant can see what the printing effect will be when placed in the newspaper.

C. Method.

- (a) Announcements of "paint week" to dealers by means of four page colored circulars.
- (b) Details of the plan, and arguments to induce dealers to cooperate.

"If you are thinking of a special opening paint week, have the first week in April. Decorate your store, get out your paddles and cards and display everything to advantage. Make a special window display. Require your clerks to talk paint and varnish during the entire week—to ask your customers whether they intend to paint. Use special display advertising in newspapers. Be sure to have our advertisement in your papers during that week.

"This is the time for your full-page or your half-page!"

- (c) A reminder to keep the circular announcement fresh in mind. A card with the picture of a hand with three fingers extended and the words:

Count Them on Your Fingers

The Weeks Before

"High Standard" Paint Week

April 1-9.

- (d) A second reminder not from the paint company but from the *Associated Sunday Magazine* office, and a brief argument showing the dealer the advantage of advertising locally in conjunction with the paint company's national campaign.
- (e) Cards and folders (100,000 in all) mailed to customers on dealers' lists during the "week."

- (f) Covers of the *Sunday Magazine* sent out four days ahead of the regular issue to be hung in dealers' windows as a sign, thus "closing the circuit" by adding the last link to the local advertising campaign.
- (g) Complete copies of the *Sunday Magazine* sent to dealers so as to reach them Saturday.
- (h) Reprints of the cover page advertisement appearing in the *Saturday Evening Post* of the same week forwarded to dealers so as to reach them on Wednesday—the day before the regular issue appeared for sale. These also to be put in conspicuous places.
- (i) A clincher in the form of a circular which was finally sent to the dealers asking them to describe their "High Standard" paint week—the report to be used in the preparation of a house organ—this to serve as a clearing house of information on how to conduct a paint week. All dealers coöperating were to receive copies.

D. How the dealers coöperated.

- (a) Before the specified date, all the dealers in the cities where the *Sunday Magazine* and the associated newspapers circulate, took space ranging from a quarter page to two full pages.
- (b) Many agents near these centers took space in local papers because the large distributors had printed their smaller agents' names in the associated papers.
- (c) All this copy called attention to the paint company's back cover advertisement, asked readers to refer to it and ended with the statement "we are the local agents."

only while their own demonstrators are at work in the store. It is thought that by the clerks' coöperation a greater proportion of all the customers within the store will have their attention drawn to the company's demonstration table. A substitute for the demonstration method was found by the makers of Force in inducing the dealers to permit the company's men to take their stand in the delivery room, and to put sample packages of Force with appropriate reading matter into every basket of outgoing goods. Of course, this method requires that the coöperation of the delivery clerks at least be obtained; yet it is said to be much cheaper than the method by demonstration.

Like all competitive methods, these means of tempting the clerks tend to become more and more expensive. Each company tries to win the clerk's good will by offering a cent more than his competitor. The result is that in a short time neither company has an advantage since neither can afford to give more—unless, as often happens, the quality of the goods is lowered to make up for the added cost of distribution.

212. *Considering dealer as part of organization.*—The commercial world is acquainted with many kinds of "persuasion." The wealthy corporation can advertise in a way that will eventually force a large proportion of dealers into handling its goods. Repeated requests will finally awaken a trade to the realization that it may be missing something. No dealer cares to have his customers think that he is not up-to-date and handling a popular brand of goods. A steady customer demand for a certain brand of article will finally convince the most obdurate of retailers that he should send in his order for these goods.

Persuasion of another kind, however, may be less

costly and in the end just as effective. Making the dealer enthusiastic by showing him his commercial interests through the use of various educational methods is growing to be a valuable substitute for the "establishment of a brand" method by costly advertising. Although enthusiasm is generally in sight, yet the dealer must be shown that this margin is not solely a question of a price agreement between himself and the manufacturer. The nature of the goods must be a primary consideration. Thus, a dealer should be allowed a larger margin on novelties, luxuries and articles of uncertain sale, than on necessary commodities that have an established demand.

It will be helpful for the manufacturer to regard the retailer as his salesman—the link that joins him in personal contact with the customer. Although nominally independent, the two are really made interdependent through the business necessity of carrying out the various functions of distribution most economically.

213. *Dealer's place in distribution.*—The advertiser who shaves the dealer's profits too closely is likely to have lost sight of the dealer's place in distribution, and unless the advertiser is ready to provide the capital necessary to institute direct sales or to force the trade into accepting the position of distributing agents by expensive "anti-substitution" advertising among consumers, he should try to gain his coöperation by educational means.

The testimony of one successful advertising manager shows how this tendency to consider the retailer as part of the manufacturer's organization is growing. He says:

The dealer must be educated as well as the consumer. He must come to feel a strong sense of the merit of the article, and

In some concerns the position of sales manager and advertising manager is filled by the same person. Perhaps this is the most ideal method of all. Naturally, the sales manager of a large concern must have his assistants, but the most successful sales manager meets his problems best when he is advertising manager as well. If the advertising campaign is conceived by the sales manager, he gives the subject of advertising the most careful thought of his entire selling campaign.

215. *Importance of advertising expenditure.*—When a large concern is spending \$250,000 to \$500,000 annually in advertising, it is spending as much as, or more than, its entire sales force would cost. Hence, in point of expenditure, the advertising expense is the more important, and is so deemed by many of the most successful advertisers. In other words, this advertising becomes a sales force on paper.

Many of the highest paid advertising managers consult with their advertising agents, the agency furnishing a great many of the suggestions and much of the copy used in the campaign. The agent is often of great assistance in the planning of the advertising, the preparation of the copy, the checking of the advertisements and the ordering the entire details, thereby saving the advertising manager a great deal of unnecessary labor.

Many advertising managers get right out on the road themselves and examine a territory where the sales may be weak, analyzing the lack or loss of business. Often he prepares, on the spot, an advertising campaign to interest the special community.

There is no greater argument in the world for a salesman to place before his trade than a booklet prepared by the advertising manager showing the present ad-

vertising campaign in progress. Naturally, the concern's trade has, previous to the salesman's visit, been advised of the entire plan for the coming year in outline. This is one of the most necessary functions of the advertising manager.

From the salesmen, the manager receives reports of the criticisms of the trade on the proposed advertising; he may also get suggestions as to improvements and hints concerning the schemes to be adopted by competitors.

216. *Advertising agencies.*—The first American advertising agency was established by Orlando Bourne in 1828. Very little is known of the success of this first venture. Mr. V. B. Palmer in 1840 established agencies in Boston, Philadelphia and New York, and he was the first one to put emphasis on the advertising business. In 1849, Mr. S. M. Pettengill established an agency which met with success from the beginning. A short time after, Mr. J. H. Bates, one of the most important advertising agents in the history of the business, was admitted to the S. M. Pettengill Company, and his promotion laid the foundation for the leading agency of the United States. After many years of unlimited success Mr. Bates secured, in 1886, the entire interest of Mr. Pettengill and founded the J. H. Bates Advertising Agency. The outgrowth of that agency was the Bates and Morse Agency, Mr. Lyman D. Morse having been admitted to partnership by Mr. Bates. Mr. Morse succeeded to Mr. Bates' interest in 1893, the style of the concern changing to Lyman D. Morse Advertising Agency. At the death of Mr. Morse after a few years of continued prosperity the concern became the Morse International Agency. This house does business with the most prominent advertisers

manager. In this latter event, the agent has a certain appropriation in his hands which he will expend to the benefit of the advertiser, adopting every good plan that is economic and right for his client. In fact, some of the keenest minds of this country are engaged in the advertising agency business, and supply a great deal of the attractiveness and a great deal of the selling force of advertising. It may be safely said that 90 per cent of the money paid out in general publicity in newspapers, magazines, street cars, bill-boards, etc., is expended by, or through, the advertising agent.

218. *Agency at work.*—The up-to-date advertising agency employs a staff of skilled writers who write the subject matter for the advertisements, booklets, follow-up letters, etc. There is an art department also, where many of the pleasing illustrations that the reader sees from day to day and month by month are produced. Many of these writers are paid large sums, and many of the artists earn large rewards for their cleverness and ability. They are known as commercial artists.

Then comes the checking of the advertisements to see that the advertiser secures the correct insertion of each and every advertisement that is ordered. This work is done most carefully, for the proper location of an advertisement means a great deal in the success or failure of the year's advertising campaign.

After the papers are checked, the bookkeeping department of the agency audits and pays the publishers' bills and other bills rendered by the street car companies, bill-posters, etc. The advertiser is then billed from the checking records, and by the time this entire operation is complete the advertising campaign is rounded out.

219. *Importance of advertising agent.*—Naturally,

the element of most importance is the securing of the business. The advertising business has developed because of the desire and energy of the solicitor of the advertising agent, or through the endeavors of the head of the agency himself. Reputation has great weight in the securing of this business. The prospective advertiser naturally desires to cast his fortunes with the agency that has done the best and most clever work.

The advertising agent may work for a year on an account that has never advertised. The agent sees possibilities in the kind of goods made, and sees that the consumer will buy those goods to the detriment of the manufacturer's competitor if advertising can be brought about. The agent, therefore, does a great deal of good to the publisher, the bill-poster, sign-board man, street car companies and all other places where advertising is seen.

220. *Remuneration of agent.*—The agent receives his remuneration from the publisher, contractor of street car space or bill-board contractor. This remuneration is in the form of a varying commission. Therefore, the advertiser is quick to see that the expense will not be greater to him if he employs the machinery that is in the hand of the agent, instead of placing his advertising direct and incurring the expense of his own organization.

The term "agent" is to a great extent a misnomer. For instance, the fact of the agent's receiving a commission from the newspaper would naturally make the concern receiving the commission the agent of the publisher. In fact, he is. At the same time, the agent is also the representative of the advertiser, but, strange as it may seem, does not receive his remuneration from the advertiser. It is the duty of the advertising agent

to protect the advertiser's interests in each and every case. Although the reputable advertising agency has a dual capacity and represents both, the predilection is always in favor of the customer.

There are, in a number of cases, specializing concerns who treat the advertiser in a purely professional way, charging a service charge for the planning of an advertising campaign and for the oversight and placing of the same, a good deal in the same capacity as an architect, who charges a certain price for his plans and specifications and is then allowed a commission for the proper supervision of the carrying out of all his specifications. There has been an apparent success among a few of these specialists, and it may be that in time to come they will attain more importance than at the present time.

221. *Capability of agent.*—A well-equipped advertising agent should not only be an expert in his line, but should have an entire organization and be well equipped to handle any line of advertising that may come to his attention. He should be an excellent judge of possibilities, knowing the sections of the country where goods can readily be sold, and those where difficulties are apt to encompass the advertiser. Or, the campaign may be a general one which will include the magazines, the circulation of which is very fluid, going almost to every corner of the country. Therefore, the influence of this advertising would be felt everywhere, and the goods must have a very general sale in order that there may be a minimum of waste in the expenditure. All this the advertising agent is, and more.

He in time secures the confidence of his customer, and business problems that do not bear on advertising

are submitted to him for consideration. His advice is sought and he becomes a part of the advertiser's business family.

The advertising agency business has attained almost to the position of a profession, and those who have been in the business a number of years and have established themselves in the confidence of their clients enjoy the same comparative position with them that the lawyer does with his client in all legal matters.

222. *Outlining campaign for an advertiser.*—In some cases an advertising agency may be simply a place where the details pertaining to the mechanical or technical end of advertising are cared for, such as the making of cuts, checking up of newspaper advertisements, bargaining for space, etc. In other cases the agency may assume the aspect of a commercial adviser. It may even keep a force of experts in its employ who have nothing to do with advertising directly, but who are sent out on the road to gather information and to form a judgment of sales conditions for the benefit of the advertisers. For example, a manufacturer who could not account for the small amount of his sales in a certain section of the South, put his case in the hands of an agency, which sent a man into this territory. The trouble was discovered to be in the quality of the local advertising, and the inability of the firm's salesmen to grapple with the situation. A campaign was outlined, and immediately the sales trebled in amount.

The character of an agency's aid to an advertiser is seen in the following chapter, where an outline is given of a campaign prepared for a large concern manufacturing silverware and doing a national business. This shows in one direction the application of many of the

principles which have been emphasized in the preceding chapters.

223. *Special representatives.*—New York City naturally became the center of the advertising business, for the reason that most of the manufacturers and large advertisers began in the East long before the Middle and Far West were developed. It was found that, as newspapers became established nearby and at a distance, it was necessary to have what is now termed a “special representative” but was formerly known as a “special agent.”

The special representative is different from the general agent for the reason that the general agent represents every publisher, receiving a commission from the publishers, whereas the special agent is more the direct employé of the newspaper or magazine.

It is his duty to call on the general agent, and to solicit business from him, and also to call wherever advertising might be forthcoming. The special agent receives a salary or a commission from his publisher.

The business of a “special” has developed into considerable magnitude, and to such an extent that the “special” will buy space at a flat rate from his publisher and will issue a rate card in conformance with the rate card of the publisher. This card is used for such local and general business as may come to him directly, and thereby saves the difference between the cost of the space that is bought and the space that is sold to the advertiser.

The special representative maintains a considerable force of solicitors, checking clerks and bookkeepers in his business. He oftentimes invests money with the publisher. This is true especially of the newspaper special representative. A number of “specials” have

made a business of loaning money to publishers and taking their recompense in such advertising as they are able to secure by their efforts. Many times, this has proved of great assistance to the publisher. It allows him to repay the loan through advertising, and it also makes it easy for him to borrow money on time to increase his plant and develop his circulation and importance in the community.

A special representative will also work with the general agent to develop new business, and has become no mean factor in the advertising world.

CHAPTER XII

A TYPICAL ADVERTISING CAMPAIGN.

224. *Details set forth in a letter.*—The campaign as given below is in the form of a letter addressed to the president of a large manufacturing concern. The text was printed on the best paper and bound in the finest leather. Such a campaign often takes months of study to prepare.

Mr. D. B. Pomeroy, Boston, Massachusetts.

DEAR SIR: In making up this plan of advertising for you, we have borne two things in mind. One is to reflect everything that is possible on your New York business. For the second, we wish to have the general business not only maintained, but increased in all the various lines that you manufacture.

We realize that every department of your factory should be kept running on profitable lines, and would advocate only the pushing of the goods that are most profitable for yourselves to advertise. We presume that there are certain classes of goods that are more profitable than others. The suggestions on these would naturally come from the factory and reports made by your salesmen as to what seemed to be the best sellers throughout the country.

To get right down to the advertising campaign as suggested, the features of the advertising are: 1. Distribution of booklets by the local dealers throughout the country. 2. The free advertising in local papers by dealers using electros gotten up especially for them and supplied by you. 3. The sending of the visitor to your New York stores by the local dealers through the card which we have called the "Letter of Credit." 4. The magazine advertising. 5. The monthly publication called *The*

Argent, which would be the mouthpiece of the factory, going to all your dealers all over the country. We speak of each of these five departments of this advertising plan separately, giving you the explanation on the following pages.

What we want to make plain in the presenting of this plan to you, and the various workings of it out, is the reflex action on your New York stores by the local dealers throughout the country.

If these local dealers advertise specialties with New York names, if they advertise your products in their local newspapers, if they send out booklets containing your name and trade mark, if they use this Letter of Credit, and if you back this all up with your magazine campaign, speaking of your display rooms in New York, what happens? You have secured the attention of the visitor to New York City from each and every town in this country.

LETTER
OF
CREDIT

The card shown indicates its exact meaning. It is an introduction to your New York Stores, and at the same time a letter of credit. Every dealer must regret the loss of sales to his wealthy customers who purchase away from home. A large portion of this class positively seek New York for their expensive purchases. Dealers in the small cities are quite intimate with their customers' doings, and if the dealer can enjoy a share of the sales made in New York, in his own lines, he will urge his customers to use the letter of introduction and visit your store first. This card is a very strong link in this chain, factory to dealer to New York, and it is evident that the New York visitor having this card in his possession will use it.

The dealer naturally becomes an added salesman for you, and in turn the New York store becomes something to be desired by him rather than a detriment. There is jealousy existing against New York stores in all competing lines, whether the manufacturing concern operates the store or not. New York certainly gets more than its share of trade from the incoming

visitor. This Letter of Credit, or card of introduction, eliminates this jealousy as far as you are concerned, because it gives the dealer a chance to land some large sales in New York, and to make a profit from them.

We would suggest that you allow the dealer a discount on all goods sold from this card of at least 15 per cent on all goods of your own manufacture. A smaller percentage, say 10 per cent, could be allowed on jewelry, diamonds, pearls, etc. This profit is really found money for the dealer, and will certainly make him very friendly to your concern, to the detriment of your competitors.

Ordinarily the visitor comes here and he is naturally prone to call on other stores, in the proportion of what importance he thinks these stores are. You get your share, naturally, the others get theirs, but this card will go a long way towards eliminating competing concerns. It also has one great advantage—it is absolutely new, and certainly should be very popular.

**DEALERS'
OWN
SPACE**

The dealer's own space deals with electro-types or ready made advertisements in electrotrope form, with a mortise in the cuts for the local dealer's name. These cuts are furnished by the factory to the local dealer free of expense as far as cuts are concerned.

The dealer inserts them in his own local newspapers, and pays for the advertising space that these cuts occupy.

The dealer is naturally very desirous of getting this advertising service free. It eliminates the cost of cuts, drawings, advertising writing and the various other incidentals that are necessary to make up high class, characteristic advertising.

We show a number of instances of the various sizes of dealer's own space advertisements. It would be quite an expense for a small concern to produce these cuts, but where the same are being produced in quantities the cuts are very cheap.

We have made these advertisements fit the dealer's needs, but we have lost no opportunity to mention the fact that they carry your goods. We have made this conspicuous in some cases, and in some cases inconspicuous.

The tempting thing is that it makes it easy for the dealer to obtain high class advertising at no cost to himself except the space in the papers, and it is more than likely that the dealer is advertising anyway in these papers, and it is irksome for him to prepare the advertisements. He may not have the ability, but someone in his employ has, and he would be glad of the chance of this free advertising service that you would give him.

Now, we firmly believe that hundreds of your dealers will apply for this service, and the amount of advertising that they would be giving you, even though it is over their own signatures, would be worth thousands of dollars in the course of the year.

Then, the fact that they advertise your goods over their own name, makes them a very firm friend to your concern. They must carry your goods, as they in a way become the Pomeroy agent.

As explained in *The Argent*, we would endeavor to make this advertising copy very attractive and seasonable, showing the Bride's Silver for June advertising, Christmas Presents during the holidays and various novelties from time to time.

We also propose, in this series, to get up on the Novelty advertisement, such things as your Stuyvesant Pocketbook. Then we would like to carry this Stuyvesant idea further, and name a belt buckle The Gotham, and something else The Plaza, or The Manhattan,—everything that has to do with New York. In that way we really give the local dealer a chance to get New York novelties, and the New York feature of your business will be helped. Every little touch that can possibly be given your New York stores, we desire to give.

**BOOKLET
SERVICE**

These booklets, as shown, should be gotten up on popular articles, goods that sell readily, and should all be Pomeroy products. The idea is to furnish these booklets, with the dealer's own name on the title page, giving him a chance to send these booklets out to his customers in his own envelopes with his

name on them of course. In that way he will be getting his advertising value out of them, and reminding his customer that he is in business, but the booklet will treat of Pomeroy goods solely. We indicate dummies of a few. The booklet scheme is to make the booklet look and seem like the dealer's very own. That is the excuse for the dealer's sending the booklet out.

The Argent, when it is published, will speak of a certain booklet, sample to be enclosed with an order blank, so that the dealer may order in quantities and indicate just how his name is to be printed. There is no doubt but that tens and thousands of these booklets will be requested by the dealers, and sent to their customers.

No dealer would hesitate to state the superiority of Pomeroy goods if he is carrying that line. He believes firmly in your products, and wants everyone else to have the same faith.

We do not advocate too expensive booklets, or very large ones. Your distribution would be enormous, and the expense can be kept down to a minimum without sacrificing the attractiveness of the booklets. The ones that we show herewith are not expensive booklets in any way.

MAGAZINE ADVERTISING

We have prepared two advertisements for magazines, which are indicated on the opposite page. The strength of your magazine advertising is to convince the dealers around the country that you believe in sending custom to them.

The returns that you get from the magazine advertising are of two kinds,—one that you can use to advise your dealer that Mr. or Mrs. So-and-So has requested a catalogue and ask him to follow this party up,—the other, a direct sale that you could make from your factory. This last can be done from sections where you have no dealers, but concerns have even been known to use these replies to start dealers where desirable, by stating that a sale could be made, etc., sending your goods that are desired after the party requesting the catalogue has been worked up to the point of selection. We do not, however,

advocate this as we believe that you should receive a portion of the profits from direct sales.

It is the experience of most advertisers, except those that use only general publicity, that magazine advertising can be handled to pay a portion of its cost. That is, the dealer is greatly influenced by this kind of advertising.

The magazines are read by all classes of people, both by the consumer and by the retailer. You are reaching both your trade and your purchaser, and there is hardly any dealer in the country but that reads an advertisement. He does it himself, and he believes that the concern from whom he is buying goods should do this advertising. It makes him more enthusiastic, makes him purchase in larger quantities, and naturally the result is more business for the concern advertising.

We believe very thoroughly in magazine advertising for you. It would really be the main point of your whole advertising expense, and, as shown on the estimate following, the amount would be very small in comparison to the whole amount of advertising that you would be getting from the dealers all over the country, and they will accept the sincerity of the whole matter if this magazine advertising is done.

Our idea is to start out with the basic fact that Pomeroy is the oldest concern in America. We would show your factory as it is to-day, not as it was, but as it is. There is no other silversmith in the country that can show such an immense factory, and as an initial advertisement in this campaign, it should be used. A factory of this size is impressive, certainly. The statements that are made in the advertisement are certainly impressive, but we could drop this factory advertisement after one insertion, and proceed to show cuts of silverware of all kinds, one month flat ware, another month hollow ware, and whatever seemed to be the thing that was most in vogue, or to be in vogue.

This magazine advertising gives you the opportunity to mention your New York stores. It makes it possible to mention the New York stores because of the Letter of Credit. The Letter of Credit is the link between the dealers and your New

York stores. It eliminates the jealousy of the New York store by outside dealers, and after a while, instead of calling the New York stores "display rooms," you can call them New York Stores without offense. It would be better to feel the pulse of the dealers first, before doing this, and for that reason we advocate the use of the words "Our New York Display Rooms," with their separate addresses.

We also attach an estimate on what it would cost to cover the magazine campaign.

We will speak here of advertising your goods in a general way, rather than in a local way, because we have treated of the local proposition more specifically on another page.

For your general advertising, we believe, as already spoken of, that you should push the articles such as the ready and most desirable sellers. Anything new that you get up should be featured,—that is, any new pattern of flat ware especially,—and for that purpose we would advocate your using the magazines such as *Munsey's*, *McClure's*, *Harper's*, *Century*, *Harper's Bazar*, *Everybody's* and *Cosmopolitan*.

EXCHANGE MAGAZINE ADVERTISING.

We believe that in the same character of publications, a great many exchange deals can be made. By that we mean equal exchange, or better, for the advertising space for silverware of your manufacture. This would augment your magazine list greatly, and give you a splendid list of publications, and reduce the cost of the space materially, as you would get list retail prices for all this exchange advertising. We would endeavor to get as much of this as possible for you, and believe that a great deal can be done in this way.

SPECIAL FEATURES TO ADVERTISE IN SPECIAL PUBLICATIONS.

We would like to push your Baby Silver, such as the Baby Spoon and other things that you make for babies, in publications like *Ladies' Home Journal*, *Delineator*, *McCall's*, *Woman's Home Companion* and *Housekeeper*.

The pewter we would like to feature in such publications as

Ladies' Home Journal, Good Housekeeping, Country Life, Delineator, Craftsman, House Beautiful and Suburban Life, for we believe that there is a great interest in pewter all over this country to-day, and these publications would bring enough business to you to more than pay for themselves.

We do not advocate a very large amount of advertising in direct trade publications like *Jeweler's Circular* and *Keystone*. We think that the less of this that is used the better, because the magazines themselves go to the trade to a larger extent, and the trade papers can be handled in a very judicious way, since they are always seeking business.

You have also another profitable branch of your business, and that is the Communion Ware, and we would advocate spending for this a small amount of money in a few publications. A 28-line (2-inch) advertisement has proved to be quite profitable, and this advertising can be done in the following list of papers:—*Interior, Congregationalist, Christian Advocate, Zion's Herald, Christian Work* and *Observer*.

FUNCTIONS

OF "THE ARGENT"

The Argent is primarily a house organ for Pomeroy. This book should be sent to all your trade once a month. It should contain a certain amount of interesting trade matter. By that, we mean what the factory has been doing, what class and kind of goods are selling readily. If possible, make the booklet full of helpful suggestions to the dealers, but the main feature of *The Argent*, to start with, would be the interest created through the advertising service that Pomeroy would furnish the dealers.

Each month we would give them a seasonable lot of advertisements. That is, in the May issue we would feature the June Wedding Silver, and in November would be the holiday suggestions for Christmas. Then, when you make a new pattern, or have it ready to place on the market,—a new dinner service, a new coffee set, or a new flat ware pattern, these could be illustrated. Your novelties, also, would be shown from time to time.

Enclose an order blank, asking for orders on this new pattern. Urge the dealer to stock because certain of the magazines will contain the advertisements of this new pattern, and it is the experience of others that these mail orders will pay in profit the cost of this effort.

It would not be a bad plan to get out a Pewter Number. In fact, *The Argent* lends itself to every different department of your business, and would be an intelligent, silent salesman.

We would naturally speak of the booklet service, calling attention to the booklet that would be enclosed, and the offer would be made to print the dealer's name on the booklets, with the request that he send in for a certain quantity.

The magazine advertisements would also be reproduced in *The Argent*, and a list of the magazines where the advertisement will appear. This has a very wholesome effect on the dealers, because it shows them that you are really pushing your own goods and endeavoring to get the consumer into his store. It shows that you are asking him, to be sure, to spend some money in his local papers, but it also indicates your willingness to do the same in magazines.

Then we would suggest specific service of advertisements, treating special cases in a special way where the stock ads will not apply.

After a little while, the dealers will write, telling how much they like the dealer's own space advertisements, and the special advertisements, and what the effect had been on the business, also what effect the booklets had on the business. Correspondence would naturally result, and where these letters are good, they could be printed in *The Argent*. This method will persuade others to adopt this free advertising service.

The Argent could also invite dealers to make suggestions. We would get up a friendly contest amongst your dealers in preparing advertisements. We would print their advertisements in *The Argent*, and ask for criticisms, everything in a very friendly way, and there certainly would be some lively matter appearing from all over the country, and there would be active

interest in *The Argent* because of the personal interest each dealer would feel.

Then *The Argent* could be used to explain the Letter of Credit, and could be used to request the dealers to apply for these letters. No matter if some of the good things that would be advocated by *The Argent* are adopted or taken bodily by your competitors. That is the penalty of success, but Pomeroy did it first, and you have distanced others by being first.

Then the street car service could be offered to the various dealers, to those who possibly do not care to use the local papers, or use the booklets, but who believe in street car work. *The Argent* will show reduced reproductions of these, and offer as many cards as desired, and all this is virtually free advertising.

The booklets will cost much less than the dealer's cost of addressing and postage. The electros or dealer's own space advertisements will cost less than the dealer will have to pay for the space in the local papers by four or five times or more. Street car cards are cheap, and street car space costs at least 40 cts. per car per card per month.

Taken altogether, *The Argent* advocates advertising by the local dealer very thoroughly, gives him an idea as to what is happening at Pomeroy's factory, what new things are being introduced from month to month, explains the novel features of the Letter of Credit, offers booklets and is a constant reminder of the fact that Pomeroy makes silverware.

NEW YORK Everyone of wealth visits New York at least some time during the year, one or more times. No matter what the distance is, they come here because New York sets the pace in this country for fashions of every sort.

Advertising that is done over the dealer's name, even in a very remote place, is seen by the wealthy persons of that place. These men and women may purchase immediate needs in their own town, but for the exclusive, or larger or better purchases, New York must supply them.

It is estimated that there are 500,000 strangers in New York every day throughout the year. They come from all over the country. Tiffany & Co. depend mainly on their magazine advertising to influence these people, although not altogether. They do spend money in cities, advertising their only store, in Chicago, St. Louis, Denver and many other places, but they spend their own money to do this.

You are bound to reap a twofold benefit from all this advertising—the local dealers' advertisements, the magazines, booklet distribution and street car cards. You sell the local dealer, and you have New York stores. The dealer in the local towns will be paying for advertising in local papers, and this man is sending his best trade to your New York stores. He has the Letter of Credit, and that is additional leverage that you are using in obtaining his help.

New York people do spend money freely, but they do not all spend money every day. When the visitor comes, he or she spends money every day. That is what he or she comes for. An active local campaign in cities and towns will and must bring people to your stores in New York. The local dealer, to be sure, is a passive agent in this, but it is true that he is influencing business to your New York stores, and presumably your Fifth Avenue store, that being nearer the visitor's probable hotel.

In your New York work, we would not advocate a very large expenditure of money. We would advocate something like \$5,000 this coming season. The results of your last season's work will show whether or not the advertising was desirable, and we believe, from appearances and from the large number of people that you had call at your store, that this advertising was better than any done previously. It is only fair to attribute some portion of the large number of people to this new style of advertising. This amount of money would be more than ample to cover the papers here.

We would advocate your sending out Bride's Booklets, a sample of which we show on another page, and some rather snappy little letters, but one of the best things that can be done is to

advertise "Sales Not Advertised," not in those words, but something similar. In other words, give your charge customers a rare opportunity to buy something from you at attractive prices. This will appeal to your New York customers, for the foolish millionaire is certainly in the minority here, and the same thrift is found in New York as in Boston.

The papers that we used this last Fall are as good as any that could be selected, the list being the *New York Herald, World, Times, Eve. Sun, Brooklyn Eagle, Evening Post* and *Tribune*. The Weekly papers were *American Hebrew, Town & Country, Brooklyn Life, Town Topics, Vogue* and *Army & Navy Register*.

EQUIPMENTS FOR YOUR SALESMEN

We would suggest that you have books gotten up for your salesmen, instructing them as to what your advertising plans are for the coming year. Show in this booklet the dealer's own space service, ready-made advertisements to be used in the local papers by the dealers.

The magazine advertisements would also be shown in this book, and a list of the magazines that would be used.

Let the salesman tell the dealers that they will receive *The Argent* once a month, and that it will contain novel and helpful suggestions in the trade way from the factory. Also go as far as you like in telling about this advertising campaign, but we think it would perhaps be just as well to confine most of the talk the salesman would make to the sample advertisements of the local dealer, the sample street car cards and the magazine advertising.

The salesmen, from all indications of your plan, should be able to secure larger orders from the dealers, perhaps in staple lines as well as in new things you are making, because this advertising campaign will be very aggressive and very active. The magazine advertising that you contemplate doing would have an effect on the dealer because the dealer himself realizes that the consumer is greatly interested in the magazine adver-

tisements, and is influenced to buy certain manufacturers' goods by this magazine advertising.

The salesmen could also speak of the various little booklets, etc., that would be gotten out, giving the dealer the chance to see that we would appeal directly, through these helps, to his own trade.

Taken altogether, it will make a very interesting topic for the salesmen to talk on, and will indicate a spirit of business aggressiveness on your part, and all this ought to pave the way for larger orders in more varied lines and increased business from every dealer.

A great many up-to-date concerns are doing this thing today. By that we mean, advising their salesmen as to their plans for the future, for the concern's salesman is the greatest advocate of advertising found anywhere. He knows how to use this sort of argument, and how to use it well.

PART II: SELLING AND BUYING

CHAPTER I

FACTORS IN DISTRIBUTION

1. *Importance of problem of distribution.*—The problem of distribution must be solved by every successful business organization. In all industries the profits ultimately depend on the ability to sell goods advantageously. A factory may possess every facility for economical production, but unless the selling methods of the manufacturer are carefully designed to meet the peculiar requirements of the product and of the market, the business can not be conducted at a profit. In like manner, a non-manufacturing industry must finally look for its profits to the development of economical and suitable methods of marketing. The two great branches of merchandising—buying and selling—must receive at least equal attention in such an organization if it is to attain the maximum degree of profit-making efficiency. In any business, therefore, the proper development of the sales department and the satisfactory solution of the peculiar selling problems that it has to meet are vital to the success of the enterprise.

The problem of distribution is constantly becoming more difficult of solution. In former times trade channels were definitely established, and the manufacturer had little choice of selling methods. Each class of distributors occupied a fixed place in the chain of distribution, and there were but few attempts to open

new lines of contact between the producer and the market. Competition was not so keen as it is to-day. Fewer people, proportionately, were engaged in mercantile pursuits. The business acumen of former industrial leaders was devoted to the exploitation of new countries and new regions, rather than to the intensive development of a constantly narrowing market. The power of advertising as a great force in distribution was little appreciated, and it had scarcely begun to exercise its far-reaching influence on the long established traditions of marketing. Under these conditions, the problem of selling was a comparatively simple one. The manufacturer had but to adopt the usual methods, and there was little tendency to question the necessity or the value of the services rendered by the distributor.

To-day conditions are altered. There is little respect for traditional methods as such. Every producer and every distributor seeks the largest possible market at the least possible cost; and he consciously selects the methods that are best suited to his particular case, without regard to prevailing customs, unless expediency or their real value dictates a compliance with them. Intense competition makes it necessary for the man who has something to sell, to cultivate relatively unimportant markets that he would have disdained in the old days, and he finds in advertising an ally that makes it possible for him under certain circumstances to develop the selling methods that seem to be best suited to his individual requirements, whether those methods follow established usage or not.

The problem of selling has two phases: first, the determination of the market; second, the selection of methods for reaching the market. In the case of certain classes of distributors we shall find that their

market is determined for them because of the nature of their activities. Every seller, however, must meet the question of selling methods, and most of those who have anything to market must also definitely determine upon the field they are to cultivate.

2. *Traditional factors in distribution.*—For many years it was generally conceded that there were normally six factors to be considered in the distribution of most commodities. These factors were as follows:

Manufacturer
Commission merchant
Jobber
Wholesaler
Retailer
Consumer

At present, however, except in a comparatively few lines of business, the chain of distribution has been shortened. The commission merchant or broker remains an important factor chiefly in the various branches of the textile industry, and in the distribution of raw food products. The functions of the jobber and the wholesaler have largely lost their distinctive features, and the two words are practically interchangeable in business usage. As a consequence of this simplification of the typical chain of distribution, it is necessary to consider in detail the selling problems of only three classes of distributors—the manufacturer, the jobber, and the retailer. These, with the consumer, are the normal factors to be considered in any discussion of marketing problems and methods.

3. *Consumer.*—It is necessary to establish a definite meaning for the name of each of these classes, before we consider in detail the selling problems of each. A consumer, according to the Century Dictionary, is “one

who destroys the exchangeable value of a commodity by using it." In other words, he buys goods for consumption and not to sell them again. This definition is so simple that there ought to be no difficulty in deciding who is and who is not a consumer. There is, however, frequent difference of opinion on this point. For instance, the retail grocer may insist that a hotel or a restaurant is a consumer, and that, as a consumer, it should buy its supplies from the retail dealer instead of from the jobber. The wholesale grocer, on the other hand, may maintain that the hotel is in reality a dealer because it sells, although in altered form, most of the food that it buys. In general business usage, the term consumer means the "ultimate consumer"—the individual that uses the things he buys for himself and does not sell them again either in their original or altered form.

4. *Retailer*.—The term "retailer" is derived from two words meaning "to cut again." It was originally applied to a class of middlemen who purchased cloth by the piece or in quantities and then cut off smaller amounts for sale to consumers. Speaking generally, the modern retailer is a distributor who sells to the consumer, as distinguished from a distributor who sells to dealers. Of course, one distributor who would otherwise be classed as a retailer may sell, at times, to other dealers. When he does so, however, he must be classed as a jobber in those particular transactions, and not as a retailer. A retailer may also sell to manufacturers, as when a retailer hardware merchant, for example, sells supplies to a building contractor. This does not alter his classification. Any one who sells goods can be classed as a retailer when he does not sell to other dealers; and for practical purposes it is convenient and suf-

ficiently accurate to consider a retailer as a distributor who sells chiefly to consumers.

5. *Jobber*.—A jobber may be defined as one who buys, usually in quantities, for the purpose of selling the same goods again, without alteration, to *other dealers*. These dealers may be either other jobbers or retailers. But whenever one who is otherwise a jobber sells goods to a consumer, so far as that particular transaction is concerned he ceases to be a jobber and becomes a retailer. We have already suggested that there was formerly a clear distinction between the functions of the jobber and the wholesaler. The jobber bought “jobs”—odd lots at particularly favorable prices, and disposed of them sometimes to wholesalers and sometimes to retailers. The jobber usually had no regularly established market, while the wholesaler ordinarily supplied a more or less permanent list of customers. This distinction no longer exists. There is, however, even to-day, a slight difference in the meaning of the terms, which it is well at times to bear in mind. The jobber always *buys* the finished goods which he sells again to dealers. The wholesale dealer, on the other hand, may *manufacture* the goods which, when finished, he sells in quantities to the trade. A manufacturer who sells his product directly to retail dealers would more properly be classed as a manufacturing wholesaler than as a jobber. This distinction, however, is not generally recognized in the business world, and, as the selling problems of the jobber and the wholesaler are identical, it is permissible to use the terms interchangeably in a general consideration of selling methods.

6. *Manufacturer*.—For the purpose of considering problems of distribution, we shall use the word “manu-

facturer" to indicate a business unit that has charge of the combined activities of producing and of marketing goods. It includes those producers who manufacture from raw materials as well as those who purchase already manufactured articles and work them up into different forms or assemble them with other parts in the production of a larger or different article. For instance, each of the following types may be considered as a manufacturer:

1. The farmer who raises wheat and puts the raw product on the market.

2 The miller who purchases wheat and produces flour.

3. The baker who purchases flour and uses it in the manufacture of bread.

Any one who produces something and sells it is a manufacturer. So a publisher is a manufacturer; likewise the small, one-man, cigar factory; as well as a great concern like the American Tobacco Company. If, however, any producer solves the sales problem by making arrangements to dispose of his entire product to some individual or to some company that is to take the entire responsibility of marketing it, then the original producer need not be considered from the standpoint of selling. There are so-called sales companies that make a specialty of disposing of a manufacturer's entire output, and in certain branches of the textile industry commission houses contract to distribute the products of the mills. In these cases the manufacturer really has no problem of distribution, and the agency that handles the products in the open market has to meet the problems that the manufacturer would otherwise have to face.

7. *Semi-jobbers and manufacturing wholesalers.*—

In many cases a business house can not be classified exclusively as a manufacturer, a jobber, or a retailer. Its methods of distribution may permit its classification under two or even all three of these headings. If a manufacturer sells only to jobbers, he can not be classified otherwise than as a manufacturer. If he sells also to retailers, he is a wholesaler as well as a manufacturer; and if, in addition, he distributes his product directly to the consumer, he must also be considered as a retailer. A business house that sells to consumers as well as to dealers, is both a jobber and a retailer, or a "semi-jobber," as it is usually called. Of late years it has become customary for many wholesale houses to enter the manufacturing field for themselves. Such houses may be rightfully termed "manufacturing wholesalers," or even "manufacturing jobbers," although the latter phrase is not strictly accurate. We shall see later that this invasion of the field of the manufacturers by wholesale distributors has been productive of many serious complications in the problem of marketing methods.

It is our purpose to consider briefly some of the selling problems of the retailer, the jobber, and the manufacturer, and to suggest the more important advantages and disadvantages of the selling methods that are open to each class.

8. *Selling problem of retailers.*—We have already suggested that the problem of selling has two phases: first, the determination of the market; and second, the selection of methods for reaching that market. The retailer is not concerned with the first of these two phases. Because of his natural position in the system of distribution, he is not required to make a definite selection of the class to which he is to sell. As a retailer, he must sell chiefly to consumers. Or, expressing the idea dif-

ferently and perhaps more accurately, his market is confined to those who are not dealers in the things he has to sell. With his natural market determined for him by the terms of the definition of the class to which he belongs, he has only to consider the various methods of reaching that market, and to select the method or methods that best meet the requirements of his individual case. Normally, there are three ways of distributing goods at retail:

Salesmen or canvassers to call upon the consumer

Retail store

Mail-order method

9. *Retail selling by means of salesmen calling upon consumer.*—Before the development of town life, when people generally were able to supply their limited wants by direct barter with their neighbors, the itinerant merchant practically controlled such merchandising as existed outside of the comparatively few metropolitan centers. It is probable that there were traveling merchants before there were any towns at all, and this class of dealers can therefore be considered as the originators of the merchandising system. They went from tribe to tribe, and later from town to town and even from country to country, displaying their wares before any possible purchaser they might chance to meet.

10. *Peddler.*—There are three modern prototypes of the itinerant merchant. The first of these is the peddler, who still supplies out-of-the-way communities with many of the necessities of life. The characteristic feature of his activities is that he carries his stock of goods with him, calls on those who may be interested in his wares, and makes immediate delivery of the goods that are purchased. This method of distribution, although useful and important in a primitive state of

society, is obviously unsuited to modern conditions, except in unusual cases. Its one advantage is that the customer can purchase at his own door. He is saved the necessity of doing anything except to pay the price and receive the goods. The business of an itinerant dealer, however, must always be conducted on a small scale. Unless operated in connection with some other method of distribution, it can never develop to any great extent, and, therefore, it can never seriously compete with other distributors who are able to effect the economies that are always incident to large-scale business.

11. *Canvasser*.—A second type of the modern itinerant merchant is the canvasser who solicits orders from house to house, but who does not carry his stock with him. The book-agent is an example of this type. Selling by means of personal solicitation of the consumer is expensive, and it can be attempted only when the article to be sold carries a large profit. This method of marketing is successfully employed when the article is so little known that its merits must be presented personally to each prospective purchaser, and when it is impossible or inexpedient to rely upon printed advertising to create a demand. A business of this sort need not necessarily be conducted on a small scale. There are some exceedingly prosperous business houses that have made a careful study of this method of distribution and have built up national organizations of house-to-house solicitors. Publishers of books and maps, and manufacturers of stereoscopes do an immense business of this sort chiefly in rural and semi-rural districts; and some mail-order houses, like the Larkin Company, for example, have used this method of selling successfully to supplement their catalogue business. Nevertheless, its possibilities are limited. There is a prejudice against

the house-to-house solicitor. His powers of salesmanship have so often been enlisted in the support of articles of questionable merit that the vendor with a strictly reputable proposition often finds his usefulness limited by the prejudice that exists against his selling methods.

12. *Specialty salesman*.—A third type of the dealer who takes his wares directly to the consumer may be termed a specialty salesman, for lack of a better name. The difference between him and the house-to-house solicitor is principally one of degree and not of method. Instead of calling upon everybody, he carefully selects his prospective customers and centers his attention upon them. This slight difference, however, is unimportant. It seems to be a far cry from the persistent solicitor for "Lives of the Presidents" to the highly paid commercial ambassador who secures a railroad's order for fifty thousand dollars worth of locomotives, but so far as their selection of trade channels and their fundamental selling methods are concerned, they must be placed in approximately the same classification. They both deal directly with the consumer, and they both ignore the retail store and the mail-order method of distribution. They both are modern prototypes of the ancient itinerant merchant. The one adopts this method of marketing because he believes that it is good policy to do so—the other, because the nature of his goods demands it.

A specialty salesman, in the sense in which we are using the term, usually handles a line that is of so technical or complicated a nature that it must be carefully explained to the consumer before he can be induced to purchase. An example of this class is the adding-machine salesman. He often has to prove to the prospective purchaser that an adding-machine is necessary in

the "prospect's" business, and then he has to prove that his particular machine is preferable to any other. The same is true of the life insurance solicitor. Sometimes an article that is originally introduced to consumers by specialty salesmen becomes so well known that it is later handled profitably through the medium of regular retail stores. In some lines, however, the specialty salesmen are continued long after the article has become perfectly familiar to the public. This is usually the case when the demand is comparatively limited and the competition is severe. The typewriter business illustrates this condition.

In certain instances there is no other selling method possible than direct contact with consumers by the use of salesmen to solicit their business. Locomotives, obviously, could not be sold in a retail store or by mail. It is equally obvious that not much life insurance would be sold if every man who ought to carry insurance were left alone to discover his own need and to call at the office of the agent on his own initiative; although advertising can do much to supplement the work of the solicitor in this as in other fields. The insurance business, however, presents peculiarities that are not typical of ordinary merchandising. Speaking generally, very high-priced articles can probably be sold more successfully and economically by personal solicitation of the consumer than by any other method. In the case of low-priced articles, however, the method is undoubtedly expensive and appreciably increases the cost of the goods to the consumer. A dealer entering upon a business in which this selling method is customary would ordinarily have to adopt the same method to get his share of the trade. There are many business houses, however, employing only store salesmen assisted by effec-

tive advertising, who have competed successfully with other houses in the same line who relied solely upon their outside salesmen. Under normal conditions it would be a mistake to inaugurate an expensive system of local and traveling salesmen to sell goods to consumers if competitive conditions did not clearly demand it.

CHAPTER II

RETAIL SELLING AND MAIL ORDER BUSINESS

13. *Retail stores.*—The retail store is of almost equal historic importance with the itinerant merchant as a means of reaching the consumer. For many years after the development of town life and before the days of cheap and easy means of communication, the local shops practically controlled the distribution of goods at retail. Its advantages proved to be so remarkable that even the modern development of land and water transportation has scarcely affected its influence; and to-day certainly 90 per cent of such staples as groceries, clothing, drugs, dry-goods, etc., are still distributed through the retail store. In considering the advantages and disadvantages of this method of marketing, it is necessary to have in mind an establishment that confines its activities strictly to what is usually termed "over the counter" trade. It may, and it usually does, receive some orders by telephone, and it frequently delivers goods to customers. Its delivery clerks may call upon the regular customers and solicit their orders for the day, although this expensive custom is being supplanted by the increasing use of the telephone. Retail dealers in certain rural districts stock up wagons with salable merchandise and dispose of the load by making house-to-house calls upon the farmers in the neighborhood; and very many retail establishments combine selling by mail with the ordinary distribution through regular store channels. The typical retail store, however, does neither of

these things, and it is the typical retail store that we are now considering. This arbitrary limitation of the meaning of the term should be carefully borne in mind during the discussion of selling methods.

14. *Advantages of selling through a retail store.*—

1. The purchaser likes to see what he is buying. He can go to the store and actually pick out the article he is to get. He does not run the risk of dissatisfaction that is sometimes connected with ordering from sample or from a catalogue description. Or, if the customer does not visit the store, he can order by telephone and discuss goods and prices in detail with the dealer.

2. The store and the consumer's residence are usually comparatively close together. Delivery can be made without the delay that is frequently incident to the process of ordering from a distant distributor.

3. The store-keeper, particularly in a small town, is ordinarily on friendly terms with most of his customers. He can readily build up a clientele of personal friends and acquaintances whose good will is valuable. A long period of fair-dealing, of course, will also establish a good-will for the establishment that deals at long range with its customers, but the influence of a distant dealer upon his customers can never be so strong as that which the local merchant has upon his neighbors.

4. As the patronage of the retail store is generally limited and local, the owner is in a position readily to adapt his stock to local needs, and to hold trade by catering to individual and neighborhood peculiarities. A certain men's furnishing store in one of the small cities of the country maintains a careful card record of the peculiarities and tastes of each of its regular customers. When a man enters the store to buy a hat, he is immediately offered a hat of the same style that has ap-

pealed to him before; and when the dealer wants to dispose of an odd lot of shirts, he sends personal notices to his customers who wear the sizes that are included in the lot. No inducements of price elsewhere could permanently alienate the customers of this store.

5. In the case of error in filling the order, or dissatisfaction of any sort with the goods that are delivered, the adjustment can be made more quickly by the local store than by its distant competitor. "Satisfaction guaranteed, or money refunded" is becoming the slogan of a constantly increasing list of local retail establishments, and the store that adopts this policy has a strong hold upon its customers.

6. The local retail store is an important factor in the business life of the community. Its owner is usually a resident of the city in which it is located. Its force of employes is largely recruited from its immediate vicinity. Their prosperity depends upon its success, and they form a most effective force of personal advertisers. The owner can appeal to civic pride in urging support of home institutions against out-of-town competition. The civic consciousness of American communities is becoming a force to be reckoned with, and the local merchant can use this spirit to his own advantage.

7. The granting of credit to consumers usually requires familiarity with their economic condition. The local dealer can acquire this more easily than anyone else; accordingly, it is more customary for credit to be extended by local merchants than by mail-order houses. If the retail store-keeper does grant credit, he has a hold upon his trade that can not be secured by mail-order competitors who customarily do a strictly cash business.

15. *Disadvantages of selling through a retail store.*—

1. Its field for development is necessarily limited.

The typical establishment that we are considering does no mail-order business, and it cannot, therefore, operate outside of its immediate neighborhood. After it has reached a certain point in its development, its further growth is limited strictly by the development of the district that is directly tributary to the locality in which it is situated.

2. Because of the local nature of its patronage, it is bound to be affected immediately by adverse local business conditions. A protracted strike or other serious industrial disturbance in the town is bound to affect severely the trade of every merchant in the community.

3. If it does a credit business, it must suffer loss through bad debts, and to that extent it is at a disadvantage with respect to its "spot-cash" mail-order competitors.

4. Its stock is usually purchased from a jobber or other middleman. Therefore, it can not always compete in prices with the distributor that has more direct buying connections. This does not mean that the mail-order house, because it is a mail-order house, can undersell the local retail store. Such a generalization would be unwarranted, although it is often made.

16. *Advantage in purchasing power.*—When a distributor buys goods to sell them again, his selling price is largely determined by two factors: first, the price at which he buys the goods, and, second, his cost of distribution. It is impossible to generalize about the relative advantages possessed by the local retail store and the mail-order house with respect to cost of distribution. Either of these classes of distributors may have lower selling and operating expenses than the other, in the sale of certain articles under certain conditions. If either has an inherent advantage over the other, therefore, it

must be with respect to its purchasing power. There is nothing in the nature of the mail-order house that gives it the power to command more direct buying connections than the local retail store can command. Normally, the retail dealer in staple lines buys from a jobber. Normally, also, the mail-order house that buys the same goods, in the same quantities, must likewise purchase from a jobber.

If traditional trade channels were as much respected now-a-days as they were only half a century ago, the discussion of this subject could end here. It is, however, coming more and more to be the case that the ability to command direct buying connections depends solely on the ability to buy in quantities. In other words, many manufacturers prefer to sell to jobbers, because the jobber usually can buy in larger quantities than the average retailer; but if the business of a retailer reaches such proportions that he can buy in as large quantities as the ordinary jobber, some manufacturers are often willing to sell directly to him and to allow him practically the same price that the jobbers have to pay. There are many retail establishments whose buying power is far greater than that of the average jobber; and thus, because of their immense distributing facilities, they are able to purchase a large list of articles directly from the manufacturers. It makes no difference whether they are local retail merchants or mail-order distributors—the ability to buy in quantities is frequently all that determines the price and secures for them direct buying connections.

17. *Size is most important.*—The general question, therefore, finally resolves itself into this: Which is the more likely to develop to such a size that it can command direct buying connections and the resultant lower

prices—a local retail establishment or a mail-order house? When the question is presented in this form, it can not be denied that the advantages lie with the mail-order house, when the conditions with respect to capital and managerial ability are equal and the article to be sold lends itself equally well to either method of distribution. This is true simply because the number of people who may be considered possible customers of the local retail store is necessarily limited, while the possible area of operations of the mail-order establishment is practically unlimited. If, therefore, a large mail-order house makes better prices than a small retail store, it is not because one is a mail-order house and the other is a retail store. It is chiefly because one is large and the other is small.

The small mail-order house (of which there are many) labors under the same selling disadvantages as the small retail store. The common custom of making the general statement that mail-order houses can usually undersell local retail stores is due to two things: first, the mistaken idea that all mail-order houses are large; and second, the fact that mail-order dealers ordinarily confine their operations to districts where they are not in direct competition with large retail establishments.

18. *Retail selling by mail.*—The most recently developed system of distribution of goods at retail is the mail-order method. The application of the mail-order principle during the past ten or twenty years has had an extraordinary growth. It has probably been the most important factor in the re-arrangement of selling methods and the altered attitude toward traditional trade-channels, which are characteristic of modern merchandising. Possibly its most marked influence is seen in the movement among a large number of manufacturers to

free themselves from dependence on the middleman and to add the functions of a retailer to their ordinary manufacturing activities. The jobber and the purely retail distributor, too, have found the mail-order method of selling immensely effective in increasing their area of influence and in developing new lines of contact with the consumer.

The remarkable growth in the mail-order business has been fostered by two important commercial developments—the cheapening and quickening of methods of communication and transportation, and the remarkable growth in the realization of the possibilities of advertising. To order anything by mail fifty years ago was to invite delay and dissatisfaction, and to solicit mail orders was to arouse suspicion and distrust. The dignifying of advertising and the achievements of steam and electricity have changed all this. To-day there is probably not an article of common or uncommon use whose purchase can not be effected by a customer a thousand miles away almost, if not quite, as satisfactorily as if it were bought directly over the counter of a retail store.

19. *Advantages of retail selling by the mail-order method.*—

1. Physically speaking, the field for development is practically unlimited. Operations can extend as far as the postal, telegraph, freight, and express systems reach.

2. As has been already suggested, the unlimited field for development makes it possible for the mail-order house to grow to larger proportions than the local retail store, whose customers must necessarily come from a narrowly defined area. Because increased size means increased buying power, the large mail-order house is sometimes able to make a better price to the consumer than the small local establishment can profitably meet.

3. Its wide area of operations frees the mail-order house from the influence of purely local conditions of business depression. Only a wide-spread industrial or financial difficulty can seriously affect its business. For example, if there were a prolonged strike of miners in the anthracite coal region, every retail store in Scranton and in the other towns of the district would suffer severely because of the decreased buying power of its customers. If there were a mail-order house in Scranton, however, that operated generally throughout the East, its trade in the anthracite region would probably be only a small part of its entire business, and decreased returns from that district would not seriously affect its total sales.

4. The only overhead charges of a mail-order house are usually incurred in the maintenance of offices and warehouses. Sample-rooms and sales-rooms are not needed.

5. Large stocks need not be carried. As a matter of fact, many articles listed in mail-order catalogues are not carried in stock at all. When orders for these articles are received, they are forwarded to the manufacturer and shipment is made directly from the factory to the customer. This is one of the greatest advantages of the mail-order method of distribution. The local retail store frequently ties up its capital in large quantities of slowly moving stock. It has to have on hand the goods for which there is likely to be any demand, and its customers are usually unwilling to wait until the dealer can order from his jobber the things that they want. When they order from a mail-order house, however, they expect some delay in delivery of the goods, and the mail-order dealer has opportunity to secure outside of his stock the articles ordered that he may not have on hand.

6. The cost of a selling organization is saved.

7. There is an element of chance about ordering from a mail-order house—a speculative interest in the value to be received—which seems to attract trade. A consumer may see an article many times in his local store without becoming interested in it; while the same article offered for sale in a mail-order catalogue or advertised attractively in some publication may arouse in him a desire for its acquisition. The appearance of the actual article may not be so effective in arousing interest as a picture of it coupled with an alluring description.

8. The catalogue of the mail-order dealer represents his entire stock. This catalogue is always accessible in the home of the consumer. It is a more simple matter to turn its pages than it is to gain a knowledge of the complete stock of a store by personal inspection. The mail-order purchaser, therefore, is likely to order a larger assortment of merchandise than the “over-the-counter” customer. The consumer wishes, perhaps, to order a single article. He looks up prices and grades in the mail-order catalogue. While doing so he involuntarily sees advertisements of other articles that may interest him, with the result that his order usually includes a greater assortment than he at first intended ordering. The mail-order house would not have this advantage if all retail clerks were real salesmen. Too frequently they merely supply the customer’s expressed requirements, and make no effort to interest him in anything except what he asks for. The retail store clerk should take a lesson from the jobber’s traveling salesman who usually canvasses the retailer’s entire stock before he is convinced that he has secured the largest possible order.

9. The mail-order business, with few exceptions, is conducted on a strictly “cash in advance” or “cash on

delivery" basis. Customers do not expect credit and do not ask for it. The mail-order dealer, therefore, avoids bad debts, and, to this extent, has an advantage over his local, credit-granting competitor.

20. *Disadvantages of retail selling by the mail-order method.*—1. Advertising is the life of the mail-order business. Heavy expenditures for publicity are absolutely necessary. In many cases these expenses make the cost of selling by mail fully as great as the cost of other methods of distribution.

2. The mail-order house must combat the active antagonism of the local merchants in the entire territory in which it operates. It must do this, chiefly, by lower prices, superior goods, and efficient service. It is hampered on all sides by the organized opposition of local and national associations of retailers and wholesalers. The influence of these organizations is often sufficient to secure the enactment of legislation directed against the mail-order houses. Not only must they meet the competition of other concerns employing similar selling methods, but they must also fight their way constantly against the powerful opposition of influential organized forces that are determined to place every possible obstacle in the way of the development of the mail-order principle.

3. It is difficult to build up a clientele of steady, loyal customers of the house. This can be accomplished only after a long period of fair-dealing with the customers. The local retail store has the advantage in this matter.

4. It is often maintained that the development of the mail-order business in this country is hindered by the high cost of transportation of packages that are too small to be sent economically by freight. This opens up the whole question of the parcels post and of the

regulation of express rates. Many retail and jobbing interests maintain that a lower cost of transporting small packages would work solely to the advantage of the mail-order concerns and would increase the competitive difficulties of the local retail stores. Other business interests urge that the local establishments would be as greatly benefited as the great central mail-order houses, because it would then be possible for the retail stores to increase their own field of operations by developing mail-order departments of their own. Whether or not cheaper and easier means of parcel transportation would be of greater advantage to the present mail-order houses than it would be to the present retail stores, the fact remains that it would probably result in a more general application of the mail-order principle.

21. *Combinations of retail selling methods.*—We have seen that there are three standard ways of selling goods at retail: by salesmen to call upon consumers, by the retail store, and by the mail-order method. The advantages and disadvantages of each method have been briefly discussed. Every dealer who wishes to sell at retail must make a definite selection of one or more of these methods of distribution. His choice is by no means limited to one. As a matter of fact, the most successful retail establishments are those that utilize more than one means of reaching the consumer. Some retail dealers maintain store rooms and also send out solicitors to call upon consumers and to induce them to visit the store. Pianos are frequently sold in this way.

A particularly effective combination of retail selling methods is that of the retail store with the mail-order business. Marshall Field & Company, of Chicago, and John Wanamaker, of New York, are two well-known

examples of the effectiveness of this combination. They originally dealt only "over the counter," but their mail-order business has developed gradually until it has now reached enormous proportions.

It is not alone the retail store in the great central market, however, that can successfully utilize this combination. In countless smaller centers throughout the country, progressive merchants have realized the possibilities of mail-order distribution and have greatly widened their circle of influence by developing a catalogue business. They have recognized that there is no method so effective in meeting the competition of the great central mail-order distributors as to enter the mail-order field for themselves. The advantages of doing business by mail are particularly marked when this method is utilized in connection with an established retail store. Very few retail establishments are doing the maximum business which their plant and force of employés could handle. Under such conditions, a mail-order business could be started with very little, if any, additional expense. Even if some additional facilities or employés were made necessary, the increased expense incident to the growth of a mail-order business would often not be so large as the increase in expenses occasioned by an equal growth in the "over the counter" trade. One very great advantage of the retail store that extends its field by developing a mail-order department is the fact that the clientele of satisfied customers possessed by any successful retail store is a valuable advertising asset for the mail-order part of the business. One department helps the sales of the other.

CHAPTER III

SELLING AT WHOLESALE

22. *Selling problem of jobber.*—We have seen that the retailer is concerned with only one of the two phases of the selling problem. He does not have to select his market. Because he is a retailer, he must sell to consumers. His sole concern is with the methods by which he can reach his market. The same is true of the jobber. As a jobber, his activities are confined to selling to those who purchase in order to sell again. If he does sell to the consumer—in other words, if he does both a wholesale and a retail business—his problem as a retailer is exactly that of the man who sells only at retail.

The dealer who sells both to dealers and to consumers is usually called a semi-jobber. There are many successful houses that conduct a dual business of this character; but ordinarily it is inexpedient for a distributor to attempt to sell the same line to dealers and to consumers in the same locality. When such an attempt is made, it is obvious that the semi-jobber must be prepared to meet the particularly active competition and antagonism of the exclusively retail dealers in the district in which he operates as a retailer. The strictly retail stores always strenuously resent the invasion of their field by one who is doing also a jobbing business. If there is one wholesale grocery in a city, for example, the retail grocers of that city normally give it their support, because of the convenience of being able to replenish their stocks at short notice. If the wholesale house

begins to sell at retail, however, either surreptitiously or openly—in other words, if it strives to compete with its own customers—it will have difficulty in retaining the patronage of the retail grocers of the city.

There are some branches of merchandising in which trade lines are not very sharply drawn, and semi-jobbers in these goods frequently flourish and are able to build up a profitable retail and wholesale trade in the same district. In such staple lines as groceries, dry-goods, drugs, and hardware, however, when semi-jobbers have achieved great success, it has been mainly in those cases in which the wholesale trade of the dealer is with merchants located outside of the city where he conducts his retail business.

23. *Two methods of wholesale selling.*—The typical method of carrying on the strictly wholesale activities of the jobber is by means of salesmen who call upon the retail trade. The use of traveling representatives of a wholesale house is probably as old an institution as the wholesale house itself. There are some branches of the jobbing trade, however, in which traveling salesmen have not always been an important factor. Even today it is the custom for buyers of some lines of goods to make periodical visits to the central markets and to order only after personal inspection of the jobbers' stocks. Formerly this custom was much more general than it is at the present time. Now it is confined chiefly to lines in which the idea of style plays an important part. Buyers of clothing, millinery, and similar goods usually make frequent trips to style centers—New York, Chicago, and the European capitals, for example—in order to be sure that their purchases will be according to the prevailing mode. Jobbers in these lines in the trade centers, therefore, are chiefly concerned with the

problem of encouraging the visits of customers to their establishments. They must maintain an adequate house selling force. Even in these cases, the employment of a certain number of traveling salesmen is usually essential. The duty of the traveling representatives is to solicit the trade of those dealers who do not come to the city to buy, as well as to encourage the visits of those who do.

Most wholesale selling is done by local or traveling salesmen. The competition in jobbing channels is extremely severe, and it is generally considered that the house that does not go out after the business with competent representatives can not compete with the house that does. In opposition to this general contention, however, there are some examples of marked success in wholesaling, which has been achieved simply by advertising in periodicals and by the judicious use of catalogues and circulars. Accordingly, two possible methods of distributing goods at wholesale must be considered—by salesmen and by mail. Some of the exclusive advantages of each of these two methods of wholesale selling are listed below.

24. *Wholesale selling by salesmen.*—1. The jobber can develop a personal, friendly relation with the trade through his representatives. The effect of this is similar to the effect of the personal relation that the retail dealer often sustains to his customers. A purchaser, whether he is a consumer or a retail dealer, usually places his order where he can get the best service and the most satisfactory goods at the lowest price; but when two or more houses offer him approximately the same terms, the same price and quality, and the same service, his personal relations with the sellers or with the representatives of the sellers is frequently the determin-

ing factor in the placing of his order. Personality is to-day almost if not quite as strong a factor in salesmanship as it ever was.

2. The salesman can give his employer information regarding the credit of his customers which may be of financial benefit to the house. He can also be of material assistance in the matter of collections. When a customer through willfulness or carelessness is slow in meeting his obligations, it is sometimes difficult to effect a settlement by correspondence without losing the future trade of the delinquent customer. This can often be accomplished more easily by the personal visit of a tactful representative.

3. A salesman can usually secure a larger order from a retailer than the dealer would ordinarily send in by mail if he were ordering only from a catalogue. We have seen that the reverse of this is true in the case of the sale of goods at retail. The retail clerk is not trained to draw the customer's attention to everything of possible interest in the stock of the store, and the customer would not give him the time to do so even if the clerk had the training and ability. The efficient jobbers' salesman, however, does not leave a dealer until he has canvassed the entire stock, so far as his line is concerned. He is not satisfied with an order until he is sure that it contains all the items that the dealer can wisely purchase.

4. The salesman is frequently better acquainted with general merchandising conditions than are the dealers to whom he sells. For that reason he is often in a position to assist his trade by giving valuable suggestions regarding the stock to be purchased and the methods to make it move. Particularly in the smaller towns of the country the dealers are accustomed to rely greatly

upon the traveling salesmen for information about styles and fashions and novelties. If a salesman has demonstrated his trustworthiness in this respect, many of his customers rely upon his judgment to a remarkable degree. It is true that a mail-order jobber can develop this same confidence, and he can be of similar service to his customers, but he can not do so as quickly or as effectively as the jobber that sells through salesmen.

5. Most wholesale selling is done by means of samples that are carried by the salesmen. The mail-order jobber must make sales by the attractiveness of the pictured and printed descriptions of his goods.

6. Few jobbers do extensive advertising. At the present time it is not generally considered necessary if the territory is well covered by traveling salesmen.

25. *Wholesale selling by mail.*—1. A large sales organization is not required.

2. A jobber's salesman frequently acquires so strong a personal influence with his customers that he can carry the trade of some of them to any house with which he may become connected. In this way, a jobber who sells through salesmen runs the risk of losing some of his customers whenever a salesman for any reason leaves his employ. The mail-order jobber avoids this risk.

3. The supervision that a jobber can exercise over his salesmen is necessarily limited. Their statements and selling methods may be such at times as to reflect discredit upon the employer. The catalogue and correspondence of the mail-order jobber are his only representatives. He risks the reputation of his house only to those who are under his direct supervision.

4. Unless the mail-order jobber's advertising ex-

pense is equal to the cost of maintaining a force of salesmen, he should be able to make lower prices than the jobber who sells through salesmen. It is as dangerous to generalize on this point as it is to make general statements about the relative selling expenses of a local retail store and a retail mail-order distributor. The articles sold, the location of the dealer, conditions in the trade, and many other factors must determine this matter in each individual case.

26. *Combination of wholesale selling methods.*—Comparatively few jobbers employ either of these methods of distribution exclusively. There are highly successful houses that employ no salesmen at all, but there are very few that employ salesmen that do not also issue catalogues, and encourage their customers to order by mail. Many jobbers are beginning to advertise in periodicals and to send out elaborate circulars and announcements. The desire to utilize every possible method of contact with their customers has induced some wholesale dealers to publish "house organs" which carry their advertising, and, in addition, contain so much matter of general interest that they may be classed as valuable additions to periodical business literature. Competition is keen in the jobbing field, and, with a few exceptions, the greatest success is won by those who use both salesmen and the mails to solicit orders. This combination of the two methods of wholesale selling is particularly advantageous in the case of those jobbers whose selling costs are high by reason of a large territory and widely scattered customers.

CHAPTER IV

PROBLEMS OF MANUFACTURER

27. *Manufacturers' selling methods.*—We have seen that the retailer and the jobber are concerned with only one of the two general phases of the problem of distribution. They are not called upon to select the class of customers to whom they are to sell their goods, because the meaning of the terms, retailer and jobber, determines for them the general nature of their activities. The retailer sells to consumers and the jobber sells to dealers. These two classes of distributors have to consider only the best methods of reaching their natural market. The manufacturer, on the other hand, has a more complex selling problem to solve. He must first decide to what class or classes he is to sell his product, and he must then select the best means of reaching the market that he has chosen.

28. *First problem of the manufacturer.*—Generally speaking, the manufacturer's first selling problem is to determine whether he will sell his product to the jobber, to the retailer, or to the consumer. Shall he confine his direct sales to one of these classes exclusively, or will it be advantageous to place his goods directly with two or all of them? The problem is an important one, because on its solution depends, first, the selection of economical methods of marketing the product, and, second, the attitude of the wholesale and retail trade toward the manufacturer, and the degree to which their coöperation can be secured in the distribution of his

goods. As a matter of fact, however, the small manufacturer frequently does not feel the necessity of solving this problem. He may, for example, devote his chief energies to securing orders from the retail trade, and yet he may willingly accept orders from jobbers and consumers as well. This may be due to a definite and known policy of dealing directly with any one who wants his goods, but it is more often due to the lack of a definite policy in this regard. The small manufacturer's goods may be relatively of little importance in the general market. When this is the case, retailers and jobbers may not be sufficiently interested in them to develop either a friendly or an antagonistic feeling toward them on account of the selling methods of the manufacturer. The problem of making a definite selection of a market, however, is a vital one with the producer who is selling a well-known article over a wide territory. Every manufacturer who hopes to develop a sectional or a national distribution, no matter how small his present business may be, should realize that an early and satisfactory solution of this problem will be a valuable asset, when his product becomes standard and of sufficient importance in the trade to merit the definite support or antagonism of distributors.

29. *Factors in solution of first problem.*—There are several considerations that may influence a manufacturer in the selection of the immediate market for his goods. Chief among them are the two following:

1. The nature of the product itself. For instance, its form, size, bulk, price, or use.

2. Trade conditions and considerations of policy or expediency that are not based on the physical characteristics of the product.

The application of these two classes of considerations

is best indicated by concrete illustrations. The two examples that follow illustrate the effect of the nature of the product on the selling methods of the producer.

30. *Nature of the product.*—The dressed-meat industry requires modern refrigerating facilities at local distributing points. When the central packing-houses began to extend their territories, these local refrigerating facilities were not to be found. Accordingly the packers established their own warehouses and offices at convenient shipping points throughout the country. From these branch-houses, sales and deliveries are made directly to the retailer.

An adding machine is so complicated a piece of mechanism and its many uses are as yet so little known to the general public, that it would be inadvisable for the manufacturers to depend for its distribution on jobbers and retailers of office supplies. These dealers could not give it the special attention necessary to enable them to learn and present its many selling points. The manufacturers must endeavor to educate the public directly about the use and value of the machine. Accordingly, the producers usually sell directly to the consumer either through branch houses and their own salesmen, or through agents who are closely connected with the manufacturing companies.

These two examples illustrate the effect of the nature of the product on the manufacturer's selection of the class to which he is to sell his products. The consideration of business policy or expediency in the solution of the problem is illustrated by the following cases.

31. *Business policy or expediency.*—The jobber is an important factor in the grocery trade; probably 90 per cent of the groceries consumed in this country are distributed through the wholesale grocer. His in-

fluence, therefore, is great, and his coöperation valuable. The largest laundry soap factory in the United States has for many years refused to sell its products directly to any one not conducting a strictly wholesale business. It is true that the manufacturer's salesmen solicit orders from retailers, but these orders are always taken for the account of some jobber; and even when the shipment is large enough to be made directly from the factory to the retailer, the wholesale grocer named by the retailer secures his full jobbing profit on the transaction. This system of selling is typical of the attitude of many manufacturers who seek the active coöperation of the jobbers by recognizing them as legitimate factors in distribution. In return for their loyalty to the wholesale dealer, the manufacturers ask that the jobber push their goods instead of those of other producers who may sell directly to retailers or even to consumers.

The iron and steel companies have largely ceased selling to middlemen, because the dealers began quoting prices for future delivery that were lower than the producers themselves could quote. This caused attempts at speculative manipulation of prices, which were demoralizing, and forced the manufacturers to keep control of prices by selling directly to consumers.

It has already been suggested that some manufacturers do not find it necessary to confine their direct sales to the jobber, the retailer, or the consumer. The small manufacturing organization that has to secure an immediate distribution, without much regard for the effect of its selling policy on its later development, is frequently willing to sell its goods directly to both classes of distributors and to consumers as well. It may sell to consumers at a maximum price. From this figure it may allow one discount to the retailer and a still larger

discount to the jobber. It has been explained in a preceding paragraph that, for a comparatively small factory, and even for a larger one in some lines of business, this policy is entirely proper and is the only one that can be pursued to advantage. The large organizations that have adopted this method of distribution, however, are chiefly those engaged in industries in which trade lines have never been strictly drawn. The publishing business is a case in point. Some publishers sell to wholesale book dealers; they also sell directly to retail stores through their own salesmen; and they sell directly to consumers by means of house-to-house solicitors. In his turn, the jobber to whom the publisher sells, may also sell directly both to the retail trade and to consumers as well. This situation is by no means universal in the book business, but it is typical of the condition that might exist in all lines if manufacturers in general did not recognize the customary trade channels.

In some lines, it is highly desirable for the manufacturer to select one of the three possible classes of customers that we have been considering, and to confine his direct sales strictly to that class. The branches of business in which this policy is most advisable are those in which the jobber plays an important part, such, for example, as the great staple lines of groceries, dry goods, hardware, and drugs. Some of the advantages and disadvantages of the various means of distribution open to manufacturers in these and similar fields are as follows:

32. *Advantages of making direct sales only to jobbers.*—1. The manufacturer recognizes the jobber as a legitimate factor in distribution, and refuses to compete with him by selling to retailers or consumers. Accordingly, the manufacturer can expect the active support of the jobber's selling organization in the distribution

of his product. It is to the jobber's advantage to push the goods of the manufacturer who adopts this policy.

2. Because the manufacturer can expect the jobber to sell his goods for him, and to take an active interest in them, the manufacturer does not need to maintain a large selling organization.

3. The manufacturer's accounting and order systems are much simplified. If, for instance, he is doing a national business in a grocery specialty, he has accounts merely with the 2,500 or 3,000 wholesale grocers, instead of with the quarter of a million retail grocers in the United States.

33. *Disadvantages of making direct sales only to jobbers.*—1. The manufacturer can not follow the distribution of his goods beyond the jobber's stock. Many jobbers operate over an extensive territory. Therefore, the manufacturer can not learn definitely where his goods go finally into consumption. If he advertises in order to interest the consumer and retailer, he can not determine definitely the effect of the advertising in any particular locality. He does not know accurately the extent to which demand is increasing or decreasing in any given section, and his efforts to stimulate business by local advertising, therefore, can not be accurately directed.

2. There are many manufacturers that support the jobber by selling directly only to him. He is supposed to give equal support to all of them in return. He may push one manufacturer's products for a period, and then discard them for a different line. This prospect need not be feared if the quality of the goods has been sufficiently impressed upon the public to have built up a steady demand for them; but the possibility is one that

must certainly be considered by the manufacturer whose products are little known.

3. Many jobbers' salesmen are paid on a commission basis. Their compensation is based on the amount of profit that can be figured on the goods they sell. Accordingly they will sell mainly the goods that pay the largest profit, no matter how willing the jobber may be to return the support of the loyal manufacturers. If their goods do not pay as good a profit as other lines, he can not force his salesmen to sacrifice their own immediate financial interests.

34. *Advantages of making direct sales only to retailers.*—1. Goods sold to a retailer can generally be considered as being consumed in or near the retailer's town. Hence the manufacturer can determine accurately the growth or loss in business at any point, and he can direct his advertising accordingly. The manufacturer who sells to the retailer is in a better position to judge and to influence demand than is the manufacturer who sells only to the jobber.

2. The retailer who is a real merchant can often sell whatever he wants to sell, without too much regard for popular demand. This statement is subject to frequent exceptions, but it applies in many cases. If a manufacturer sells to retailers, his salesmen must call upon the dealers frequently. A manufacturer's salesmen are trained to secure the dealer's coöperation; their one purpose is to enlist his support for the particular line they are handling. The jobber's salesmen, on the other hand, are often asked to give their attention to so many lines that it is impossible for them adequately to press the advantages of any particular one.

3. An increasing number of large retailers refuse to purchase through a jobber. Their support is usually

valuable, and it can be gained only by direct selling.

35. *Disadvantages of making direct sales only to retailers.*—1. If the jobbers can not have the exclusive sale of an article, they naturally work against it and discourage its purchase by retailers. In many instances the jobber exercises a strong influence over the retailer, and in such cases the jobber's support, even though it may be passive, is to be preferred to his active antagonism.

2. Selling directly to retailers necessitates the maintenance of an extensive selling organization. The trade must be covered frequently enough to neutralize, as far as possible, the effect of the jobbers' salesmen's activity in behalf of other lines.

3. The accounts carried are many. If credit is granted, the system must be extensive, and the accounts must have close watching. The financial condition of many retailers is not strong, and bad debts are likely to be more frequent than when direct sales are confined to wholesale houses.

36. *Advantages of making direct sales only to consumers.*—1. The manufacturer can determine accurately the response to his advertising in any given district. He has an absolute check on variations in demand, and can apply the needed stimulus to the business exactly where it may be needed.

2. The manufacturer can retain control of the market. In other words, he can make prices and establish a "good will" without danger of the prices being cut by dealers, and the "good will" being impaired by the unauthorized action of some irresponsible middleman.

37. *Disadvantages of making direct sales only to consumers.*—1. As soon as a "direct to consumer" business

becomes large enough to be a strong competitor of wholesale and retail dealers, it is made the object of concerted attack by the interests with which it competes. Sometimes the influence of the dealers is strong enough to result in legislative action adverse to the manufacturer.

2. If the consumers are reached by salesmen, the cost of the necessary selling organization must be very great. The same thing is true of the advertising expense if the business is of the mail-order variety.

3. A "direct to consumer" business conducted on a credit basis involves a complicated system of accounts, and the risk of loss through bad debts is in proportion to the number of accounts carried. If it is conducted on a cash basis, it loses the trade of the large number of people whose patronage the local dealer holds by granting them credit.

38. *Second selling problem of manufacturer.*—We have suggested some of the advantages and disadvantages of the possible solutions of the first phase of the manufacturer's selling problem. After he has determined whether he is to sell to the jobber, the retailer, or the consumer, or to any two or to all of them, he must choose methods of reaching the market that he has selected. If he is to sell to jobbers, he may do so either through salesmen or by mail. The mail-order method of selling to jobbers, however, is so little used that its advantages as compared with those of the method of selling through salesmen need not be considered in detail. Ordinarily the manufacturer who seeks to enlist the co-operation of the jobber must do so by personal solicitation. If a manufacturer sells to the retailer, the selling methods that are open to him are exactly the same as those that are open to the jobber; and if he sells

to the consumer, he can make his choice of the same methods of distribution that are open to any one who seeks to sell goods at retail. The advantages and disadvantages of the various possible methods of wholesale and retail distribution have already been considered.

39. *Declining importance of middleman.*—Recent years have witnessed many changes in manufacturers' selling methods. The number of manufacturers who are leaving the middleman entirely out of their schemes of distribution is constantly increasing. The wonderful development of modern advertising has made it possible for the manufacturer to talk directly to the people who use his goods, and highly successful "factory-to-consumer" enterprises are to be found in nearly every line of industry. As marked as this movement is, however, it is not more important than the increasing tendency on the part of manufacturers to recognize the retailer as a legitimate distributor, but to eliminate one of the other traditional factors in distribution from their system of selling. In order to strengthen their own position and to meet, in some degree, the general complaint against high prices that are frequently attributed to the handling of the necessaries of life by superfluous middlemen, many manufacturers have abandoned the policy of relying exclusively upon the wholesale merchant for the distribution of their products. They are seeking more and more to find a direct market among the retail trade. The declining importance of the jobber may be traced, in part, to the following causes:

1. The growth of publicity and the complexity of advertising campaigns have made it necessary for the manufacturer to have an accurate check on the effect of his advertising, and to be sure that the work is followed up by the necessary selling activities. Neither

of these things is possible when the manufacturer sells only to the jobber. The manufacturer who employs salesmen to solicit retailers' orders to be filled for the account of jobbers, is, of course, able to follow up local advertising effectively. Even he, however, is at a great disadvantage in checking up the actual effectiveness of his publicity.

2. The larger scale on which business is being done—the increased investment of capital—has inclined the manufacturer to seek the closest possible connection with the consumer. Unless a product is in general demand, there are uncertainties involved in marketing it entirely through jobbing channels. Manufacturers are frequently unwilling to risk these uncertainties despite the many advantages that are offered by distribution through the wholesale trade.

3. The increasing purchasing power of retailers is an important factor in the changing status of the jobber. Many manufacturers have no interest in the maintenance of trade lines. If they sell only to jobbers, it is simply because they do not care to deal in the small quantities that the retailer often wishes to buy. If the retail trade, however, develops sufficient buying power, it is an enticing market for the manufacturer who is willing to sell to any one who can handle the required quantity of his product. There are a great many retailers whose purchasing power is much larger than that of the average jobber. Frequently they will not purchase from a jobber; and if their trade is to be secured, they must be sold directly.

40. *Jobber's place in merchandising system.*—Despite the tendencies that are responsible for the lessening importance of the jobber, it is improbable that he will ever be eliminated from the merchandising system.

He occupies a definite and important place. Without the jobber the small neighborhood retail store could not exist. Consider, for example, a typical grocery store. Its stock may include from a few hundred to several thousand different articles, which are probably produced by hundreds of manufacturers. Except in the quick-selling staple lines, it has on its shelves only a small supply of each article. Let us imagine that there is no jobber from whom the stock can be purchased, and that the retailer has to buy everything from the manufacturers.

In the first place, he would have to deal with as many manufacturers as there are different lines in his stock. It is easy to imagine the difficulty the average dealer would have in keeping complete assortments in stock under these conditions.

In the second place, he would have to purchase each article in much larger quantities than he does from the jobber. Few manufacturers would care to sell him a half case of extra quality canned goods or a dozen bottles of olive oil. The increased size of his stock would make it necessary for him to have a warehouse, which means additional expense; it would require heavier total purchases than the average dealer's capital would permit; and, even if his capital was sufficient, it would mean tying up a considerable portion of it in a large amount of slowly moving merchandise.

The average dealer could not do a profitable business under these conditions. As conditions actually are, however, the retailer can make almost all of his purchases from one jobber; there can be and frequently is a cordial understanding amounting to more than a mere buying and selling relation between retailer and jobber, which is of advantage to both in their credit relations; the retailer can usually buy as much or as little as he

pleases; and he can renew any portion of his stock on short notice. Furthermore, the jobber's salesman calls frequently on his customers; he can help the retailer to keep a varied, well-selected stock; and he is in a position to assist the dealer in many ways by his knowledge of conditions in the trade and by his suggestions regarding modern merchandising methods. In short, the jobber carries the retailer's surplus stock for him, and enables him to do a profitable business on small capital. As long as the public finds the neighborhood retail store a necessary convenience, the jobber must continue to be a vital factor in the distribution of many staple goods. Even the development of the chain-store principle will not seriously affect his importance. Every chain-store organization must have a central supply house, and this central supply house is, for practical purposes, to be considered as a jobber, because it serves the stores in its organization in precisely the same way as the ordinary jobber serves the independent stores with which he deals.

41. *Agents, commission merchants, and brokers.*—The normal chain of distribution that we have been considering is sometimes varied by the introduction of agents, commission merchants, and brokers. These occasional factors in the marketing of merchandise, however, have no peculiar selling problems to solve. They are to be classed as wholesale or retail dealers, according to whether they sell directly to retailers or to consumers; and their selling problems are exactly the same as those of other jobbers and retailers. In some instances they stand between the manufacturer and the jobber, and in such cases their selling problems are, of course, the same as those of manufacturers who distribute through wholesale dealers.

In the textile trade, for example, and particularly in

its cotton goods branch, the customary practice is for a mill to dispose of its entire product to one or more commission houses. These commission houses then sell the cloth on commission usually to jobbers, or possibly also to retailers or to consumers, in accordance with individual selling policies. The commission house, therefore, so far as its selling problems are concerned, is in the same position as the manufacturer, and it can be considered merely as the manufacturer's representative in the distribution of the products of the factory.

When one who has something to sell, whether he is a manufacturer, jobber, or retailer, elects to distribute his goods through agents, brokers, or commission merchants, instead of through a selling organization of his own, it is usually because he would be at a disadvantage in attempting to get into direct touch with his customers. This disadvantage might be occasioned by one or more of the following causes:

1. **Limited capital.** Some textile manufacturers sell their product through commission houses because their capital is not sufficient to enable them to carry on their business otherwise. The commission houses advance them a portion of the selling price of the cloth before it is actually sold.

2. **Limited demand.** In a small city there would not be a sufficient market for office safes, for example, to justify a manufacturer's representative giving his entire time to the local trade. A merchant engaged chiefly in some other line of business, however, could profitably act as the manufacturer's agent and carry a small stock of safes to supply the local demand.

3. **Unfamiliarity with the market.** The instance of the average individual who wishes to sell real estate is a case in point.

4. Peculiar organization of the market. For instance, stocks, bonds, and produce are usually purchased in quantities only through organizations known as exchanges or boards of trade. Trading on these exchanges or boards of trade is confined to members, who are commonly termed brokers. An individual having commodities of this sort to sell would ordinarily have to do so through the agency of a broker.

CHAPTER V

SALES DEPARTMENT ORGANIZATION

42. *Principles of organization.*—The sales department organization of a dealer or manufacturer reflects his selling policy. Its characteristics are determined by the selling methods that have been adopted. A manufacturer who sells directly to jobbers, retailers, and consumers, requires a selling organization that differs radically from the one that would suffice if he distributed his products exclusively through wholesale dealers. Likewise a strictly local retail store does not need the same sort of organization that would be required if it sold goods by mail as well as over the counter. This does not mean that a retail dealer, for example, must necessarily have a larger force of employés to handle a combined mail-order and over-the-counter business than would be sufficient to conduct either one of these activities alone; nor does it mean that a manufacturer could not use the same salesmen to sell in many instances successfully both to jobbers and to retailers.

In any scheme of organization the distinction between the several units in the system is one of functions and not necessarily of individuals. This fundamental principle will be emphasized in the consideration of each of the three suggestive methods of organization that are presented in this chapter, but it is well to state it at the beginning so that it can be borne in mind throughout the discussion. The statement that different selling methods require different methods of sales department

organization means simply that the character of the activities of the different members of the organization and frequently the relation of the members to one another depend largely on the market that is being sought and the methods that are being used to reach it.

The sales department of a retailer, a jobber, and a manufacturer differ in characteristics of organization. It is not possible in the consideration of the organization problems of these three classes to present any schemes of organization that can be regarded as typical. There are no typical retail or wholesale selling organizations, because the functions of the selling force of a mail-order dealer are different from the functions of the selling force of a retail or jobbing establishment that does little or no mail-order business. In like manner, methods of sales department organization for a manufacturer are as varied as the selling methods that he may adopt. Any plan of sales department organization that is presented, therefore, can be typical only of a single class of retailers or of jobbers or of manufacturers. In considering the organization problems of each type of distributor, we shall outline a system that is suggestive of methods that are generally employed in certain common classes of the type under consideration, and we shall then indicate briefly some modifications of the suggestive system that are necessary to adapt it to other classes of distributors in the same group.

43. *Retail sales department organization.*—There are three methods of selling goods at retail—by the retail store, by mail, and by means of salesmen to call upon consumers. The first two of these methods can be conveniently combined, while the last is customarily employed alone. For most commodities, one or both of the first two methods are the normal ones. Salesmen

to call upon consumers are employed only in exceptional cases; and this method of marketing is not general enough to be considered typical of retail distribution. Accordingly, in a general consideration of retail sales department organization it will be sufficient to have in mind an establishment that employs only the first two methods of reaching consumers.

A department store is the most highly developed form of retail selling. It possesses certain characteristics that differentiate it from the "single line" establishment, but the fundamental features of its organization are typical of those of the majority of retail stores. Diagram I represents the relation between the different members of the selling organization and the principal lines of authority and of contact in many department stores.

This is not a complete chart for the entire organization of a department store or other large retail establishment. In most stores of this class there are three chief divisions. The first of these has charge of the stock of goods, its purchase and sale. The merchandise manager is normally the head of this division. The second division is concerned with the physical features of the store itself, instead of with the goods that are bought and sold. The store superintendent is usually in charge of this division. He is responsible for the physical appearance of the store building, for the arrangement of aisles, counters, and showcases, and for the conveniences that are offered to patrons, such as rest rooms, parcel checking facilities, and restaurants. He is in charge of the heating plant and the janitors, and he ordinarily directs the activities of the stable employés, the wagon men, and the delivery clerks. He is only indirectly concerned with selling, through his cus-

RETAIL STORE SALES DEPARTMENT ORGANIZATION

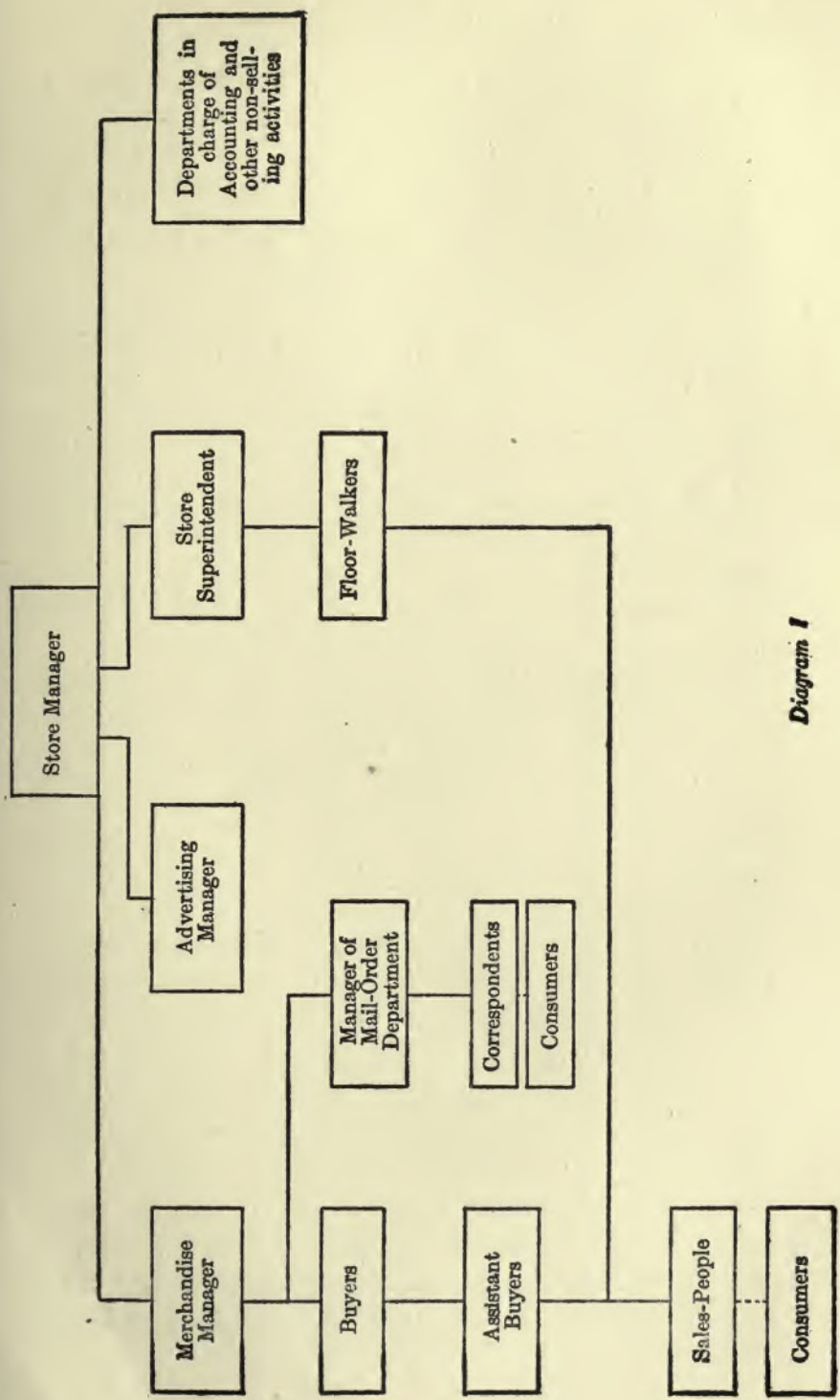


Diagram 1

tomary supervision of the floor-walkers or aisle-managers and his function of hiring and of enforcing discipline among the force of salespeople. The last great division embraces the cashiers, accountants, and other employés engaged in non-selling activities, who are not subordinate to the store superintendent.

A complete chart of department store organization would show the lines of authority and contact among all the members of these three divisions. We are concerned, however, only with the strictly selling activities of the store. For that reason our organization chart shows in detail only the first of the divisions and enough of the second to indicate its connection with the selling force.

44. *Merchandise manager*.—Sales department organization is best illustrated by the consideration of a highly developed establishment in which no individual serves in more than one capacity. At the head of the business is the owner or general manager who has supervision over the entire organization. The immediate direction of the different classes of activities are delegated by him to officials in charge of the various divisions that were mentioned in the preceding paragraph. The official in charge of the stock of goods that are offered for sale is commonly known as the merchandise manager. He is the real sales manager of the store. The entire selling force of the establishment are either directly or indirectly subordinate to him, and he is responsible for carrying out the selling policies of the management.

He is not concerned, however, solely with the sale of goods. The chief characteristic of the sales department of a retail store, as distinguished from that of a manufacturer, for example, is that the officials in charge of

the selling in a retail store are also in charge of the buying. The merchandise manager, therefore, is not only the sales manager but he is also the buyer of the stock. It seems to be an accepted principle of merchandising that when goods are bought to be sold again, the same individual must be made responsible for both the buying and the selling. In a factory these two activities are usually distinct, because the purchase is usually of raw materials and the sale is of the finished product. The man who knows the most about the thing to be sold, therefore, is not necessarily the one with the most intimate knowledge of the raw materials that enter into its manufacture, and for this reason a manufacturer's sales department is ordinarily entirely distinct from his buying department.

In merchandising, however—in the purchase of goods and their subsequent sale without alteration in form—by far the most important factor in profitable selling is intelligent and economical buying. There are, of course, other factors that enter into the making of profits in a merchandising establishment, but not nearly to the extent that the productive processes, for example, determine the profit on a manufactured article. In a retail or wholesale store, therefore, there is an exceedingly close connection between the buying and the selling of the stock. Profitable buying depends not only on a knowledge of the goods themselves, but probably to a far greater degree on a knowledge of present demand, and on the ability to forecast the demand of the future. This knowledge and ability are best acquired by actual selling experience, and for that reason the members of the store organization who are entrusted with the purchase of its stock are almost invariably recruited from the selling force. Because of their selling experience

they are well qualified to direct the operations of the sales-people; and, because of the close connection between store buying and selling, it is entirely feasible to place department heads in charge of both of these activities.

45. *Buyers.*—In a small establishment the merchandise manager may purchase all of the stock, and immediately supervise all of the selling. In a larger store, however, he can not give his personal attention to the purchase and sale of the entire stock. In such cases it is customary to divide the store into sections or departments, basing the division upon the kinds of goods that are carried. For instance, in a large department store there might be the following departments or goods sections: Clothing, dress goods, food supplies, furniture, hardware, shoes, notions, books, etc. In charge of each of these departments is an official who is usually known as a buyer. The buyers are the lieutenants of the merchandise manager and are directly responsible to him. Because the merchandise manager directs both the buying and selling, the buyers also combine these two activities. They purchase the stock for their respective departments and they may also be considered as assistant sales managers of the store.

Each buyer keeps in close touch with all the details of the work of his department. He purchases goods, he fixes prices, directs the display of stock, and supervises the work of the people who actually make the sales to consumers. He spends as much time as he can behind the counters of his section making actual sales, listening to the remarks of shoppers, learning what the public want, and trying to foresee future demand. If he does not get his information at first hand, he trains

his selling force to secure it for him, and to transmit all essential data by means of a system of reports.

If the business is of sufficient size, the various departments or goods sections may be divided into sub-sections, each in charge of an assistant buyer. For instance, if a large store has a department of food supplies, this may be divided into three subsections, dealing respectively in groceries, meats, and bakery goods. The relation of the assistant buyers in a department to their chief buyer is practically the same as that of the chief buyers to the merchandise manager. The department head confines his work to supervision and the determination of policies, and the detail of supervising much of the buying and selling is left to the assistant buyers.

46. *Sales-people*.—The sales-people are the last unit in the strictly selling organization. They are the only members of the sales department of the store who do not buy as well as sell, although even in their case there is not always a distinct separation of these two functions, because the superiors of the sales-people usually encourage them to observe conditions and make suggestions that may be of benefit to the buyers in purchasing stock. One or more of the sales-people in any department are usually being constantly trained as understudies for the buyer, so that in event of his absence or promotion there may be some one fitted to carry on his work.

In a complex organization, such as that which has been described, the sales-people are directly responsible to the assistant buyers. In a smaller organization the buyers themselves direct the selling force; and, if there are no department managers or buyers, the merchandise manager has immediate authority over the selling force.

That is to say, the sales-people are primarily members of the strictly selling organization, and their selling functions are necessarily directed by the officials of the sales department. In most large stores, however, the buyers or merchandise manager do not have complete authority over the sales-people. For instance, the sales department does not ordinarily have charge of the hiring of sales-people. When a buyer or assistant buyer wants additional assistance in his department, he notifies the store superintendent of his needs, and that official is charged with supplying the additional sales-people, either by hiring them or by transferring them from some other department where they may not be needed. The store superintendent is also usually responsible for the enforcement of discipline among the sales-people, and it is his duty to see that their reports, sales tickets, delivery slips, and the like, are made out in proper form. In supervising those activities of the sales-people for which he is responsible, he is assisted by the floor-walkers or aisle managers.

The system whereby the authority over the sales-people is divided between the merchandise manager and the store superintendent and their respective assistants, is possibly not in accord with one of the principles of organization that is often considered as fundamental. This principle teaches that the best results are secured by giving to each official definite and exclusive authority over the group of employés immediately below him. Recent tendencies in industrial organization, however, indicate that this principle is possibly not so universally applicable as has been supposed. The military "staff and line" system which has been applied successfully to large industrial undertakings, and which is sponsored by

the modern efficiency experts, recognizes the advantages of assigning definite supervisory functions to each of two or more superiors who have common authority over a certain group of employés. To this extent modern organization ideas are in line with the custom of department stores; but whether the department organization that embodies a division of authority over the sales-people is or is not scientific, it seems to work well in the majority of cases.

47. *Variations in departmental organization.*—The relation that has been described between the divisions presided over respectively by the merchandise manager and the store superintendent is characteristic of a great many stores, but it is by no means universal. The floor-walkers or aisle managers, for instance, are sometimes considered an integral part of the selling organization, and they are made directly responsible to the buyers or to the merchandise manager instead of to the store superintendent. This arrangement helps to concentrate authority, and where it is in effect the store superintendent is usually relieved of all supervision over the sales-people. The customary method of organization, however, is that shown in the chart. The floor-walkers have little or nothing to do with the purchase or sale of goods. They are usually in no way responsible for the sales in the departments to which they are assigned. Their duties are to enforce discipline, to see that customers are served and to look out for their comfort in all possible ways, and to be responsible for the physical aspect of the part of the store over which they have jurisdiction. If the store superintendent has general supervision over these matters (and they are certainly within his province rather than within that of

the selling department), it is logical for the floor-walkers to be subordinate to him instead of to the merchandise manager.

In some large retail stores there is an official with the title of sales manager, whose duties are distinct from, or subordinate to, those of the merchandise manager. The functions of such an official vary so greatly, however, in different establishments, that he can not be said to occupy a definite position in retail sales department organization. He usually has no responsibility whatever for the purchase of stock. In some stores he is interested only in the development of the efficiency of the sales force. He may have general supervision over the sales-people, or he may be merely the instructor in the school of salesmanship that many establishments maintain for their employés. In other stores the sales manager confines his activities to the management of the big selling movements of the store, such as planning the special sales and seeing that they are properly merchandised, displayed, and advertised. In these latter cases he simply relieves the merchandise manager of a portion of his responsibility and is practically co-ordinate in authority with him. In the other cases, however, he is subordinate to the merchandise manager.

The time may come when a definite division between the buying and selling functions will be characteristic of retail store organization, but this division is not general at the present time. The merchandise manager is really the sales-manager just as he is also the chief buyer, and his immediate subordinates in a large organization can just as logically be called assistant sales managers as buyers. The usual retail store organization, however, is based chiefly on the buying side

of the dual functions of its officials, and their titles are usually derived from their purchasing instead of from their selling activities.

48. *Advertising department.*—In the chart of retail store organization the advertising department is shown as being distinct from the merchandise department. The relation between the advertising and sales departments in any organization is a matter in which there is no uniformity of opinion or practice. The earlier practice was for the advertising manager to be subordinate to the sales manager. Perhaps the ordinary custom now is for these two officials to be co-ordinate in authority. Advertising men generally maintain that the logical procedure is to combine the two departments under a single head. Possibly one reason why this has not been done to any extent in retail store organization is that every sale has two phases—getting the customer into the store, and caring for him when he is once there. The advertising manager is charged with the responsibility of getting customers into the store. Formerly his authority stopped there, but now-a-days he is also responsible for the numerous display devices that tempt the customer to buy as he wanders through the store.

It is difficult to say just where the authority of the advertising manager should cease and that of the sales or merchandise manager should begin. Each is engaged in one phase of selling, and whatever their nominal relation may be, they must work in the fullest harmony with each other. The mail-order department is one phase of the store's activity in which their authority conflicts. Because selling by mail is one method of coming into direct contact with the consumer and of disposing of merchandise, the chart shows the

mail-order manager as being subordinate to the merchandise manager. It is evident, however, that many of the methods of securing mail-orders must be under the supervision of the advertising manager. Mail-order selling depends largely on advertising for its success. The preparation of the catalogues and follow-up material is certainly an advertising proposition. If the advertising manager is not a salesman, his advertisements will be ineffective, and if the merchandise manager and his assistants have no knowledge of the problems of advertising, neither department can work to the greatest advantage. More and more the vital connection between advertising and selling is becoming recognized, and it is probable that in the future there will be no distinct division between the two departments.

For the sake of convenience in the discussion of a retail selling organization, we have been considering a store in which a separate individual embodies each of the functions that have been mentioned. This condition, however, can not exist in a small store where a single person may perform all of the functions that are divided among the staff of a larger organization. The small proprietor may be his own merchandise manager, buyer, and salesman. He may handle all mail-orders himself and also be his own advertising manager. Whether one man performs all of these various functions, however, or whether the organization is as complex as that of a great department store, the differentiation between the kinds of activities of the store is always the same; and it is always possible with the growth of the business to develop the organization along lines parallel to these functions.

49. *Lack of uniformity in wholesale selling organizations.*—There is probably less uniformity in the sales

JOBBER'S SALES DEPARTMENT ORGANIZATION

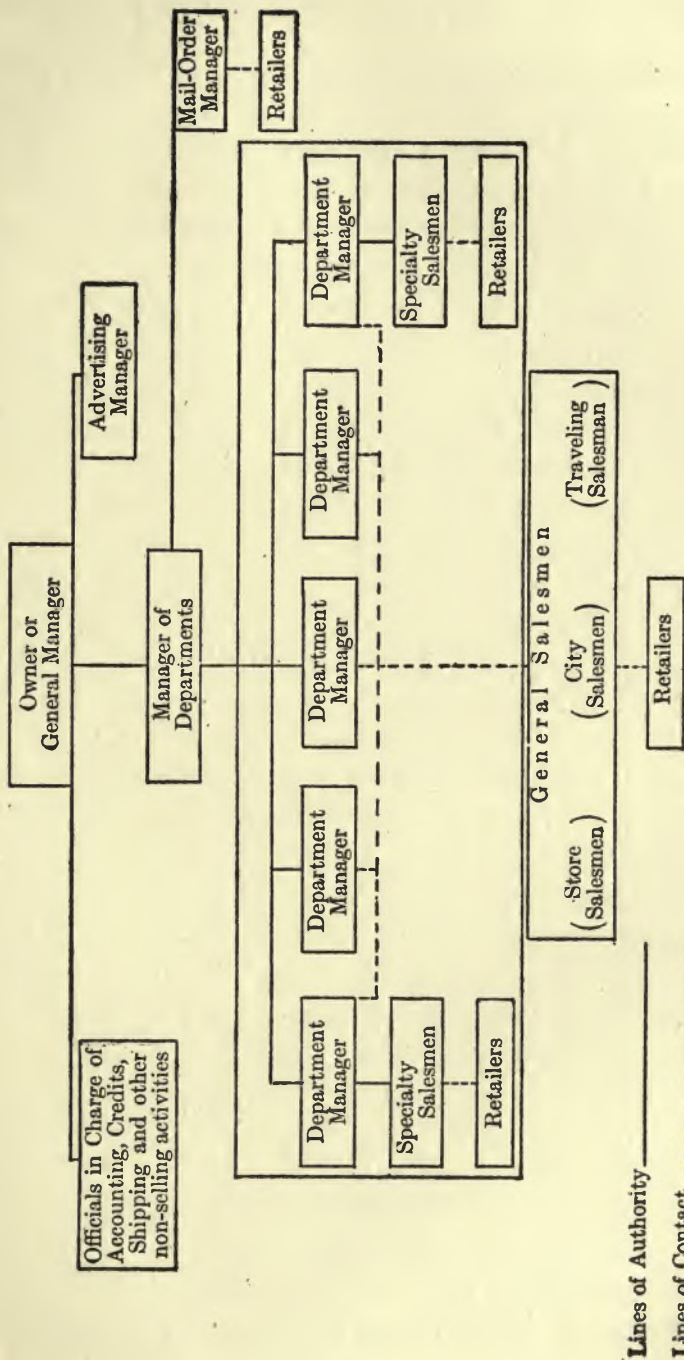


Diagram II

department organization methods of wholesale houses than in the case of any other class of distributors. There is, however, a tendency in the jobbing trade toward the development of an organization similar in its essential features to that of a large retail department store. An outline of a possible sales department organization along these lines for a wholesale business is shown by Diagram II. It must not be understood that the suggested system is typical; for there is no typical wholesale selling organization. It does, however, embody some of the best features of the most progressive jobbing houses, and it suggests the lines along which wholesale selling organization methods generally may develop in the future.

50. *Manager of departments.*—In a wholesale, as in a retail, business the functions of buying and selling are very closely related. Goods are purchased to be sold again without change in form, and gross profits are largely dependent on wise buying. There does not seem to be any necessary division between the buying and selling functions, at least as far as the duties of executive officers are concerned. The buyer must be most intimately in touch with the market, and the seller must have an exact knowledge of the conditions under which goods are purchased. Therefore in a jobbing house, as in a retail store, it is customary for one individual to combine the functions of buying and of supervising sales. In a typical case the small jobber both buys and sells his entire stock. If he has a partner, the partner attends to the purchase of a part of the stock, but they both usually act as salesmen for the entire line, or else they jointly supervise the work of one or more general salesmen. In the executive

offices, however, there is ordinarily no separation of the functions of buying and selling.

As the business develops there may be so many different lines handled and the total business may be so large that it becomes necessary to divide the organization into departments. Each of the department heads has a definite part of the stock to purchase, and he is, in addition, responsible for its sale. Where there is departmentation of any sort, however, it is necessary for some one to be superior to all the department heads and to correlate their activities. This is usually the owner or general manager of the business, but in the largest organizations he is frequently given the title of manager of departments. He is the sales manager and the chief buyer, and his relation to the heads of departments is similar to that of a retail merchandise manager to the buyers who operate under his supervision.

51. *Department managers.*—Each of the department managers is in general charge of one or more of the lines that are offered for sale. For instance, some of the departments in a wholesale grocery may be as follows: canned goods; tea, coffee, and spices; fresh fruit and produce; soap and laundry supplies; confectionery; and cigars and tobacco. Each department manager buys the stock for his department, fixes its price, and sees that the salesmen give it the attention to which its importance may entitle it.

52. *Specialty salesmen.*—In a highly developed wholesale business, some of the departments may employ so-called specialty salesmen to handle their respective lines exclusively. This is usually the case when the successful sale of an article demands a detailed familiarity

with it which can only be acquired by a salesman who gives his entire time to it, or when a jobber specializes in a certain line and wishes to push it by means of specialty salesmen as well as the general salesmen. For example, many wholesale grocers specialize in cigars and tobacco, and they frequently employ salesmen to handle these lines exclusively. When specialty salesmen are employed, they usually work directly under the supervision of the department manager who is in charge of the line that they sell, and they are only indirectly responsible to the manager of departments.

53. *General salesmen.*—With the exception of the comparatively few instances in which specialty salesmen are employed, the entire line of a wholesale house is usually handled by general salesmen. Even if there are specialty salesmen for some departments, the special lines are sold not only by the specialty salesmen but are handled by the general salesmen as well. In some houses the general salesmen are directly controlled by the various department managers. It is obvious, however, that this system may be productive of conflicting directions to the salesmen, and of a failure to follow the general selling policy that may be for the best interest of the business as a whole. Each department manager is naturally anxious that his department shall lead the others, and if he is permitted to direct the activities of the general salesmen, he is likely to forget that the other departments have an equal claim upon their services, and he may be tempted to issue instructions in opposition to, instead of in harmony with, the instructions of the other department heads. Accordingly it is advisable to make the general salesmen directly responsible only to the manager of departments.

Before communicating with the salesmen on any important point, a department manager should refer the matter to the manager of departments, and the responsibility for all directions to the salesman should rest upon him. He is the general sales manager. It is his duty to direct and control the natural competition between the departments so that the best interests of the business as a whole will be advanced; and if any department head issues instructions to the general salesmen, it should be understood that the instructions come from and are approved by the manager of departments. The best results will be secured if all instructions bear his signature. The heads of departments come into constant contact with the general salesmen, but the salesmen are not logically directly subordinate to them.

There are usually three classes of general salesmen—floor or store salesmen, city salesmen, and traveling salesmen. The store salesmen wait upon customers who come to the store to select their stock. In many lines there are fixed seasons of the year when out-of-town dealers come to the central markets in large numbers to make their purchases. There must always be adequate provision for taking care of these customers. Frequently store sales are made by the department heads, but in large organizations floor salesmen are frequently maintained for this purpose. City salesmen call upon dealers whose places of business are in the city where the wholesale house is situated. Traveling salesmen call upon out-of-town customers. All of these classes of salesmen occupy the same position in the scheme of organization. Their general functions are the same, and they differ only with respect to the identity of the dealers with whom they come into contact.

If a wholesale house does a large mail-order busi-

ness, it may have a mail-order manager, who is normally responsible to the manager of departments. Such an official, however, is not so essential in a wholesale as in a retail store. A large proportion of the wholesale salesmen's orders are usually sent in to the house by mail, and most of these orders call for items to be supplied by several of the departments. Accordingly, even in a small organization there is usually found a responsible order department, to which all orders are delivered as soon as they have been approved by the credit man. Each order is then usually split up so that each department head is kept in touch with the demands upon his stock. It is the duty of the order department to see that the entire order is filled promptly and in accordance with the customer's wishes. Because practically every wholesale organization must maintain this department to care for the large proportion of the salesmen's orders that are received by mail, there is ordinarily no necessity for a separate department to care for the orders that may be received directly from customers.

54. *Jobber's advertising department.*—An advertising manager as a separate official is seldom found in jobbing houses. Most jobbers confine their advertising activities to the preparation and distribution of a general catalogue and to the publication of circulars or other announcements of special offerings. The supervision of these activities is usually delegated to one of the department managers. There are other kinds of advertising than those that have been mentioned, however, that offer great opportunities to the wholesale dealer. Many jobbers advertise in trade publications, and an increasing number are realizing the possibilities of house organs for distribution among their employes.

and customers. If advertising is attempted on an extensive scale, it is necessary to put it in charge of an advertising manager, and this official is usually subordinate directly to the owner or general manager, not because the general purposes of his activities are distinct from the aims of the manager of departments, but because it is not yet generally customary for selling and advertising to be directed in detail by a single official.

55. *Special applications of the suggestive wholesale selling organization.*—The chart of a jobber's selling organization does not show all of the lines of contact between the selling force and the other departments of the business. The credit man is an exceedingly important official in a wholesale house, and the sales department must work in the closest harmony with him, just as it must co-operate with the officials in charge of accounting, shipping, and other non-selling activities. The primary purpose of the chart is to show definite subordination of authority, and only those lines of contact are presented that are necessary to indicate the relations between members of the selling organization.

As has been suggested previously, any chart of organization shows the relation of functions and not of individuals. A department manager, for instance, in a wholesale house may not confine himself to the duties of that one office. He may also be a salesman actively engaged in calling upon the retail trade, he may be the advertising manager as well, or he may have assigned to him some of the duties of one or more of the other office departments. The owner or general manager of the store may be, and frequently is, the active manager of departments. The extent to which one individual confines himself to the duties connected with a single unit in the chain of authority depends solely on

the size of the establishment. What has been said about the general application of the scheme of retail sales organization applies in the case of the jobber as well. The plan that has been outlined is seldom found in its entirety in any one wholesale house. It represents, however, the general tendency in sales department organization in the jobbing trade. It embodies the characteristic features of every largely successful business—specialized activities, departmentation, and direct responsibility and delegation of authority.

CHAPTER VI

MANUFACTURERS' SALES DEPARTMENT ORGANIZATION

56. *Dependence of manufacturers' selling organization upon selling methods.*—In the sections dealing with manufacturers' selling methods it was shown that there are three possible classes of customers for a manufacturer's products—jobbers, retailers, and consumers. A manufacturer can reach any of the classes of customers that he may select, by salesmen, by mail, by retail stores of his own, by independent agents who may buy his products to sell them again, or by branch-houses that he may establish throughout his territory to handle the business in their vicinities. His sales department organization depends primarily on the market and the selling methods that he may select. Because of the number of these selling methods and the many possible combinations of one or more of them, it is evident that there can be no typical method of sales department organization for a manufacturer. In order to indicate the possibilities of sales department organization in any particular manufacturing establishment it is necessary to have in mind a business that reaches all possible classes of customers and utilizes all possible selling methods. A general outline of the selling organization of such an industry is shown in the chart on page 342 (Diagram III). The imaginary manufacturer whose sales department is there represented sells his products directly to any one who wishes to purchase them.

MANUFACTURER'S SALES DEPARTMENT ORGANIZATION

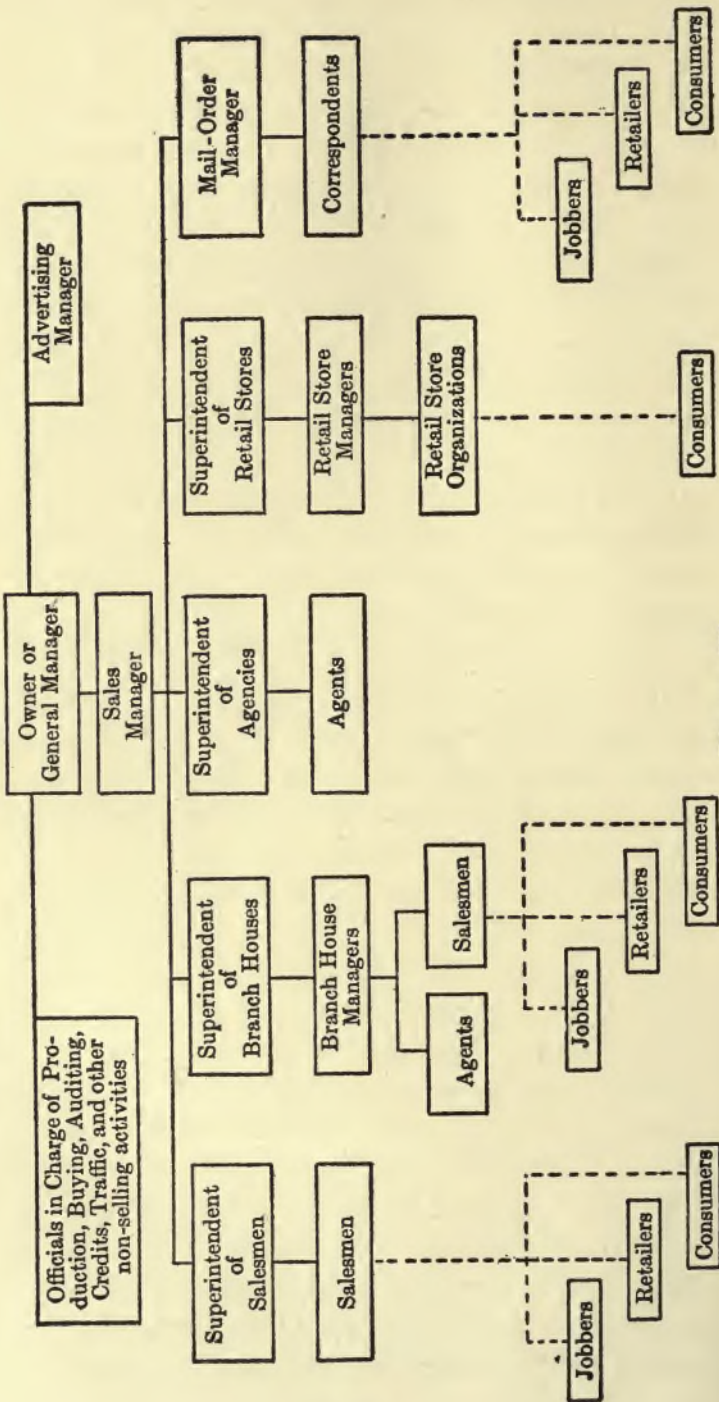


Diagram III

Therefore, his organization must reach jobbers, retailers, and consumers. The contact with the market is effected by the use of branch-houses, salesmen, independent agents, retail stores owned by the manufacturer, and a system for handling mail-orders. Probably no manufacturer's sales department is as extensive as the imaginary one under consideration, but a no less extensive system would be useful in suggesting plans of a selling organization to fit all the possible marketing methods that are open to the manufacturer.

57. *Two differences between manufacturer's and wholesaler's or retailer's selling organizations.*—A manufacturer's selling organization differs radically from the sales department of a wholesale or retail store in two important particulars:

In the first place, a manufacturer's selling officials have nothing to do with buying. In a small factory, of course, the sales manager may also be the purchasing agent, but this is simply because the establishment is small and it is not possible to assign a different individual to each activity. The problems of factory buying are entirely distinct from the problems of selling; and the best results are obtained when factory buying and selling are recognized as specialized activities and are supervised by separate specialists.

The second important difference between wholesale or retail and factory sales organization is found in the principles that underlie departmentation. In a wholesale or retail store we have seen that the head of the department (whether he is called a buyer or a department manager) is in charge of the sale of a certain kind of goods. In a department store, for example, one buyer is in charge of groceries, another is in charge of dress goods, another is in charge of furni-

ture, and still others are in charge of each of the other kinds of goods that are sold. In a factory organization, however, the divisions in the sales department are not ordinarily based on the different kinds of goods that are sold but on the different ways in which they are sold. Thus, in the organization shown in the chart, no account is taken of the different products that may be made by the factory. The basis of departmentation is solely the different methods used by the manufacturer to distribute his goods. It is not true, however, that this principle of departmentation is universally applied in manufacturing establishments. If the total business is large, and if a considerable number of different kinds of articles are produced, a separate sales manager is sometimes in charge of the sale of each class of commodities, and under each sales manager is a complete organization designed to reach the market that has been selected, in accordance with the selling methods that have been deemed advisable.

A certain manufacturing establishment, for example, does a large business in a number of more or less closely allied lines. It manufactures many kinds of soaps for family use, soap-chip for laundries, and lard compound; it deals in cotton-seed oil and in glycerine and other by-products of its main productive processes. For each class of products there is a sales organization that is maintained separately from all the others. This condition, however, is not typical of the manufacturing field. In most factories there is a single selling organization, presided over by a single sales manager who is responsible for the distribution of all of the products.

58. *Sales manager*.—In a manufacturer's organization the official who is in charge of selling is almost always called the sales manager. He is responsible

only to the owner or to the general manager. In a small business he may be an active salesman as well as a manager of salesmen, and he may personally exercise detailed supervision over many of the activities that would be under the immediate supervision of subordinates in a larger organization. In the case under consideration he is purely an executive official. The number of selling methods of which he has general control is so large that he has found it necessary to delegate immediate direction of the different activities to five officials who are called, respectively, superintendent of salesmen, superintendent of branch-houses, superintendent of agencies, superintendent of retail stores, and mail-order manager.

59. *Superintendents of different kinds of selling activities.*—Whether sales are made to jobbers, retailers, or consumers, or to any combination of these classes of customers, the method of distribution by salesmen is exceedingly common in the manufacturing field. Some official must be directly responsible for the activities of the salesmen. If a great number of selling methods are employed, and if the sales manager, consequently, can not give personal attention to all the details of any one method of distribution, it is customary to place the immediate supervision of salesmen in the hands of a subordinate of the sales manager who may be called the superintendent of salesmen. Such an official, however, is seldom necessary. The salesmen are usually so vital a part of the selling organization, and the success of their activities is so largely responsible for the success of the enterprise, that ordinarily the sales manager retains direct supervision over them even when it is necessary to delegate direct control of other selling agencies to subordinates.

60. *Salesmen.*—The chart does not differentiate between specialty salesmen and general salesmen. Specialty salesmen are usually employed by a manufacturer under the same conditions that determine the employment of specialty salesmen by a jobber. In many factory sales organizations, even though a single sales manager may be in charge of the sale of all lines of goods that are produced, separate salesmen are assigned to the sale of each line. In other cases there is a combination of specialty and general salesmen, and in still others general salesmen alone are depended on to market all the goods. In all of these cases, however, the place of the salesmen in the scheme of organization is the same, and for that reason there is no differentiation between the classes in the organization chart.

61. *Branch-houses.*—The organization of each branch-house may be as complex as that of the main office itself. In other words, each branch-house may have salesmen operating directly under its manager, it may have supervision over other branch-houses, it may sell to agents, operate retail stores, and have a mail-order department. It is not customary, however, for a branch-house to be engaged in all of these activities. The typical branch-house functions are supervising local salesmen and selling to local agents; and these activities alone are indicated on the chart.

62. *Agents.*—An agent is technically an independent representative. He is usually not on the manufacturer's pay roll and the manufacturer has only the most general supervision over his activities. He is not in reality an integral part of the manufacturer's selling organization. Accordingly in any business that distributes goods through agents it is not necessary to

trace the sales department organization further than the agent. From the standpoint of the manufacturer an article is finally disposed of when it is purchased by the agent. For this reason the chart attempts no explanation of methods of agency organization. The agent's plan of selling organization may be that of a manufacturer, jobber, or retailer, depending on the market he is trying to reach and the selling methods he has adopted.

63. *Manufacturer's retail stores.*—Distribution of goods through retail stores owned by the manufacturer is not general. It is frequent enough, however, to be considered as one of the possible methods of marketing that is open to a manufacturer. If the manufacturer operates but one retail store, the superintendent of retail stores and the retail store manager are the same individual. If there are many stores, and if it is not possible for the sales manager to give his attention to the details of this method of distribution, it is necessary to have a superintendent in charge of all of the retail stores. The organization of each retail store is practically the same as that of the retail store organization that we have already considered. To be sure, the merchandise manager does not purchase his stock in the open market, but he has to make requisition for it from the factory in accordance with his needs, and in all essential particulars he has the same duties as the selling head of a detached retail establishment.

64. *Mail-order department.*—The mail-order department is co-ordinate with the other selling departments. It is one of the five outlets for the product of the factory, and, therefore, is under the general control of the sales manager.

65. *Relation of sales and advertising departments.*—In

the consideration of retail and wholesale selling organizations we have indicated the close connection between the advertising and sales departments. What has been said with regard to the relation between these departments in a retail or wholesale store applies to a manufacturer's organization as well. Commercial advertising is just as truly one form of selling as is direct personal salesmanship. Whether the immediate purpose of advertising is to create interest in the product, to produce inquiries, or to bring in actual orders directly from readers of the advertisements, the ultimate purpose of all commercial advertising is solely to increase the sale of the goods that are advertised. Logically, therefore, there is no necessary distinction between the sales and advertising department. This is the contention of many advertising men, who maintain that ultimately the advertising manager and the sales manager in every industry will be the same individual. This condition, however, has not been realized as yet. Nevertheless the intimate relation between advertising and selling is generally recognized, although organization methods differ in their attempt to express that relation.

Frequently the advertising manager is subordinate to the sales manager. The disadvantage of this arrangement is that advertising is such a specialized field of endeavor that those who have not made a careful study of it are not competent to pass judgment upon its methods, and a general sales manager whose practical experience has usually been entirely in the line of personal salesmanship is scarcely in a position to exercise intelligent supervision over the details of advertising.

Advertising is most assuredly selling, and all the problems of distribution enter vitally into the problems of advertising. In addition to these, however, advertising

has its own peculiar problems, which can be solved successfully only by a man who has had professional training and experience in the great field of practical publicity. When the business world produces a sufficient number of executives of broad experience in all phases of distribution, it will undoubtedly become customary to consolidate the direction of advertising and of other forms of selling in the hands of a single official. Under present conditions, however, in a suggestive plan of sales department organization it seems wise to make the sales manager and the advertising manager coordinate in authority and responsible only to the owner or general manager of the business.

66. *Credit and traffic departments.*—It is sometimes contended that the credit and traffic departments are essential parts of a manufacturer's selling organization. The nature of the functions of these departments, however, does not justify this contention. Neither of them is engaged primarily in the sale of goods, the one purpose of the sales department. The credit man helps to guard the manufacturer's profits by passing upon the advisability of accepting sales that have already been made. It is true that he should be a salesman, because he has many opportunities to inject selling talk into his letters to customers; and he should always conduct his activities with a view to advancing the sale of goods so far as he can do so consistently with his specific duties to his employer. His main purpose, however, is not to make sales but to pass upon those already made, and for that reason he has no logical place in a strictly selling organization.

In like manner the traffic manager can do much to assist the selling force. By his knowledge of rates and routes he can make it possible at times for the prod-

ucts of his employer to be sold at lower delivered prices than the goods of competitors, and in his relations with customers he can do much to increase the prestige of the house. His chief duties, however, do not begin until the orders have been actually received. It is his function to see that shipments are delivered in the shortest possible time and at the lowest possible rate. Accordingly the traffic manager is logically no more subordinate to the sales manager than is the chief accountant or the heads of any of the other non-selling departments of the business.

67. *Method of adapting the manufacturer's selling organization chart.*—The manufacturer's sales organization that has been described is an ideal one. It is based on the supposition that every possible means of distribution is employed in marketing the product. This condition seldom exists. Few manufacturers sell to jobbers, retailers, and consumers alike; and most of them use only a few of the possible methods of reaching the market that they have selected. The organization chart can be readily modified to suit any particular business. For instance, if the manufacturer does not sell to consumers or retailers, as is the case with most manufacturers of grocery specialties, the only necessary change in the organization is the elimination of the retail stores, the salesmen who sell to consumers and retailers, and the machinery of the mail-order department designed to reach these classes of customers. The relation between the remaining distributing factors is unchanged. If a producer sells only to retailers who act as his agents, the entire retail store and mail-order sections of the chart may be eliminated, as well as the salesmen who sell to jobbers and consumers. In this manner the chart is capable of innumerable

variations in its details. Whatever may be the extent of the alteration, however, there is no change in the general principles of the organization. The effective sales organization is always based on the idea of definite departmentation and graded delegation of authority.

CHAPTER VII

METHODS OF SECURING CO-OPERATION BETWEEN SELLING AND OTHER DEPARTMENTS

68. *Necessity of inter-departmental co-operation.*— We have already indicated the necessarily close relation that must exist between the sales department and all the other departments of a business. The sale of goods at a profit is the ultimate purpose of every organization, whether its primary purpose is the production of such goods, or whether it is concerned simply with the distribution of articles that are produced by others. Accordingly the efficiency of the sales department is a matter of great importance to every business owner or manager. This efficiency can not reach its highest development unless every department co-operates with the selling organization in order to bring about the most economical and successful administration of the selling activities. The intimate relation between the advertising and sales departments has been frequently referred to. Although the connection is not always so obvious, there is a similar relation between the sales department and the departments in charge of production, transportation, credit, accounting, office routine, and all other phases of the activities of any business establishment.

The development of co-operation between the selling and other departments can not be left to chance. Unless an organization is composed of exceptional individuals, it seems to be natural for many of the em-

ployés to work at cross purposes. Each department naturally is concerned chiefly with its own interests; and inter-departmental jealousy and lack of co-operation are unfortunately characteristic of many establishments, even when their organization is otherwise highly developed and they have attained a large measure of success.

Three things are influential in bringing about the necessary co-operation among the members of any department and among the different departments in a business. They are as follows:

Tact
Profit-sharing
System

69. *Use of tact in securing co-operation.*—The problem is largely one of human nature, and wherever this factor is met, the solution certainly can not be found by a resort to merely mechanical methods. The function of system in business is to secure the greatest results with the least expenditure of time and energy. But no system, however well planned it may be or however carefully installed, can be effective in accomplishing its purposes unless those who are affected by it are in sympathy with it and are willing to co-operate with all of their fellow employés who are concerned with its operation. The human factor must always be considered; and no mechanical means will ever be devised that will take the place of tact in the equipment of the successful business man.

Whatever other methods may be employed to secure departmental co-operation, they must always be made effective by the exercise of tact. A sales manager must

consider each of his subordinates as an individual problem. He must study him, learn his strength and weakness, discover his most approachable side—in short, he must deal with him as a man and not as a machine. In the same way, the executives of the sales department must deal with the other members of the office and factory organization. They must be courteous, patient, open-minded, and with a regard for the opinions of others. They must remember that while they may gain their point by mere force of their authority, or by calling into play the authority of the general manager or owner of the business, every act of this sort will alienate the support of their subordinates or associates, unless the authority is exercised tactfully and with a regard for the feelings of others. Tactless attempts to compel co-operation, instead of solving the problem, only make its ultimate solution more difficult.

It is obviously impossible to give practical directions for the development of tactful relations within and among departments. It is not a matter to be considered in the abstract, like organization methods or office systems. It is something that pertains solely to the individual. The only general directions concerning it that are worth anything are those that urge the general manager to eliminate from his organization any individual who does not exercise tact in his dealings with his associates. A tactless salesman is an impossibility, and a tactless sales manager does any business more harm than good. If tact is displayed in the direction of salesmen, it will also usually be found in the relation of the selling officials to the other department heads in the business. If it is not found in these relations, the fault can not be cured by any revised system or plan of re-organization. The only cure is the elimination of the

individual who is incapable of working in harmony with the other members of the force.

70. *Profit-sharing to induce co-operation.*—In any large business, if there is lack of co-operation between the departments, it is often due to the fact that the employés think more of the interests of their respective departments than of the business as a whole. Having no direct interest in the profits arising from the successful conduct of the enterprise, each employé is likely to think that what he conceives to be the advancement of the interests of his department is the sole end toward which he should strive, no matter how adversely such so-called advancement may affect other departments. He frequently fails to realize that any real departmental success is dependent on the success of the entire business. If controversy or friction arises with other departments, he may be more concerned with proving his own department in the right than with the ultimate effect of the controversy upon the owner's profits.

Where this condition exists, one method of removing the difficulty is to give the employés a share in the profits. Profit-sharing, with this purpose in view, is becoming increasingly popular in all branches of industry. It is used most frequently in manufacturing establishments and in retail stores, but wholesale houses also are beginning to realize its possibilities and to inaugurate profit-sharing in some form among their employés. Profit-sharing is a generic term used here to refer to all methods by which employés are given a financial interest in the business, in addition to their regular remuneration. It may be in the form of a division among the employés of a certain predetermined portion of the profits; it may be in the form of conditional salaries dependent on the profits made,

ownership of stock by employés, cash bonuses for exceptional results, or other modifications of the general principle.

In many cases profit-sharing undoubtedly increases co-operation among the various departments. Theoretically the different officials and minor employés will willingly subordinate their individual desire and inclinations and work harmoniously for the common good if that course will be to their immediate financial advantage. Practically the beneficial results are not always as great as might be expected, because human nature is such that it is hard for any individual to distinguish the greater good from his own immediate interests, and, even when this is possible, a small share in increased profits to be distributed twelve months hence is likely to be of less importance than the satisfaction derived from making a personal point in a controversy. Despite the practical qualifications of the theoretical benefits of profit-sharing, however, the plan works well. Particularly in the case of higher officials whose share in the profits is large, it has been found in many cases to increase materially the willingness of department heads to co-operate for the advancement of the common good.

71. *Committee system as an aid to co-operation.*—The third method of promoting co-operation between the selling and other departments is the use of some system whereby the managers of departments are forced to confer about the matters that concern them in common. By being given an opportunity to express their own views and to learn at first hand the opinions of others who are equally interested in the matters under discussion, and by being given a large measure of responsibility for the decisions on important questions, they are likely to lose their narrow departmental points of view

and to think more of the interests of the business as a whole.

The committee system is one of the best methods that has been devised for securing the beneficial results of departmental co-operation. It is not a new thing; it has been advocated and practiced successfully for several years by many managers of industrial plants. It has been proved immensely effective in securing the co-operation of factory foremen; and it is just as effective when it is used to secure the co-operation of the higher employé. An important reason for the lack of co-operation is the frequent failure of one department manager to get the point of view of another—to know his problems, and to look at the business from the standpoint of his position. If the two department heads can be brought together to consider frankly the various aspects of any question on which they may hold different opinions, they are very likely to alter their original attitudes and to reach a conclusion that is satisfactory to both. In many organizations, of course, there are voluntary conferences of this sort, and the several department managers are glad to listen to the opinions of others and to profit by the general discussion. When there is no systematic provision for conferences, however, the managers are too often unwilling to go into them voluntarily, and jealousy and lack of intercourse are too often the rule instead of co-operation and mutual helpfulness.

The committee system can be used by manufacturers, wholesalers, and retailers. The principles underlying its successful operation are the same in all cases, and it is not necessary, therefore, to consider its application in detail to each of these three classes of business. Manufacturers' organizations, however, have probably

applied it most effectively, and for that reason we shall present its principal features in connection with such an organization. The manufacturing industry that we shall consider for the purpose of illustration has a highly developed sales department. The territory in which its products are sold is divided into three divisions with a division sales manager in charge of each. The division sales managers all make their headquarters at the main office of the company. They are in reality assistant sales managers, co-ordinate in authority, and directly subordinate to the general sales manager of the organization. In this company the advertising department is of great importance, and the advertising manager is not responsible to the sales manager, but is equal in authority with him. Diagram IV on page 359 illustrates the application of the committee system to the office organization of the company.

72. *Executive committee.*—In general, this system involves the grouping of department heads into a series of committees, in each of which the majority vote, on matters brought before the committee, prevails against the opinion of any dissenting member. The highest authority is vested in the executive committee of the corporation, which is composed of the corporate officers. As is frequently the case, each of these officers has a definite function in the active affairs of the company. The president is the active executive head of the business, with general supervision over all departments. The vice-president is the general manager, with immediate control over the productive end of the company's activities. The treasurer is the superior officer of the cashier, auditor, office-manager, credit man, and statistician. The secretary is the general sales manager, and the assistant secretary is the advertising manager. It

**APPLICATION OF COMMITTEE SYSTEM TO
MANUFACTURER'S ORGANIZATION**

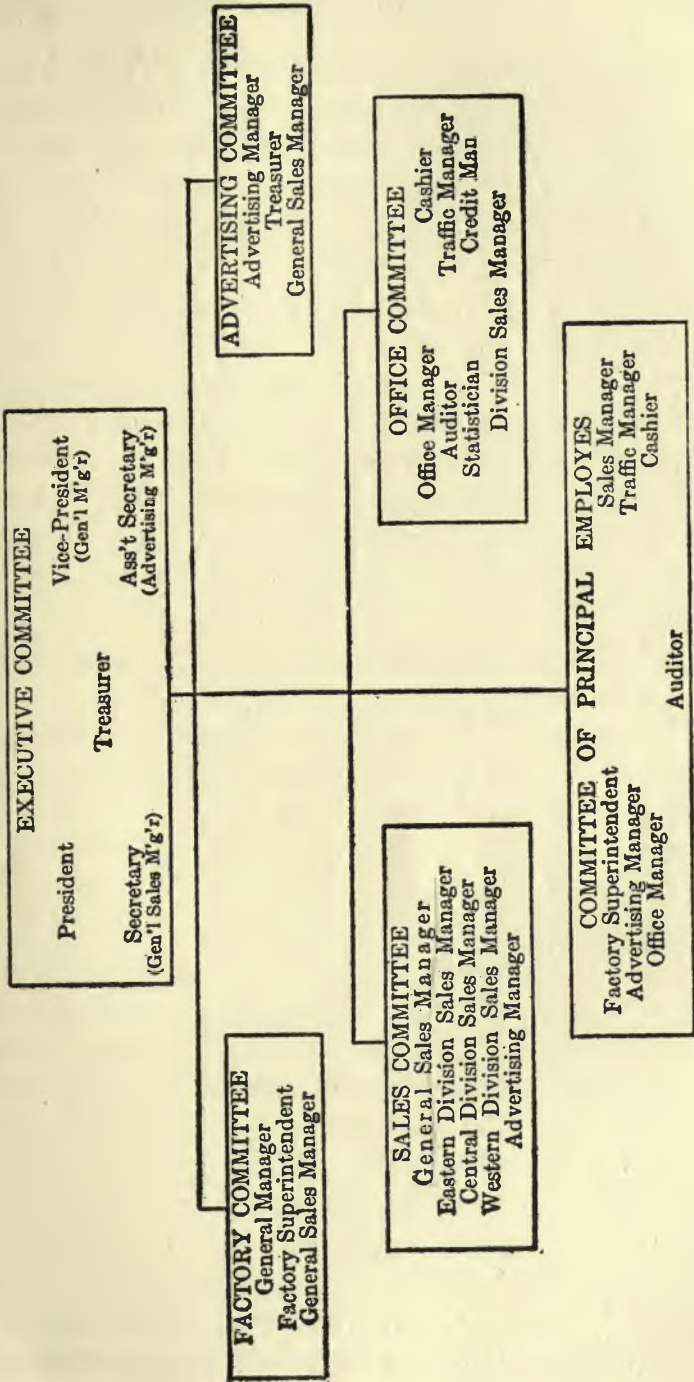


Diagram IV

is evident, therefore, that the three principal departments of the corporation—production, marketing, and the office organization—are represented on the executive committee. This committee meets daily. Every action of any of the other committees is subject to its approval or veto. If a matter comes to the executive committee after favorable action by the advertising committee, for example, it is naturally defended in the executive committee by the advertising manager; and if it comes from the factory committee, it usually is presented by the general manager. In like manner, the sales manager ordinarily represents the sales committee in matters that go to the executive committee, and the conclusions of the office committee are presented by the treasurer.

The executive committee may do one of three things with any matter that has been approved by a subordinate committee: it may approve the recommendation and order it to be put into effect immediately; it may disapprove it and order it back to the subordinate committee for further consideration; or it may finally veto the recommendation. Of course, the executive committee also originates many measures. It is the governing body of the corporation, and it is responsible only to the directors and ultimately to the stockholders.

Often the executive committee of a corporation has only perfunctory duties. This is usually the case when many of the officers are not active in the direction of the company's affairs. When the officers do hold responsible positions in the organization, however, the executive committee as an active governing body offers extraordinary opportunities for the development of co-operation among the officers. Even when one or two officers hold most of the stock and are unwilling to permit important

matters to be decided finally by a majority vote of the executive committee, it is entirely feasible to require the committee to pass upon all matters affecting the business as a whole. The president may reserve the power to veto the committee action, but the free interchange of ideas in the committee meetings will be productive of co-operative effort and a common sympathy with the view points of the various departments, which can be secured in no other way.

73. *Factory committee.*—In the organization that we are considering, the factory committee is composed of the general manager, the factory superintendent, and the general sales manager. The organization of this committee, like that of all the other committees, may vary in individual cases, but it is of the greatest importance that its membership should always include a representative of the sales department. All matters affecting out-put should be considered from the selling standpoint as well as from that of the factory engineer. The presence of the sales manager on the committee gives the factory officials an opportunity of securing the selling point of view, and is largely instrumental in eliminating the unfortunate lack of sympathy between the production and sales departments that is altogether too common in manufacturing industries.

In the case of most factories there are very few weeks during the year in which the orders and the out-put are exactly equal. In dull times the warehouses fill up with the product, and the factory thinks the sales department is not doing its utmost to take care of the production. When business is exceptionally good, the sales department is often unreasonable in its demands upon the factory for increased out-put far beyond the normal or possible rate. A factory committee, on which there

is a representative of the sales department, obviates this mutual misunderstanding and enables each of the two chief branches of the business to realize that the other is doing its best at all times.

74. *Sales committee.*—The sales committee is composed of the general sales manager, the three division sales managers, and the advertising manager. In this particular organization no departments are represented on the sales committee except those that have to do directly with distribution. The same result that would be secured by representation of other departments on the sales committee is realized by the presence of representatives of the sales department on all the other important committees.

The working of the principle of majority rule is well illustrated in the case of the sales committee. Theoretically the three division sales managers are subordinate to the general sales manager. Nevertheless all four of these officials meet in the committee room on an absolutely equal footing. Suppose, for example, that the western division sales manager wants a special price on some product for a certain group of towns in his division. The eastern and central division managers agree with him that this price is advisable. They can not, however, convince the general sales manager that they are right. When the matter is put to vote, it may have the approval of all the members of the committee except the general sales manager. Despite his disapproval, it goes to the executive committee for final action, bearing the formal approval of the sales committee.

In the case that we are considering, the sales committee meets daily, and every selling subject, unless it is of a merely routine character, is brought up before all the members for discussion. The minutes of their meet-

ings are read by the executive committee, and the recommendations of the sales committee are either approved or vetoed or sent back to the committee for further consideration. If the sales committee recommends a campaign that involves advertising, the character and advisability of the advertising must be passed upon by the advertising committee before the matter goes before the executive committee.

75. *Advertising committee.*—The advertising committee is composed of the advertising manager, the treasurer, and the general sales manager. This committee initiates advertising ideas, and acts in general as an advisory council for the advertising manager, passing upon his work, and aiding him in every way possible. Its important recommendations must be passed upon by the sales committee before they go to the executive committee. In matters of advertising details, however, it takes action without reference to the sales committee, and subject only to the approval of the executive committee.

76. *Office committee.*—The office committee is made up of the department heads who have supervision over the routine of the office—entering of orders, accounting, credit matters, correspondence, billing, etc. In these activities the unfortunate results of the lack of system and co-operation are most frequently evident, and it is particularly important, therefore, that the office committee be carefully organized and that its members cooperate with each other in all matters that affect them in common. The sales department is represented on this committee by one of the division sales managers, because of the interest of the sales department in seeing that the orders, inquiries, and complaints of its customers are given the careful attention that they deserve. This

representation is also helpful because of the necessity of harmonizing the routine work of the sales department with the office system of the rest of the organization.

77. *Variations in system.*—In addition to the committees that have been described, many corporations have one inclusive body that may be called the committee of principal employes. It is composed of all the department heads in the business. Its meetings may be irregular, but it is a most effective means of getting together the chief members of the organization and instilling into them the idea that individual success can be achieved only by co-operative effort toward the success of the business as a whole.

This system of committee organization is suggestive rather than typical. The personnel and duties of the various committees differ greatly in the different organizations in which the committee system is used to promote co-operation. In every organization the sales department may not be given the commanding position that it occupies in the case that has been described. Its importance, however, justifies this position. There is scarcely any activity of a business that does not have some effect upon the sale of goods, and for that reason a representative of the sales department should hold membership in each of the important committees.

78. *Practical results of committee system.*—One objection that is sometimes urged against the committee method of securing departmental co-operation is that its operation is more likely to result in profitless discussions than in facilitating the transaction of business. It is true that when men are given the opportunity to air their views before others, there are always certain individuals who take delight in talking rather than in acting, and who endeavor to secure personal prestige in

wordy debates. It is the duty of the chairman of each committee, however, to see that the discussions are pertinent and that they are directed along the most profitable lines. When the committee meetings are properly controlled, the advantages of the system far outweigh its possible disadvantages. The committee system is not always necessary or advisable in a small organization in which the department heads naturally come into sufficient daily contact with each other without enforced attendance at committee meetings. But when the organization is of a character that precludes the possibility of natural daily contact, the committee system has been proved to be of immense value in the development of departmental co-operation.

CHAPTER VIII

THE SELLING CAMPAIGN — SALES MANAGER

79. *Purpose of selling campaign.*—The selling campaign is simply the practical utilization of the selling methods that have been adopted and the selling organization that has been developed. The problem of the campaign, therefore, is the problem of how to make the most effective use of marketing methods and sales department organization. One factor in the solution of this problem has already been considered—the development of methods of insuring inter-departmental co-operation so that the efforts of the selling force will not be nullified by the conflicting purposes of the other departments. The other and the more important factor in the solution of the problem is the development of the sales department itself to the highest possible degree of efficiency.

In this development the fundamental principles are always the same, whether the problem is considered with particular reference to the activities of a retailer, a jobber, or a manufacturer. Of these three classes the retailer has the least difficult problem, because of his compact organization and his usually localized trade. The chief problems that he has to solve in the development of the efficiency of his selling organization are largely included in the problems of the jobber and the manufacturer, and, in addition, the jobber and the manufacturer have peculiar problems of their own that the retailer ordinarily does not have to meet. In like manner, the problems of the jobber are included in those of

the manufacturer, and, in addition, the manufacturer with a wide distribution of his products must solve certain problems that are not usually encountered by the other classes of distributors.

Because of this inclusive nature of the problems of the manufacturer in developing the efficiency of his selling organization, our consideration of the selling campaign will have particular reference to the situation of a manufacturer whose products have national distribution and whose methods are typical of the activities of modern large-scale manufacturing industries. It should be borne in mind, however, throughout the discussion, that many of the manufacturer's methods are applicable as well to the solution of the problems of retailers and jobbers, and that the fundamental principles of selling efficiency are universal throughout the entire merchandising field.

80. *Two chief factors in selling campaign.*—We have seen that the many variations in sales department organization make it impossible to consider any particular organization in all its details as typical of any class of distributors. There is one feature of selling organization, however, that is so general that it can fairly be considered as typical. This feature is the supervision of a number of salesmen by some one whose duties are those of a sales manager. The supervisor of salesmen may be the proprietor, the general manager, the merchandise manager, the superintendent of salesmen, or he may be an assistant to any of these officials. His title and general functions are immaterial. If his duties include the supervision of salesmen, however, he is properly a sales manager in the sense in which that term is usually understood, and he is to be so considered in any discussion of selling campaigns. This sug-

gested elementary selling organization does not apply to the case of the manufacturer or dealer who reaches his market exclusively through the mail-order method of distribution. The strictly mail-order houses, however, are relatively few in number, and in their case the efficiency of the selling organization is synonymous with the efficiency of the advertising department. Accordingly their problems are not within the scope of our present discussion.

Because the common form of selling organization is that in which a sales manager directs the work of several salesmen, we shall consider the problem of developing sales department efficiency first from the standpoint of the sales manager, and then from the standpoint of the salesmen themselves.

81. *Qualifications of a sales manager.*—There are four general qualifications of a successful sales manager—he must have all the qualifications of a successful salesman, he should have had actual experience in selling, he must possess executive ability of a high order, and he must have complete knowledge of the business and be able to use that knowledge successfully in promoting the efficiency of the selling organization.

There is an established principle, which is only emphasized by the few exceptions to it, that no one can successfully direct others in any activity in which he himself does not excel. Certainly the most successful sales managers are drawn from the ranks of successful salesmen, and it is perfectly proper that this should be so, for two reasons. In the first place no executive can fully appreciate the problems of personal salesmanship or be able to give assistance in their solution unless he has faced the same situations that the salesmen have to face in their daily work. In the second place, even if it

were possible for a sales manager to secure a thorough knowledge of salesmanship without any actual experience in the field, he would have difficulty in inspiring confidence in his ability among the members of the selling force if they did not know that his instructions were based upon wide experience and an intimate knowledge of the details of their activities. The qualifications of a successful sales manager that are identical with the qualities of any successful salesman will be considered in a subsequent chapter. For the present we shall consider only those qualifications that differentiate him from the salesmen who have not managerial ability. These are, in general, executive ability and a detailed knowledge of the business. It is by developing these qualities to the utmost that he can be of the greatest service in increasing the efficiency of the selling organization.

To the extent that the sales manager has a part in the determination of policies and the development of plans for the general advancement of the business, he must have the qualities that are essential in any executive officer. He must be broad-minded, imaginative, far-sighted, shrewd, logical, and determined. We are not so much concerned with this phase of his activities, however, as with his control over the members of the selling force. In his capacity of director of salesmen he must endeavor to reach the maximum efficiency in each of the three following classes of his general duties:

1. Selection of salesmen
2. Training of salesmen
3. Supervision of salesmen

82. *Selection of salesmen.*—After the selection of selling methods and the determination upon a plan of

sales department organization, the first executive duty of a sales manager is the selection of his selling force. Success in this depends on a knowledge of human nature. Many sales managers are unable to analyze their reasons for the acceptance or rejection of a candidate for a position on their force; they apparently decide for or against a man by whim, but if they are fortunate in their selections, they unconsciously apply their knowledge of what a salesman must and must not be. Because a knowledge of human nature is the most important factor in determining the fitness of an applicant for a position as salesman, it is impossible to lay down rules for the guidance of the sales manager in this difficult field of his activities. There are, however, a number of more or less mechanical means of finding out certain important things about an applicant, and these the sales manager can use to determine the advisability of granting a personal interview or to assist him in "sizing up" the candidate who may have made his application in person.

83. *System as an aid in selection.*—Every business house that has a large selling organization is constantly receiving applications from people who want to enter its employ as salesmen. The number of these applications necessitates the adoption of some system to insure the promising candidates' being given a chance to demonstrate their ability and to weed out those whose personalities or records do not entitle them to further consideration. Most large houses have a printed form of application which every applicant for a selling position is required to fill out, usually before an interview is granted. The application form may require the applicant to give such items of information as the following:

Name.

Address.

Age.

Married or single?

Name, address, and business of present employer.

Capacity in which applicant is employed.

Present salary or yearly commissions.

Reason for wishing to leave present employment.

Is applicant willing to have present employer communicated with?

Territory in which applicant has had selling experience.

Has he sold goods to consumers, retailers, or jobbers?

Is any particular territory desired?

Will any other territory be considered?

When can applicant begin work?

Does he use intoxicating liquor?

In addition to information of the above character, the candidate is usually required to give a full history of his past business connections. He may be asked to give the following data about each position he has held: exact dates covering the period of employment; name, address, and business of employer, and capacity in which the applicant served; name and present address, if it can be given, of his immediate superior officer; reason for leaving the position. The applicant is also asked to give the names and addresses of several responsible individuals who are in a position to give information regarding his character and general fitness for the position for which he is applying. When an application form has been filled out, it comes to the attention of the sales manager or his assistant. If the experience of the applicant makes further consideration advisable, and if his answers to the questions are satisfactory, letters are then sent to his personal references and to as many of

his former employers as it may seem necessary to communicate with. Printed forms are sometimes used for this purpose, with definite questions and spaces for answers. When this is done, the questions may be of the following nature:

How long have you known the applicant?

Are you related to him in any way?

Has he worked under your supervision, and, if so, in what capacity?

Were his duties satisfactorily performed?

Is he honest — energetic — has he initiative — does he obey orders?

Have you ever heard of his using intoxicating liquors to excess?

Do you consider him fully qualified for a position as salesman with this house?

Please give any further information concerning the applicant that may assist us to determine his fitness for our work.

When replies are received from all the references, they are attached to the original application form, and the entire file once more comes to the attention of the sales manager, who must determine whether the applicant is to receive further consideration. If there is anything unsatisfactory about the applicant's character or record, he is usually advised that the house has no position that they could offer for his consideration. If his papers are satisfactory, one of two things may happen. There may be no vacant position at the time, and in that event he is so informed, but he is also told that his application has been favorably considered, that it will be placed on file, and that if a suitable opening develops, it will be brought to his attention at the proper time. In the event that a position is vacant when the application

is received, the candidate whose papers have made a favorable impression is almost invariably requested to call for a personal interview.

The written statements of the candidate regarding his own qualifications, and the statements of those with whom he has had business and personal relations, are important and helpful in assisting the sales manager to reach a decision regarding his fitness, but they are ordinarily not to be relied upon exclusively in determining his availability for an important position. Salesmanship must always be largely a matter of personality, and personality is something that most sales managers insist upon judging for themselves.

84. *Personal interview.*—In the personal interview the sales manager can not rely on rules or mechanical means for judging the candidate's fitness. The strength and weakness of the applicant must be brought out by skillful questioning, and the main reliance of the sales manager must be upon his ability to judge human nature—an ability which is so large a part of the equipment of every successful executive. As far as possible he must ascertain whether the candidate possesses the qualifications essential to successful salesmanship. These are to be considered in a subsequent chapter. Some of them can not be discovered in an interview and are displayed only in the actual work of the salesman, while the presence or absence of others can be discerned by the experienced sales manager in his conversation with the applicant. What may be termed the external characteristics that may enter into a manager's judgment of a candidate for a selling position are noted in the following sections.

85. *Appearance.*—There are two factors in appearance—clothes and physical characteristics. It is said

that salesmen as a class are better dressed than any other group of business men. They have to be; their business demands it. They are constantly trying to influence others. When a sale must be effected in a short time or not at all, the influence of the salesman depends partly on the first impression that the buyer receives of him, and clothes are an exceedingly important factor in first impressions. Then, too, the buyer unconsciously judges the principal by his representative. Good clothes indicate prosperity, and the employer certainly wants his representatives to create the impression that the business is prosperous. For these and other reasons, a shabby salesman is an anomaly. If a salesman appreciates the relation between good clothes and success in his calling, it will be apparent to the sales manager when he interviews the applicant; and if a man does not present a neat and attractive appearance at a time so important as when applying for a position, he certainly will not do so when he is out "on the road." The second factor in appearance is physical characteristics. Ill-health, intemperance, over-indulgence in any form, and the other physical characteristics that are fatal to success in salesmanship, leave their imprint upon the features and general appearance of a man. The sales manager should know the sure signs of such characteristics, and he should use the personal interview to determine whether or not they are present in the applicant.

86. *Conversational ability.*—A salesman must be able to express his ideas tersely and convincingly. If an applicant for a selling position is not able to sell his own services by his "selling talk," he ought not to be trusted to sell merchandise.

87. *Force.*—*General information and intelligence.*—A successful salesman must be forceful, and able to im-

press the customer by his magnetism. This is a quality that can be readily ascertained in a personal interview. The sales manager should direct the conversation into a variety of channels to the end that he may ascertain the applicant's breadth of view. The salesman who knows his line and nothing more is not a high-grade man. The most successful salesman is the one who is capable of approaching a customer from his "blind side"—that is, gaining a customer's confidence by showing an intelligent interest in that which particularly interests him.

CHAPTER IX

METHODS OF TRAINING SALESMEN

88. *Training of salesmen.*—After the salesmen have been selected, they must be trained in the methods that the sales manager wishes them to use. The training of salesmen is the second important branch of a sales manager's duties in which he must perfect himself in order to raise the efficiency of the sales department to the highest possible point. This training varies widely in different cases. The man who has had successful selling experience does not need the elementary training in the principles of salesmanship that the novice requires. Likewise if the article to be sold is simple in construction and use, the necessary familiarity with its selling points and their proper presentation can be acquired more easily and quickly than would be possible if the article was more complicated and difficult of presentation. For instance, the average salesman with selling experience would require less training to enable him to sell laundry soap than to sell such a complicated piece of mechanism as an adding-machine.

Then too there are wide variations in the degree to which sales managers realize the possibilities of training for their selling force. There are still some sales managers who think that the only equipment a new salesman needs is "a sample case, a route list, and the parting injunction to keep down his expense account," as some one has aptly expressed it. It is needless to say that this method is not the one that makes for the greatest

efficiency in the selling organization. The modern method is to train the machinery salesman, for example, as carefully as the man who makes the machines. Competition has become so severe in all lines, advertising has so generally educated the public with respect to processes, prices, and quality, that goods can no longer be sold simply on the personality of the salesman. Special training for his work is now generally recognized as being necessary.

In order to present all the possible methods of training salesmen, we shall consider a program that is designed to give to a man who has not had any selling experience, but who has the necessary natural qualifications, the training that is needed to enable him, with reasonable hope of success, to undertake the sale of an article that requires extensive study and thorough knowledge on the part of the salesman. It is the duty of the sales manager to provide this training, either in person or by the aid of assistants, and upon the success of his efforts the efficiency of the selling organization will largely depend. The complete training that is required in the case to which reference has been made, may be divided into three parts:

1. Training in principles of salesmanship.
2. Training in construction and uses of the article to be sold.
3. Training in special selling methods that are peculiarly applicable to the article.

89. *Training in principles of salesmanship.*—Salesmanship is as old as the human need for acquiring something possessed by another. We do not know at what period in the progress of the race each individual or family ceased to be wholly independent of others, but it is certain that barter or exchange is one of the oldest of

human activities. There is, therefore, something that might be called a trading instinct innate in almost every one. Until a comparatively few years ago it was contended that if this so-called selling instinct was sufficiently strong in a man, he could become a good salesman with no other training than that obtained in the school of experience; and that no one else could hope for success in selling. The opponents of the modern idea that there is a science of salesmanship maintained that "a salesman is born and not made." They pointed out that the world's goods had been sold for many centuries without any attempt at scientific selling education, and held that this was sufficient proof of the futility of introducing any innovations in a world-old vocation.

But even though a man may be born with a certain tendency, it does not follow that he can not develop his natural bent by proper schooling. This is the position of the advocates of scientific selling. They admit that success in salesmanship depends partly on the possession of certain natural endowments, but they insist rightly that it also depends, and to a far greater extent, on the degree to which these endowments are developed. This development may come through experience alone, or it may come through training preceding the experience. Formerly experience was the only school of salesmanship. Its advocates tried to prove its efficiency by pointing to the success of its pupils. It has never been proved, however, that any salesman, no matter how successful, could not have been more successful if he had had the advantage of special training in his profession.

The old method of leaving every salesman to find himself without assistance from others was tolerable in a day when competition was not as fierce as it is now. It is intolerable under present conditions, because it is

distinctly wasteful. An inexperienced, untrained salesman is bound to make mistakes that are costly for his employer. If some of these mistakes can be avoided by giving him training in the principles of salesmanship before he is permitted to face actual customers, it is certainly to the financial advantage of his employer to give him this training.

The possibility of training in the art of selling is dependent on the fact that there is a science of salesmanship. Science is merely organized knowledge. Therefore the science of salesmanship is the logical arrangement of the things that are known about selling. In training his salesmen in the principles of salesmanship the sales manager must draw from his own experience and from the experience of others the facts and principles that are generally recognized as fundamental in selling, and he must present this material in logical, organized form. The number of things that are known about the psychology and practice of selling are constantly increasing. The literature of salesmanship is growing rapidly. The possibility of giving practical, definite instruction in selling has been proved. The progressive sales manager takes advantage of all the methods of instruction that modern investigation and interest in the subject of salesmanship have developed for him, and he rightfully considers that no part of his duties is of more value in increasing the efficiency of his organization than his share in the education of the salesmen in the principles that are fundamental in their work.

90. *Training in construction and uses of goods to be sold.*—The second branch of the training that the modern sales manager provides for his salesmen is in the construction and uses of the article or articles that are

to be sold. Manufacturers of cash registers do not send out new salesmen until they are perfectly familiar with every important detail in the construction of the machine, until they are skilled in its operation, and until they know all the uses to which it may be put. Manufacturers of automobiles insist that their salesmen shall have an absolute knowledge of the car they are to sell before they are permitted to approach possible purchasers. Goods are sold now-a-days not so much because the salesman has an attractive personality as because the salesman is able to prove that it would be to the buyer's advantage to purchase them, and it is obvious that the salesman can be successful only by knowing every detail about the goods that could have any possible bearing on their utility to the purchaser.

A selling talk is simply a skillful arrangement of selling points, and selling points are simply the things about the goods that the salesman thinks are of interest to the "prospect." Knowledge of his line is one of the fundamental qualifications of the successful salesman. Unless he is given opportunity to acquire this knowledge before he faces actual customers, his efforts are certain to be less successful than complete knowledge from the start would have made them.

91. *Three methods of training salesmen.*—There are three methods by which a sales manager can provide training for his salesmen in the goods they are to sell. The method that he selects depends on the nature of the goods and the extent to which he is willing to invest capital in the salesman's education before the salesman is actually set to work. The three methods are as follows:

1. A conference or series of conferences between the sales manager and the salesman, in which the construc-

tion and selling points of the article to be sold are carefully considered in all their aspects. This verbal instruction may or may not be supplemented by printed descriptions of the article and its selling points.

2. A visit to the factory so that the salesman can actually see the article in process of production, and learn at first hand the quality of the constituent elements and of the final product.

3. A period of actual employment in the factory for the new salesman, so that he may become familiar with every part and process.

92. *Employment in the factory best method.*—Of these three methods the last is obviously the most thorough and far-reaching in its results. It has such marked advantages that it is being employed by a constantly increasing number of progressive manufacturers, and it is certain to play a larger part in the training of salesmen in the future than it has in the past. The thorough familiarity with the article that can be acquired by actual participation in its construction has two results:

First, it enables the salesman to talk intelligently and to be sure of his ground even when he is attempting to sell to a buyer who himself has an exact technical knowledge of the article he wants to purchase.

Second, it gives a salesman confidence in his knowledge and in the article he is to sell. It gives him an enthusiasm for his line that can not be dispelled by any number of complaints from customers or temporary faults that may develop.

The man who has gone to the selling force from the shop is in the strongest possible position to advance the interests of his employer. If his training in construction and in selling are equal, he can talk mechanical

points intelligently to the buyer who is interested in and who knows that phase of the subject; and he can talk usefulness, durability, and money-saving qualities to the man who is not interested in mechanics. He can make repairs when repairs are necessary. In short, he is in a position to prove to purchasers in countless ways that he knows what he is talking about, and there is nothing that is so calculated to inspire confidence on the part of possible purchasers as the demonstrated and detailed knowledge of the salesman about the article he is trying to sell.

In the sale of many goods it is impossible and unnecessary for the sales manager to provide a course of instruction in the factory for his salesman; but in any line and in any branch of merchandising a thorough knowledge of the goods that are to be sold is the one quality that is most helpful in securing for a salesman the confidence of his employer and of his customers.

93. *Training in selling methods.*—The third branch of training that the sales manager should provide for his selling force is in special methods of selling that are peculiarly applicable to the article that is to be sold. The principles of salesmanship are the same under all conditions, but their application varies with the commodities that are sold. The life insurance solicitor does not use the same methods as the salesman in a retail store, and the methods of the wholesale grocer's salesman are not the same as those of the man who sells locomotives to a great railway. The successful sales manager of every business house ought to know the best methods of selling the goods that he has to distribute, and he ought to train his salesman in those methods.

It is true that the man who possesses the qualifications of successful salesmanship will in time if left to

himself, find out the methods that are most helpful in disposing of the goods he is called upon to sell. But organized efforts at giving him this knowledge before he faces actual customers are economical of his time and energy and are distinctly advantageous from the standpoint of his employer.

94. *Standard selling talks.*—In a typical case this training is provided, first, by requiring the new salesman to learn a standard selling talk. The theory of the standard selling talk is that for any given condition there is one best way of approaching the customer and of presenting the selling points so that they will have the maximum effectiveness. It is not intended that this standard selling talk shall be used indiscriminately in all situations. A salesman is not a machine, and he can not sell goods by simply repeating, parrot-like, a selling talk that some one has prepared for him. It is of great advantage to him, however, to be grounded in methods of selling that have been proved successful, and that he can adapt to the particular problems that he has to meet. A sales manager of experience knows the best method of approaching the possible purchaser, he knows the "pulling power" of the various selling points and the most effective order in which they can be presented, he knows the objections that have to be met, and he knows the best means of meeting them. It is to be expected that he would be in a better position to embody these various points in a strong selling appeal than the new salesman who has not had the sales manager's experience. One of the great advantages of the standard selling talk is that it phrases the selling points in an effective manner.

Every salesman will in time develop for himself the method of impressing selling points upon customers

that seems best adapted to his personality and to the particular individuals to whom he tries to make sales. When he is new at the work, however, he has not had the experience to guide him in suitable expression of the points he wants to make, and he can advantageously use the words of others who, by careful study and experience, have evolved effective statements of the more important things that the salesman ought to say.

Another advantage of requiring a salesman to memorize a standard selling talk is that he is thereby provided with a fund of effective phrases that he can draw upon when for any reason he is unable to give spontaneous expression to his own ideas. In every salesman's experience there are hours and sometimes days when "his personality does not seem to be working up to normal"—when he finds himself incapable of expressing ideas quickly and well, and when his mind is not so active as at other times. This may be due to temporary ill-health, to mental moods, or to any of a number of other causes. At such times, under former conditions, the salesman ceased work and waited for a return of the inspiration that he thought essential to success in his activities. If he has stored away in his memory a stock of phrases and arguments, worked out for him in logical, effective form, they will unconsciously come to his aid, and will enable him to make sales even though his work may not be as expressive of his individuality as is customary and desirable. This is not an argument for mechanical salesmanship. It is simply one method of insuring the highest efficiency of the selling force by giving the salesman a sure foundation for the development of individual methods, and by providing him with a thorough knowledge of general princi-

ples and methods of proved effectiveness that he can adapt to his individual needs.

95. *Adaptation of standard selling talks.*—After a salesman has mastered the standard selling talk, he is usually given an opportunity to learn how to adapt it to a great variety of customers under conditions where his mistakes will not be so disastrous to himself and to his employers as they would be if he were left to secure his training in selling by actual contact with real purchasers.

An extreme method of training in adapting the selling talk to individual classes of customers is illustrated by the school for salesmen that is maintained by one of the largest specialty manufacturers in the country. The product of this manufacturer is a mechanical contrivance for use in all kinds of retail stores. The "school-room" is divided into sections, each one of which is fitted up with the fixtures and stock that are typical of one of the important classes of retail establishments. In charge of each miniature store there is a man who enacts the rôle of proprietor or of buyer and who has had actual buying experience in the line that he represents. The embryo salesman is required to enter each of these little stores in turn and to make mock sales to the buyers, in each case adapting the standard selling talk to the peculiar conditions in the store and to the personality of the man with whom he is dealing. There is the closest possible approach to actual conditions in the field, and the effectiveness of the system of instruction is proved by the success of the salesmen who graduate from this "school."

96. *Meeting problems peculiar to a business.*—Some modification of this method of giving training in actual selling is in use by a great many modern merchandis-

ing establishments of all kinds. The great retail stores, like the manufacturers, all over the country are recognizing the value of teaching their new sales-people how to meet the problems that are peculiar to their individual businesses. Jobbers as a class have been the last to see the advantages of the new methods, but many of them also are now giving their attention to methods of training their salesmen for greater efficiency. If a jobber carries an extensive line of articles, his problem of training salesmen is a difficult one, because of the practical difficulties in the way of giving the salesmen an exact knowledge of all the goods they are to sell. The solution of this difficulty seems to be found chiefly in a multiplication of the number of specialty salesmen, each one of whom handles only a limited line with which he can become thoroughly familiar. The small, general jobber, it is true, can not afford to adopt this method, but the wholesaler that covers a wide territory and employs many salesmen can well afford to consider carefully the advantages of specializing the work of the salesmen so that each one may have an intimate acquaintance with all the essential features of every article that he handles.

Training in selling should not cease with the graduation of the salesman from the "school of salesmanship." The most successful sales manager is the one that loses no opportunity to give the salesmen definite, practical instruction in principles and methods. One of the greatest selling organizations in the country frequently revises its standard selling talks and requires all its salesmen, under pain of dismissal, to memorize every revised statement of selling points and arguments. Every communication between the sales manager and his men should be designed to assist the salesmen in their

activities. Every convention or gathering of salesmen should give them new aids in their work. Its program should include talks by authorities on important principles of selling, and demonstration sales by picked salesmen for the purpose of bringing out new ideas and methods.

CHAPTER X

SUPERVISION OF SALESMEN

97. *Sales manager's duties.*—The third great field of activities in which the sales manager must endeavor to reach maximum efficiency if he is to do all in his power to increase the efficiency of the selling organization, is the supervision of salesmen. Many of the problems of supervision are closely allied with the problem of training salesmen. With the exception of some more or less mechanical details of selling supervision that will be considered later, the sales manager's chief duties of a supervising nature are to assist the salesman in individual sales and to encourage him in his general activities.

98. *Supervision over particular sales.*—Some of the ways in which assistance can be given in particular sales are as follows:

1. Personal visit of the sales manager to the scene of the sale and the joint efforts of manager and salesman upon the customer.
2. Letters of instruction to the salesman.
3. Personal letters to the customer.
4. Advertising matter sent to the customer.
5. Assignment of other salesmen to help in the sale.

99. *Supervision over general activities.*—Encouragement to the salesman in his general activities may be given by the sales manager in a variety of ways. Some of them are as follows:

1. Personal interviews either at home office or in field.

2. Letters of advice, encouragement, and constructive criticism.

3. Competitive schemes to encourage the salesmen to unusual efforts for certain periods.

4. Publication of a house-organ.

5. Sales department conventions.

100. *Personal interviews.*—Many salesmen operate directly from the main office of the company where the sales manager makes his headquarters, and in such cases personal interviews between manager and salesmen are frequently arranged. Each salesman makes his report personally to the sales manager at the end of every trip, and he has plenty of opportunity to secure all the assistance he needs in solving the problems of selling in his territory. In many large organizations, however, some of the salesmen's territories are located at a distance from the main office, and the salesman has no occasion to come in to headquarters unless the sales manager sends for him. It is advisable for distant salesmen to be called in for conferences with the sales manager at intervals so that they may receive the advice and encouragement that is essential to highest success in their work, and that the manager may learn directly from them the conditions that exist in their territories with respect to the sale of the goods of the house.

It is just as important for the manager to make frequent trips to salesmen's territories as it is for the salesmen to visit the home office. Salesmen's reports are exceedingly valuable in giving the manager a knowledge of conditions in the field, but they can never entirely take the place of actual first-hand observation by those who are responsible for the company's policies.

Retail establishments and city selling organizations have a great advantage in this respect, because constant personal contact is possible between the sales people and those who direct their activities.

101. *Keeping in touch with salesmen by letter.*—When a sales manager is separated from his salesmen, he should make it a point to keep in close touch with them by letter. Their reports form the basis for his letters of advice and encouragement. If criticism is necessary, it should be given in a manner calculated to increase rather than to decrease the salesman's efficiency. Salesmen are often exceedingly sensitive; their work is exacting and makes great demands upon their store of nervous energy. If they have been doing their best, but have not been producing normal results, they expect and need encouragement rather than criticism. There is nothing that can so effectively destroy the efficiency of a conscientious salesman for a day or a week as a sharp, fault-finding letter from his manager. If he has been derelict in his duties, it is necessary for the sake of discipline that he be reprimanded, but the reprimand should be carefully phrased. There is possibly no phase of a sales manager's duties in which he is called upon to exercise more tact and real executive ability than in his letters to his men. His one purpose is to increase sales, and in every letter he should have in mind its ultimate effect upon the productiveness of the salesman.

102. *Competitive schemes to promote selling efficiency.*—Many houses use competitive schemes of various sorts, with or without prizes, to stimulate the salesmen to unusual efforts. If a special sale is in progress on any article, some retail dealers offer a cash prize to the sales-person making the most sales of that article during the special sale. Jobbers and manufacturers

frequently encourage special efforts by offering cash or other prizes for the largest total sales or for the largest sales of any particular commodity during a given period.

One of the most generally used methods of keeping salesmen at the point of highest working efficiency is known as the quota system. The principle at the basis of the quota system is that a salesmen will work harder to produce a definite result that he knows is expected of him than he would if he had no definite goal in view. The quota system is applied in a variety of ways, but a typical one is as follows: At the beginning of every month the sales manager determines upon a certain volume of sales that is fair to expect from each salesman during the succeeding month. This is known as the sales quota. The quota for each salesmen is determined separately, and the manager's decision is based upon a careful consideration of past results in the salesman's territory, present local conditions that might affect sales, and selling and advertising plans of the company that might have a bearing on the sales to be expected during the quota period.

It is evident that even though it is determined after a most careful consideration of all pertinent conditions, a quota must finally be largely arbitrary in character. This fact does not lessen the efficacy of the system, provided the salesmen know that the same general principles are applied in determining the quotas for all territories. The more or less arbitrary nature of the quota works no injustice to any one salesman if the methods of determining it are the same in all cases. Each salesman is informed of the quota that has been set for him for the ensuing month, and he is urged to do all in his power to reach the mark and to pass it. The result of his activities for the month are usually shown by

a percentage. If his quota for gross sales is \$2,000, and if he sells \$1,500 worth of goods, his percentage for the month is 75. If he sells \$2,500 worth of goods, his percentage is 125. The quota may be expressed in dollars, in individual articles, in cases of goods, or in any other way that suits the particular business under consideration.

In the case of a general jobber or manufacturer whose salesmen handle a large line of goods, it is difficult to determine a quota satisfactorily expressing the relative importance of all the lines in the total sales. This is done, however, in some cases by setting a separate quota for each of the different classes of goods handled. It is then necessary to determine the relative importance, from the standpoint of the house, of the sales in the different classes.

It may be the policy to push one line and to sell only enough of another to supply the demand. The relative importance of the different classes of articles is represented by numbers. The class of least importance may be represented by the number 1. The sale of another class may be considered to be twice as important as that of the first; therefore the importance of this second class is represented by the number 2; and so on. Suppose, for example, that a salesman has a quota of 1,000 for sales of goods in class A. If he sells 900, his percentage in that class is 90. If the relative importance of that class is represented by the number 3 (which is called the "weight" number), this percentage of 90 is multiplied by 3, and the product, 270, is added to other products similarly obtained in all the other classes.

The following chart shows the method of determining a salesman's final monthly percentage when he handles four different classes of goods whose sale is considered

by the house to be of varying degrees of importance, and when separate quotas are set for each class:

Class	Quota	Sales	Class percent	Weight number	Product obtained by multiplying class percent by weight number
A	1,000	900	90	3	270
B	400	440	110	1	110
C	200	200	100	3	300
D	300	225	75	2	150
				9	830
			Final monthly rating		92.2%

The final monthly rating is found by adding all the weight numbers and then by adding all the products in the last column. The sum of the products is then divided by the sum of the weight numbers, and the result is the final monthly rating.

The quota system is of chief value when it is competitive. It is not necessary to let any salesman know the quotas and total sales of the others, but it is frequently advisable to publish all the final monthly ratings so that each salesman can see how the results of his efforts compare with the results of others. The effectiveness of such a competitive system is surprising. Salesmen work harder to rank a few points above their fellows than they do when the only incentive is larger commissions on increased sales. The love of a game is innate in human nature, and any system that makes a game out of business, that gives the salesmen an opportunity to compete with their fellows for precedence on the ranking list, seems to bring results that are entirely disproportionate to the small amount of time and labor that are required to maintain even a complicated rating system. If cash or other prizes are offered for precedence on the list, the incentive to head it is, of course, greatly increased.

103. *House-organs*.—Many sales departments pub-

lish house-organs to keep the sales officials in touch with the salesmen, and to cultivate in the selling force an *esprit de corps* that is valuable in promoting united effort toward a common end. A house-organ of this kind usually contains items on salesmanship, "ginger talks" by the sales manager, and general news of the house. It is, in addition, an effective medium for the publication of the relative rank of the salesmen as determined by their monthly ratings. The development of this method of keeping the salesmen in close touch with the house is one of the marked features of modern merchandising. Some house-organs are published daily, others weekly, and others at longer intervals.

104. *Selling conferences*.—Sales department conventions are widely used by selling organizations whose members work in widely separated territories and do not come into frequent contact with one another or with their sales manager. The salesmen are called together for conferences at certain intervals, either at the factory, the home office, or at some centrally located point. These conferences may have one or more of the following purposes:

1. To promote a feeling of unity among the men. The salesman working in a definite territory, where he seldom comes into contact with other representatives of the house, is likely to forget that he is part of an organization all of whose members are working toward the same end. A periodical meeting with his fellow salesmen tends to increase his efficiency and to develop in him a spirit of co-operation with all those who are selling the same line of goods.

2. To arouse enthusiasm. The man who is working in an isolated territory, and who seldom comes into touch directly with his superiors, has a tendency to get into a

rut and to make his work mechanical. A conference with others working along the same line gives him new points of view, and the talks by the officials of the company whom he meets at the convention arouse his enthusiasm and a determination to redouble his efforts when he returns to his territory.

3. To encourage the interchange of ideas among the men. No one salesman in any business has a knowledge of all the selling schemes that he might use to advantage. Each one can learn from the others plans that have worked, as well as plans that have failed, and this information can assist him in his own work.

4. To continue the specific training of the salesmen in their general duties, and to instruct them in new selling methods and in plans of marketing new articles that may be placed upon the market. Sales demonstrations and technical talks by selling authorities have an important place in sales department conventions. In addition, such conferences are valuable means of imparting to the salesmen first-hand instruction in new products and new selling methods.

105. *Other duties of sales manager.*—We have found that the chief duties of a sales manager with respect to the supervision of the salesmen are to give them assistance in individual sales and to encourage and help them in their general activities. These, of course, by no means comprise all his duties of a supervising nature. Among the multitude of things that engage his attention, three others stand out prominently. He must determine upon suitable methods of compensating his selling force, he must assign territories, and he must adopt satisfactory methods of keeping in touch with his salesmen.

106. *Compensation of salesmen.*—There are three

principal methods of compensating salesmen without taking into consideration the question of allowances for traveling and other expenses. They are: commission, salary, and a combination of commission and salary. There are many high-grade salesmen who refuse to work on any other than a commission basis. They are so confident of their ability to produce results that they insist on having their compensation measured directly by the amount of their sales. There is no question that there is a greater incentive for an efficient man to work harder for a commission than for a salary. The commission method of payment, however, has one disadvantage. The salesman feels that he is more his own master than when he is working for a salary. He has a keen interest in increasing his own immediate earnings, and he is not always willing to follow a policy that means the sacrifice of large total sales for the moment even though the purpose of the policy may be ultimately to increase the business in his territory.

In some sections of the country wholesale grocers' salesmen are paid entirely by commission on the profits resulting from their sales. Naturally they are interested only in the sale of goods that carry a long profit. It is sometimes to the advantage of the jobbers to push the goods of manufacturers whose products may not carry the maximum profit but who recognize the jobbers as their exclusive distributors and who expect the support of the jobbers in return. In such cases the wholesale dealers have no means of forcing the salesmen to push the goods they want pushed, except moral persuasion and the fear of discharge. Neither of these means is particularly effective in the case of the competent salesman who has proved his ability to make profits for his employer and for himself.

The salary method of compensating salesmen is usually employed when the salesmen are required to give part of their time to other than strictly selling duties—when, for instance, they are called upon to act as “missionaries,” to cultivate friendly relations with the trade, to investigate and report on local conditions, to enlist the support of all the factors in a contemplated selling campaign, and to do any of the other numerous duties that frequently fall to a salesman’s lot, which are not immediately effective in increasing the total volume of any individual’s sales. Of course the broad-minded salesman, even when he is working on commission, is willing to give a certain amount of his time to such duties, but when they form a large part of his activities, the best results are usually secured by placing the salesman on a salary basis. In cases of this sort, many houses guarantee a sufficient salary with proportionate increases in accordance with the increased total sales in the territory. New salesmen are almost always given a minimum salary, which they are able to supplement by commissions on sales in excess of an agreed upon amount.

107. *Salesman’s expenses.*—The question of salesmen’s expenses is closely connected with the question of compensation. If a house pays the traveling expenses of its salesmen, it is necessary to have the expenses reported at frequent periods and in detail. They must be carefully watched by the sales manager, because traveling expenses often form a considerable part of the total selling costs, and the profits on large total sales are liable to be dissipated by excessive costs of selling. It is obvious that the item of expenses is one that is difficult to audit. Unfortunately some salesmen permit their moral sense to become a bit blunted when they re-

port their expenses to the house; they are not always too careful to report the exact amounts that they have expended in the interests of their employer. The problem of obviating the possibility of padded expense accounts is a difficult one for the sales manager to solve.

Hotel bills, railroad fares, and sundries, are the three general classes of expenses incurred by a traveling salesman. Some houses fix a definite amount which a salesman is permitted to spend each day for room and meals. When this is done, the salesman will seldom report less than the maximum amount, but the system is often preferable to having no maximum at all. Since railroad rates have been made uniform, the item of transportation expenses is easily checked by requiring the salesman to show the number of miles covered in each railroad journey together with the cash fare or mileage collected, and by checking up this data with an office file of railroad guides and tariff sheets. The item of sundries is the most difficult of all to audit. In many cases charges are permitted under this heading only for certain specified purposes. If a salesman is allowed to "buy business" to any extent at all, his tendency toward extravagance in this direction may be checked by requiring him to itemize even the smallest expense that is incurred. But the idea that a customer has to be entertained in order to get his business is happily going out of fashion, and with its complete disappearance will vanish one of the greatest opportunities for a salesman to betray the confidence of the employer who entrusts him with an expense account.

108. *Assignment of sales territories.*—The assignment of territory is a question whose solution can not be governed by general principles. It depends on the nature of the goods to be marketed, the demand for them,

the population and area of the possible market, the extent and character of transportation facilities, the amount of competition, and the number of salesmen who can be employed. The first point to be decided is the number of times it is advisable to have each possible customer called upon during a given period. The territory is then divided so that this ideal can be most nearly approached under the existing conditions.

One large house that operates in a thickly settled portion of the country where transportation facilities are approximately uniform in extent and character, has adopted a certain amount of population as the unit for each salesman's territory. Territory boundaries follow county or state lines wherever that is possible without interfering seriously with the population unit. If a house were operating in the national field, it would be impossible to use the population unit exclusively, because a salesman who could easily and frequently canvass all the dealers in a district with 250,000 population in the East, for example, could not so easily cover a district with equal population in one of the sparsely populated western states.

109. *Keeping in touch with salesmen.*—We have already indicated some methods by which the sales manager keeps in touch with his selling force. His function of helping them in individual sales and in their general activities requires him to see them frequently in person, to correspond with them, and to instruct and help them with the aid of house organs and other publications. We are to learn that he is also to keep in touch with them through their reports.

In addition, various mechanical devices are used to enable the sales manager to know exactly where the salesmen are working and their methods of covering

their territories. Each salesman is usually required to send in a route list at the beginning of every week, to indicate his exact location on each day of the coming week. His movements are followed by means of this route list and his daily reports. Frequently a map and tack system is introduced to represent his movements graphically. His territory is charted on a map, and pins connected by a string are inserted in the towns that he has covered or is to cover, in their proper order.

110. *Knowledge of the business as factor in promoting sales department efficiency.*—The last important qualification of a successful sales manager is a thorough knowledge of the business in which he is engaged, and the ability to use that knowledge effectively in promoting the efficiency of the entire selling organization. By knowledge of the business is meant not merely an intimate knowledge of the personnel and policies of the house the sales manager represents or of the article or articles that his force of salesmen are to sell. All this is essential, of course, but it is also necessary for a sales manager to know every phase of the general line of business in which he is engaged. He must know his own line, and he must also know the lines of all of his important competitors. He must know what advertising they are doing, where they are making inroads upon his own business, what new methods they are using in the sale of their goods, new products that they may be offering, their regular prices and discounts, and, so far as possible, the special inducements they offer to individual customers. In short, the ideal sales manager is so familiar with the competitive field in which his salesmen operate that he is in a position to use the forces at his command to the best advantage possible.

The information that is necessary for him to have

about all phases of the business in which he is engaged may come to him through his own experience and observation and by reports from the office and from the field. The reports may be divided into three classes: credit, statistical, and general.

CHAPTER XI

REPORTS AND DUTIES OF SALESMEN

111. *Credit reports.*—In some cases the credit reports are initiated by the sales department. They are made by the salesmen on special forms prepared therefor, as part of their regular routine. When this is not the case, the credit reports come to the sales manager from the accounting and credit departments. They may show when a customer's bill is overdue, when his financial condition has been strengthened or weakened for any cause, or when there has been any change in his business relations which would interest the sales department. Selling and credits are vitally connected. A successful salesman never forgets that a sale is not made until it has been accepted by the credit department, and that time spent in getting a big order from a dealer with small credit is time wasted. Accordingly it is the sales manager's duty to transmit to the salesmen in the field all items of credit information that may be of interest to the salesmen in their relations with their customers.

112. *Purpose of salesmen's reports.*—The statistical and general reports that help the sales manager in securing a complete knowledge of the business may reach him directly from the salesmen in the field, or they may be prepared for his information from records in the office. The reports that come directly from the salesmen usually have the following purposes:

1. To enable the sales manager to judge the efficiency of the salesmen.

2. To enable him to know conditions with respect to individual customers as well as in entire territories, and thereby to anticipate and check a threatened or actual falling off in sales.

3. To keep him in close touch with all news of interest in the business.

4. To provide material for periodical statistical reports, which, in turn, are designed to give the sales manager the desired sales data in organized, convenient form.

In order to accomplish these four purposes, the data contained in the salesmen's reports is usually divided into two general classes: first, that which has reference to individual customers or possible customers; second, that which treats of general trade conditions.

113. *A typical salesman's report.*—In the typical case of a salesman selling a grocer's specialty he is required to call upon every retail grocery dealer in every town he visits. The blanks on his daily report form call for the following information about each dealer whom he interviews:

1. Name and address.

2. Which of the different sizes and brands of the goods handled by salesman are carried in dealer's stock, with approximate amount of each one on hand.

3. The important competing lines that are carried by dealer.

4. Complete statement of the items contained in the order if a sale is made.

5. If no sale is made, the probable reasons therefor.

6. The brands of goods in the general class handled by the salesman, which dealer reports as his first and second "best sellers."

7. Advertising matter left with dealer.
8. Advertising matter to be sent to dealer.
9. Dissatisfaction of dealer, if any, with the goods or with his treatment by the house, and suggestions by salesmen of methods for removing the dissatisfaction.

Information of this nature in the salesman's daily report enables the manager to picture with a fair degree of accuracy the conditions under which the salesman worked, and, to a certain extent, to judge the efficiency of the salesman in dealing with competitive conditions. This information also gives the sales manager a running record of the status of dealers' stocks and of any increase or decrease in competition, and it provides some of the material for periodical statistical reports that are compiled at the office.

114. *Salesmen must observe closely.*—To keep the sales manager sufficiently in touch with general trade conditions, the salesman has to develop his powers of observation and analysis to a high degree. Some salesmen's daily report forms contain definite space for the various classes of data desired. In other cases the sales manager prefers to receive this information in a general letter from the salesman. In both instances the salesman is usually asked to report all items of interest along the following lines:

1. New and important competition.
2. New advertising being done by competitors.
3. Changes in competitors' products and prices.
4. Apparent changes in demand.
5. Local business conditions that are likely to affect demand.
6. General attitude of customers toward the product of the house.

Information of this character, periodically received from the salesmen, and regularly passing under the inspection of the sales manager, should give the latter a comprehensive survey of the field in which the salesmen are working. It should show him, in the case of each customer, when there is a necessity for additional selling effort to protect business against the inroads of competitors, and when there seems to be an unusual opportunity to get new business in a town. In a general way the inspection of the salesmen's reports shows the sales manager whether sales are increasing or are falling off. The most important result of a careful, intelligent study of the salesmen's reports, however, is that it gives the manager an intimate knowledge of conditions which may be influential in causing a decrease in business, and this knowledge, to a certain extent, enables him to foresee a possible falling off in sales and to neutralize the unfavorable conditions by increased activity of the sales department.

115. *A typical statistical system.*—In the typical case that we have been considering the salesman's reports on his various visits to a town are summarized on a town record card. Each card contains spaces for records covering canvasses of the town during several years. The cards provide a compact exhibit of the condition of the company's business in every town which their salesmen have visited. For each canvass of the town the following data is summarized:

1. Date of canvass.
2. Number of dealers called upon.
3. Number of dealers carrying in stock each of the brands sold by the house, as well as brands of principal competitors.

4. Number of dealers reporting each of the various brands as "best seller" or "second best seller."

5. Number of separate sales made during the canvass and the totals of the different items included in the orders.

6. Advertising activities of competitors.

On the back of each town record card is entered a brief statement of all local advertising and selling campaigns conducted by the house that is keeping the record, in the town under consideration. Space is also provided for a monthly, quarterly, and yearly record of all shipments, by brands, of the company's goods to customers in that town.

In addition to the record of shipments on the town record cards, daily, monthly, quarterly, semi-yearly, and yearly summaries of shipments are prepared, showing sales by brands, by towns, by salesmen's territories, by states, by selling divisions, and for the entire country. Each of these statements is comparative; that is, it shows sales for the current year as compared with those for one or more years preceding.

The foregoing description of a statistical system is merely suggestive of the many ways in which the reports of the salesmen and the sales records may be utilized in the compilation of statements that assist the sales manager in knowing where trade is weak and where it is strong—in other words, in acquiring a complete knowledge of the business. With this definite knowledge he can apply the necessary stimulus to the business in the way of advertising and selling efforts with the greatest economy of time and expense. In small organizations the compilation of statistical data is one of the duties of the accounting department. In large organizations the statistics are often recorded and

compiled by a separate department with a skilled statistician at its head. The maintenance of an efficient statistical department is expensive, and it would have no place in a business organization unless its efforts were productive of larger sales and increased profits. That the compilation and intelligent use of statistical data has this result is evidenced by the increasing importance of the statistical department in large corporations.

116. *Salesman's part in promoting sales department efficiency.*—Thus far in the consideration of the selling campaign we have considered the problem of developing sales department efficiency primarily from the standpoint of the sales manager. The salesman, however, is as important in this movement as his manager, and in many of the methods that have been discussed the salesman's part is at least equal to that of the sales manager. In order to indicate the salesman's share in the development of sales department efficiency it is only necessary to state and to consider briefly the three aspects of his duties in each of which he should endeavor to perfect himself. He is ordinarily expected to do three things:

1. Sell goods.
2. Maintain the reputation of the house and to do all in his power to increase its prestige.
3. Observe and report items of information that are of interest to the sales manager.

The actual sale of goods depends on the salesman's practice of the principles of salesmanship. This is such an important factor in his efficiency that it is reserved for separate consideration in a subsequent chapter.

The salesman is the representative of the house that employs him. Many customers never see any member

of the house organization except the salesman who solicits their orders. It is natural, therefore, that the customer should receive his impression of the house from the salesman. Every successful business house has certain policies—methods of doing business, attitude toward its customers, business ideals—which are part of the personality of the organization and which it should cherish as carefully as an individual cherishes his reputation. The salesman should represent these policies. As an individual he should do nothing inconsistent with the policies of the house he represents. He should always remember that he is the house so far as the customer is concerned, and that it is in his power to do serious injury to his employer by an ill-considered word or action.

The third way in which the salesman can contribute to the highest efficiency of the sales department is by observing and reporting the trade conditions that are of interest and assistance to his manager. The general character of the reports that he is frequently required to make has already been indicated. Salesmen are sometimes unwilling to take the time and trouble to make accurate and complete reports; they look upon the requirement of detailed reports as an unnecessarily burdensome addition to their already difficult duties. This is a short-sighted and mistaken attitude. The salesman is a trade missionary; he must often wait a long time to see the results of his efforts. His ultimate aim is orders, but he must frequently get orders indirectly, and he should be willing to give all the assistance in his power to any movement that is calculated to increase the productiveness of his territory.

His accurate reports of important business conditions in his territory enable the selling officials to direct the

advertising and selling forces at their command in such a way that he will ultimately be able to book orders that might be unobtainable by his own unassisted efforts. Successful selling is more than mere personal contact between salesman and consumer. It is a linking up of a large number of forces, many of which are at least of equal importance with the salesman himself. Cooperation between all these forces is essential to the highest success in every form of distribution, and the salesman who refuses to recognize this fact, willfully limits his own efficiency and that of the selling organization of which he is a part.

CHAPTER XII

PRINCIPLES OF SALESMANSHIP

117. *Definition of salesmanship.*—There are so many phases of salesmanship, and so many ways in which it can be applied, that a satisfactory definition of the term is difficult of formulation. In a broad sense it is frequently used to indicate any method by which one individual attempts to influence another to take a desired action or to adopt a certain mental attitude. However, we are concerned only with commercial salesmanship. The essential feature of commercial salesmanship is an exchange of values; and the practice of commercial salesmanship is the attempt on the part of one person to induce another to accept ownership of a commodity for which something of value is to be given in exchange. This is a sufficiently satisfactory explanation of what salesmanship means, though it may not be a scientifically accurate definition. The chief purpose of all business is to make profits, and profits can not be made unless there is an exchange of values of some sort. In every industry or business or profession the sale of goods or services is the final aim, and because of this universal practice of the art of salesmanship, its principles are of importance to every worker in the business field.

118. *Who is a salesman?*—The man that practices the principles of salesmanship is a salesman. In order to come within this classification he does not need to face prospective customers in person. He is a salesman if he has any part in the sale of goods. The owner

of a manufacturing plant is a salesman if he shares in the formulation of selling policies. The president of a railroad company is a salesman if he exercises supervision over the sale of its services. The general sales manager of any organization is certainly a salesman if he directs the activities of those who finally face the customers; and so are his assistants and subordinates all the way down the line to the men that actually turn in the orders.

The efficient advertiser who uses advertisements to aid him in influencing people to buy his goods must practice the principles of salesmanship, and the man that can sell goods by mail without any direct personal contract with his customers is probably the highest type of the successful salesman. The manufacturer, the jobber, and the retail merchant are all salesmen irrespective of whether they actually sell goods themselves or simply direct the selling organizations that do dispose of their merchandise. The retail clerk may be just as good a salesman as the traveling representative of the jobber. Any one who sells goods or who in any way directs their sale is a salesman, and the word is also rightly applied to the promoter—the man who sells ideas, who organizes industries, and is successful in giving a market value to his mere hopes and expectations.

Everyone who engages in the activities of salesmanship in any way must, in a measure, practice the same principles and possess the same qualifications. In order to discuss these general principles and qualifications, however, it is necessary to have in mind an individual that may be termed the typical salesman. He is the man that meets his customers face to face, and upon whom the final responsibility depends for success or failure in the great majority of business enterprises.

His personal problems include those of all the other factors in selling, and his qualifications are the measure of those that all the others must possess.

Every selling method, every sales department organization must ultimately depend for actual results upon the man for whose guidance the selling methods have been adopted and the sales organization has been developed.

119. *Steps in a sale.*—Because personal, face-to-face solicitation of a customer is the most common form of salesmanship, and because it best illustrates all of the principles of the science, we shall discuss the problems of salesmanship with particular reference to a sale in which salesman and customer come into direct personal contact. The modifications that are necessary to adapt the general principles to other methods of selling will be clearly evident in most cases without any special reference being made to them. In every sale it is generally conceded that there are four distinct steps: attracting the customer's attention, arousing his interest, creating in him a desire to buy, and inducing him finally to take the action that is necessary to close the sale. It is not our purpose to consider in detail the methods of accomplishing these four steps, but rather to emphasize the importance of suitable training in the methods necessary to accomplish them by showing the connection between the steps in every sale.

120. *Attracting attention.*—It is not by chance that a possible customer gives his attention to the salesman who wishes to sell him something. The business man whose patronage is worth the most has no time to waste. He is frequently called upon to listen to many different salesmen's propositions every day, and he is often unable or unwilling to grant every demand upon his time.

In some establishments buyers make it a rule to receive salesmen at a certain hour and to give every salesman a hearing. In the majority of cases, however, the salesman does not have such easy access to the attention of the customer, and the buyer's attention can not be secured unless the salesman first directs his careful efforts toward that immediate end.

The method in each instance may differ; but, whether the fact is recognized by the salesman or the buyer, there is always some definite reason why the "prospect" gives the salesman his attention. It is not enough, however, that the salesman should secure the buyer's attention to himself. For the purpose of the sale, the only attention that is worth while is the attention that makes the buyer willing to talk business or to listen to the salesman's business proposition. The personality of the salesman rather than the attractiveness of his offer is frequently the force that first induces the customer to listen to him, but if this is the means used to secure attention, it is absolutely necessary to transfer the buyer's attention from the salesman to the article that is to be sold before any sale can result. It is for this reason that the quiet, undemonstrative salesman is usually more efficient than the one with a loud voice, strong language, and exaggerated gestures. It is easy for the buyer to transfer his attention from the personality of the salesman to the proposition that is offered if the man that approaches him is quiet in manner, but it is difficult in the case of the demonstrative salesman because his personality is such that it can never be subordinated to any other factor in the sale.

There are countless methods of securing attention; every salesman has his own methods and every sale presents its own problems. The ability to read character

and the possession of initiative are the two qualities that are of most assistance to the salesman in determining the proper method for any particular sale. The manner of greeting the customer has much to do with the matter of attracting attention. Frequently it is advisable to introduce the conversation by talking about some subject not directly connected with the business in hand. It has already been suggested that approaching the customer on his "blind side"—getting his confidence by showing the salesman's interest in him and in the things that interest him before the subject of business is introduced—is valuable in securing the buyer's attention. The use of humorous stories and references to news items of the day have this purpose.

It should always be remembered, however, that attention secured by such irrelevant means must be completely transferred from the alien topic of conversation to the particular business proposition that the salesman wants to present before there is any possibility of making a sale. Therefore, wherever possible, it is to the salesman's advantage to use some method of introduction that will definitely and immediately attract the customer's attention to the article the salesman wants to sell. A new city salesman was employed by a specialty house that sold patented mouse-traps to retail dealers. The new man knew only the stereotyped forms of introduction, and he approached every buyer with the same formula: "Good morning, Mr. Smith. I am Mr. Brown, representing the Great Northern Specialty Company. I have an article," but in the majority of cases he got no further, because he had wholly failed to secure the busy merchant's attention. He reported his difficulty to the sales manager, who resolved to go out with him and see wherein the trouble lay.

The sales manager witnessed one of the salesman's ineffectual attempts to secure a hearing, and he determined to make the next approach himself, while the salesman simply observed his methods. In the next store the sales manager approached the buyer, and without a word of introduction simply placed the mousetrap in his hands. It was an ingenious contrivance, and that fact, together with the unusual method of presenting the proposition, immediately secured the customer's attention. A brief statement of prices and profits was all that was necessary to close the sale. Attention was directly and forcibly attracted to the article to be sold rather than to the personality of the salesman; and in many cases this is the best method to pursue.

121. *Arousing interest.*—Interest is simply sustained attention. If a customer can be induced to give more than momentary attention to a salesman's proposition, he has had his interest aroused in it. The secret of holding attention and, therefore, of arousing interest, is to present a proposition continually in a new light. No one can give attention to a single thought or idea for more than a very brief period of time.

The first idea must be immediately developed if the attention is to be held. The characteristic feature of this second step in a sale is the salesman's detailed description of his proposition. Each point that is brought out focuses the customer's attention, and his interest is thereby aroused in the proposition as a whole. The description of the article to be sold, of its construction, uses, and advantages, should be definite and detailed. The use of general terms is sometimes sufficient to secure attention, but if interest is to be aroused, the salesman must abandon generalities and use only specific

language. The use of questions is permissible, but they should be such as to aid rather than to interrupt the logical development of the salesman's proposition. If the customer can be made to answer "Yes" or "No," his interest will be increased, because his attention is thereby directed specifically to particular points, and his final assent to the salesman's conclusion follows as a natural result of his assent to the several parts of the selling talk.

If the article that is being sold is such that a demonstration of its construction and uses is possible, the salesman has a great advantage if he is given an opportunity to show it to the customer and to make the actual article supplement and illustrate his spoken description of its merits. Nothing is so calculated to arouse interest as an actual demonstration. It emphasizes points as no mere statement of them can do, and the constant succession of things of interest that the customer can see for himself makes it easier to retain his interest than when the salesman has to depend on his own powers of description for the constant presentation of new points. No description is effective unless it appeals to the customer's self-interest. He must be shown how the purchase of the article will increase his happiness, comfort, or profit, or the happiness, comfort, or profit of those whose welfare is of great importance to him.

It is essential for the salesman to get the customer's point of view; he must present the features of the proposition that will appeal to the customer—not necessarily those that appeal to the salesman. There are almost as many ways of arousing interest as there are of attracting attention, and the proper method to use in each case depends on the peculiar characteristics of the salesman,

the article to be sold, and the customer. In all cases, however, an adequate description of the article must have some place in the interest-arousing process, and the most successful salesmen are those who can describe their propositions concisely, graphically, and forcibly.

122. *Creating desire.*—It is obvious that attention to a salesman's selling talk, and interest in what he is talking about can not in themselves induce a customer to make the purchase. He must be made to desire the goods; otherwise both of the preceding steps will have been taken in vain. This fact is so evident that no elaboration of it is necessary. The dictionary says that desire is the "wish to obtain" a thing, and the word has this meaning in salesmanship. The "wish to obtain," however, is not to be confused with the determination to obtain. The latter is the last step in selling; there must be desire before there can be determination.

In some cases, of course, the customer naturally desires the article that is presented for his consideration, without any effort on the part of the salesman to create the desire. The desire must be present in some form, however, before the sale can proceed any further. If it is necessary for the salesman to create it, what methods is he to employ? As in the case of attracting attention and arousing interest, the methods of creating desire are as various as the characteristics of the articles that are sold, the personalities of the men who sell them, and the peculiarities of the prospective customers. A few general principles, however, are suggestive of methods of procedure. Just as sustained attention develops into interest, so interest if properly nurtured can be developed into desire, and the methods of arousing interest are largely the methods of creating desire.

Continued presentation of the merits of the article to

be sold is necessary. The customer must be convinced that its purchase would conduce to his pleasure, profit, or gratification, or that it would be desirable from the standpoint of his employer. Argument may be used, but so sparingly as not to antagonize the buyer or to make him think that his wishes and his interests are not the chief factor in the salesman's desire to make the sale. The best method of argument is a display of the article and the logical presentation of its strong selling points in such a manner as to appeal to the peculiar needs of the buyer.

Suggestion has a most important part in the creation of desire. It has been said that we like to believe that we are reasonable beings, but that we act more often because the action has been suggested to us than because we have determined to do it through a process of reasoning. The salesman should utilize this valuable principle. His reasoning and logical presentation of selling points are effective, but reasoning should be supplemented by tactful suggestions that will make the customer think that he has from the first desired the article, without having been greatly influenced by the selling methods of the salesman. No one likes to admit that his opinions have been changed by the statements of another, and the efficient salesman, instead of relying too much on logical reasoning, suggests the things that make the customer alter his unfavorable ideas, and that ultimately create in him a desire to purchase.

123. *Inducing resolution and inciting to action.*—Attention, interest, and desire are simply states of mind. Resolution to buy involves decision and action. There are many salesmen who are able to carry the customer through the first three steps, but who seem to be unable to close the sale. In some organizations there are

men who are called "closers," and who are definitely assigned to the task of bringing about action in the case of "prospects" whom other salesmen have worked up to the point of interest or desire, but whom they are unable to bring to the point of actually placing the order. The ability to "close" is the most valuable item in the salesman's equipment. Unaided he can not make sales unless he can inspire action as well as induce the proper mental attitude toward his proposition. A man may desire an article greatly and yet not be willing or able to purchase it. A poor man may want an expensive automobile very greatly, and yet not have the resources to buy it. In most sales, however, the salesman does not approach buyers who he thinks are unable to take advantage of his proposition, and because of that fact it is often true that desire, if it is strong enough, can be developed into resolve to purchase and definite action toward that end.

In taking this final step in the sale—in inspiring action—the salesman must meet the objections of the customer. If the salesman has accomplished the preceding steps, he has presented his entire case, and he has now simply to play the part of the debater who has presented all his own points and who merely emphasizes them in his rebuttal of the points that are presented by his opponent. The customer urges the greater necessity of making other purchases, or the inexpediency of investment. He acknowledges the value of the article but prefers to delay buying it, or he interposes any one of the countless other objections that every salesman is familiar with and has to face. The salesman meets them courteously and positively by suggestion, by exciting the customer's imagination, by emphasizing his previous points and phrasing them so as to suit the conditions mentioned

by the buyer. He lets the customer do most of the talking, but he watches for every opportunity to interpose a conclusive point that will meet the buyer's objection to immediate action. The salesman is often forced to employ direct argumentation in this last step in the sale, and it is entirely permissible for him to do so when the tactics of the buyer demand it; but the salesman should never lose sight of the necessity of retaining the customer's good-will and of so phrasing his arguments that the match of wits will not degenerate into mere controversy and dispute.

There is a "psychological moment" when further talk is useless and when the buyer is ready for the definite suggestion to put his name "on the dotted line." Some salesmen fail to recognize this moment. They talk a buyer into a sale and then they talk him out of it again. To recognize the moment for action when it arrives is often the most difficult feature in the sale. Common sense, experience, a thorough knowledge of human nature, and careful attention to everything a buyer says and does are the things that give a salesman the ability to stop talking when he has said enough, and to present the order blank for the buyer's signature.

To bring about resolution and action is the final purpose of every sale; without it all the other steps are worthless. But if attention has been properly attracted, interest aroused, and desire created, and if the salesman has used intelligence in selecting his prospect, desire can be so strengthened and objections so met that the customer will take the desired action and the actual sale will result.

124. *Importance of steps in a sale.*—Mr. A. F. Sheldon was probably the first to point out the presence of these four steps in every sale. They are now recog-

nized by most of the investigators of the science of salesmanship. It is not, however, to be inferred from the emphasis that is placed upon the steps in a sale, that they are to be consciously borne in mind by every salesman whenever he faces a customer. The world's salesmen made successful sales for many centuries before the steps were heard of, and the experienced salesman of to-day seldom has definitely in mind the necessity of surmounting the various steps in their logical order whenever he attempts to make a sale. This does not alter the fact that, whether the salesman is aware of it or not, if the sale is to be successful, the buyer must be made to give his attention, he must take an interest in the proposition, he must experience desire to acquire the goods that are offered to him, and he must make a definite resolution to buy. Sales can be made without any thought being given to these steps, but if a salesman studies them and learns some of the methods that are calculated to enable him to surmount each one, he will gradually find himself applying the methods unconsciously whenever he is in a situation where they might be helpful.

The value of the steps in the study of salesmanship is comparable to the value of the fundamental principles in the study of any science. A man who analyzes his activities and who knows *why* he applies certain methods is bound to apply them with greater effectiveness and discrimination than the man who has otherwise the same equipment but whose operations are directed only by intuition or by a system of unrelated bits of knowledge based upon the unorganized results of his own experience or the experience of others.

CHAPTER XIII

QUALITIES OF THE SALESMAN

125. *Factors in a sale.*—We have discussed salesmanship from the point of view of the steps that must be surmounted in every successful sale. The subject may also be considered from the point of view of the factors that are present in all sales. These factors are the salesman, the article to be sold, and the customer. If a salesman is to make the greatest success in his profession, he must be trained not only in the four steps and in the methods of surmounting them, but he must also develop the proper relationship to each of the factors in a sale. The two points of view are so closely related that it is impossible to separate them in his training, for the development of the proper relationship to the factors is simply for the purpose of enabling him to carry a sale through the four essential steps.

126. *Personality of salesman.*—The first factor is the salesman. The development of the right relationship of the salesman to himself means simply the development of the proper personality—of the personal qualities that must be possessed by the successful salesman. If he possesses these qualities, he will unconsciously assume the right attitude toward the article to be sold and toward the customer. To consider the factors in a sale, therefore, we have chiefly to consider the characteristics of a successful salesman and the possibility of developing the necessary qualities. We shall consider in detail some of the more important of these qualities. If

they were all purely natural attributes and were incapable of development by the man who did not possess them—if it were true that a salesman is born and not made—a consideration of the characteristics of a successful salesman would be worthless to the man who aspires to success in selling.

As has been previously pointed out, however, the old idea about the mystical nature of success in salesmanship has been exploded. Success in this profession as in all others rests on certain principles. It has been proved to be possible for a man to obtain training in these principles, and, if he has inclination for the work and a fair equipment of brains and will power, to acquire the qualities that will bring him at least a fair degree of success.

In the following presentation of some of the characteristics of an efficient salesman, the word salesman is used in the broadest possible sense. It refers to anyone, man or woman, who has any part in the distribution of merchandise. To make the discussion concrete, however, we shall have in mind the individual who may be termed the typical salesman—the man who actually faces customers, who usually travels from town to town, and upon whom the success of most selling organizations finally depends. He may represent a manufacturer or a jobber, or he may sell general lines or specialties by calling upon consumers. He may belong to the largest class of all—the great army of sales-people who distribute through retail stores more than ninety per cent of the staple goods that are consumed in this country. In all of these cases the essential qualities of the successful salesman are the same.

127. *Inclination for work.*—No one should consider entering the profession of salesmanship unless he feels

impelled to do so by a love of the work. Too often in the past, salesmanship has been the last resort of the unsuccessful man and the chance choice of the man with no definite purpose in life. It has been undertaken because it seemed to offer easy work which required no training. Another false incentive to enter the profession is the glamour with which the inexperienced are likely to invest the life of the traveling salesman. The clerk in a retail store meets the jobbers' and manufacturers' representatives that come to sell to his employer, and the variety of their life appeals to him in contrast to the monotony of his own work. Or the minor clerk in a jobbing or manufacturing establishment learns of the salaries that are paid to the firm's traveling representatives, he observes the freedom of their movements when they visit the home office, and he is impelled partly by envy and partly by discontent with his own work to aspire to their positions.

Such incentives as these do not often bring success in selling. No one should undertake the profession of salesmanship who does not feel that the work of selling is the one work that he wants to do. There are disappointments in salesmanship, there are many discomforts and hard, grinding labor. To bear up under the rebuffs, temporary failures, physical trials, and mental strain, the salesman must have the sure foundation of love of his work—intense pleasure in the constant conflict of minds and in the part that the salesman plays in the great game of business.

128. *Mental ability.*—The degree of success that is attained in selling, as in anything else, depends largely on the salesman's equipment of brains and will power. For lack of a better term to indicate this essential

equipment, we shall refer to it as mental ability. The possession of quick wit is one of the necessary natural endowments of the salesman. Will power can be developed, but the man who is naturally dull can not ordinarily quicken his mental processes. He can not hope for success in salesmanship any more than he can hope for success in any other profession. There always has been and there always will be an aristocracy of brains, and the successful salesman certainly belongs in that classification.

Inclination for the work and a considerable amount of mental ability are the necessary natural endowments that must be possessed by the man who wishes to become a successful salesman. They are fundamental; they form the basis for training in the other qualities that the salesman must possess. With inclination and mental ability as a foundation it is submitted that there is none of the qualities that are to be discussed hereafter that can not be acquired and developed to a greater or less extent by the individual who is determined to make himself efficient in the work of selling.

129. *General education.*—The high-grade salesman is an educated man. His interests are broad, and he is able to talk intelligently to many men on many subjects. The salesman who knows his own line and nothing more is narrow, and his efficiency is limited by the boundaries of his knowledge. He can not serve either himself or his employer to the best advantage, because the introduction into the selling interview of a topic not immediately concerned with the article he is handling indicates to the buyer the mental limitations of the salesman and makes it impossible for the latter to maintain an attitude of equality with those with whom he deals.

There is scarcely any branch of human knowledge for which a salesman may not at some time have definite use in his business activities. The more complete a salesman's education has been, the greater are his opportunities to win the confidence and respect of his customers and to increase the prestige and sales of his employer and of himself.

A salesman must be able to express his ideas clearly, concisely, and forcibly. He must possess conversational ability and the common sense to talk to the best purpose. This is by no means the same as saying that a salesman must be a fluent talker. The best salesmen are not those who talk the most, but those who talk less and make every word count. Nearly every sales manager can point to men on his staff who are by no means fluent talkers, but who possess the immensely valuable ability of knowing exactly the right thing to say at the right time, and of saying it in such a way that they make the customer think that the idea is his, rather than the salesman's. The man who knows how to make the customer do most of the talking is in a decidedly advantageous position.

The power of expression—and of repression as well—like all the other worth-while attributes of a salesman, comes chiefly from long study and training. There may be natural orators in the selling field, but they are at a disadvantage with the man who has made a careful study of the things he should say in any given circumstance, and of the exact manner in which he should say them in order to gain the desired end.

130. *Health*.—Health is one of the foundation stones of success in any activity. Illness, physical weakness, frequently enforced absence from work, and the lack of vital energy that always accompanies ill-health, are

fatal barriers to a salesman's success. Health is largely a matter of habit. The man who takes care of himself has gone a long way toward establishing a sound constitution, while the man who is careless of his body and who uses up his energy in dissipation must pay the price in failure.

The business world has pretty generally abandoned the idea that there is no connection between what a man is at eleven o'clock at night and what he is at eleven o'clock in the morning. The old-time "hit or miss" method of selling concerned itself little with these things. If a salesman turned in a fair volume of sales, his personal faults and excesses were condoned. That is not the attitude of the sales-manager of to-day. He is not satisfied with a portion of a salesman's efficiency. He demands maximum results, and the salesman who remains in his employ must take every precaution to conserve every ounce of energy he may possess. No man can be intemperate in anything and expect to develop himself to the utmost. The keen, fighting, successful salesman of to-day is clear-eyed and clear-brained. He achieves the results he sets out to accomplish because he is absolute master of himself, and mastery of self gives him mastery of others.

131. *Importance of appearance.*—The importance of the salesman's dress and general appearance has been already considered in our discussion of the external characteristics that the sales-manager takes into consideration when he interviews an applicant for a selling position. Salesmen are well-dressed because their business demands it. Customers like to deal with prosperous houses. The salesman represents the house, and, as the outward symbol of prosperity is good apparel, it is essential for the salesman to dress as well as

his income will permit. But aside from the necessity of presenting a good appearance for the benefit of his old customers, he must have due regard for the first impression he makes upon strangers. The well-dressed man will often secure the attention of a "prospect" where the man of careless appearance would utterly fail to secure a hearing. Good clothes give a salesman an advantage because they create a sentiment in his favor, and for that reason they are of great importance in the first step in every sale—securing the customer's attention.

132. *Honesty.*—The man who is unable or unwilling to be absolutely honest has no place in salesmanship. It is true that there is no permanent place in any business for a dishonest man, but lack of honesty is especially fatal in selling. A salesman is peculiarly liable to temptations. He is so much his own master in the details of his work that there are many opportunities for dishonesty in his relations with his employer. If he has an expense account, he must be constantly on his guard to resist the temptation to "pad" the account. If he makes reports that involve any labor in their compilation, he must be certain that his information is accurate and that his method of reporting is exact. He must only seek credit for sales to which he is rightfully entitled. He must remember that his time belongs to his employer, and that the theft of an hour is as dishonest and as costly for his employer as the actual theft of money.

If he underestimates the importance of these things and allows the line between right and wrong to become blurred, he will soon find himself in such a maze of dishonest habits that his efficiency will be at an end.

The standard of business ethics is being raised. Actions that were condoned not so many years ago are no longer tolerated. Just as the employer's responsibility to the employé is being increased, so has the conscientious employé changed his attitude toward his employer.

The salesman, more perhaps than any other employé, is the actual representative of the man who employs him. If he is dishonest, his customer has reason to believe that dishonesty is the policy of his house. If he misrepresents his goods, his employer must bear the responsibility. Such methods are not tolerated by the right sort of employers—and the other sort can not buy the services of self-respecting men. Honesty with himself, with his employer, and with his customers is absolutely essential to a salesman's success.

133. *Sincerity*.—It is said that the whole fabric of modern business is based upon confidence. This is certainly true of salesmanship. Few sales are ever made unless the purchaser has confidence in the goods and in the man who makes the sale. Nothing can so effectively secure the customer's confidence as sincerity on the part of the salesman. A salesman is severely handicapped if he does not believe in his work, if he is not thoroughly convinced of the quality of the article he is selling, and if he does not feel absolutely sure that the sale will be to the mutual advantage of the purchaser and of himself. If he is not in this state of mind, he must simulate sincerity where none exists; and the keen, experienced buyer is quick to detect dishonesty either in the article itself or in the attitude of the salesman. Insincerity breeds distrust, and distrust, once aroused, is exceedingly difficult to displace. If a salesman can not

“talk” his line with absolute sincerity, he had better change employers, because he is carrying a handicap that will seriously interfere with his success.

134. *Fidelity*.—Fidelity in salesmanship simply means being honest with one’s employer. Loyalty is one of the most marked characteristics of the successful salesman. He realizes the full responsibility that attaches to his position, and he is true to his trust. He remembers always that he is the personal representative of his employer, and he strives to conduct himself so as to bring no dishonor upon the house.

135. *Courtesy*.—Courtesy is one of the first qualities that a salesman must develop. His constant attitude is that of a supplicant for the time and attention of another. At first, the customer almost inevitably adopts the attitude that he is doing the salesman a favor in listening to him. Since this is the attitude of the man he is seeking to interest, the salesman must adapt himself to the circumstances, and win a hearing by the courtesy of his bearing. He will meet rudeness and discourtesy, but at all times he must retain control over himself. A single discourteous word or action may imperil his success in a sale.

The outward sign of courtesy is good manners. They can be acquired without price, and yet nothing in the salesman’s equipment pays larger dividends. Good manners enable a salesman to appear at his ease even in the most trying situations. The average salesman goes over the same territory many times. If he does not make a sale to a man on one trip, he expects to do so on the next, and the impression he leaves with those who have failed to buy from him is of great importance in determining the character of his future reception by them.

Politeness and good manners are the outward expression of courtesy, but it is possible for a man to school himself to be polite without possessing real courtesy. Courtesy is something more than mere manners. It is one of the moral qualities that are essential for the highest success of the salesman. He should develop a habit of consideration for the people he meets that will make it impossible for him to harbor a discourteous thought toward them, and will render the acts of courtesy unconscious and actually indicative of his mental attitude.

136. *Industry*.—Men have been known to take up the profession of salesmanship because they were looking for light work. They were disappointed. They either reconciled themselves to strenuous labor very shortly, or they ceased to be salesmen. The successful salesman works hard, all the time. He does not know what “working hours” mean. Day or night, whenever there is an opportunity to make a sale, he is ready to give himself wholly to the task of selling. He works all the time because he likes to. He is engaged in salesmanship because of his love of the work—not because he is paid a certain wage for so many hours of labor every day. He would rather make a sale than do anything else, and he never thinks it a hardship to sacrifice personal ease and comfort for the sake of matching his wits against those of a possible purchaser.

Every case is a new problem to be solved, and the salesman takes the keenest delight in its solution. There have been salesmen—those of the old-fashioned variety—who were inclined to let working hours be determined by their physical condition and mental moods. A few days of good results were followed by several days of inactivity. No salesman can work intermit-

tently now-a-days and be a success. The modern game of selling is played at too rapid a pace to permit any of the players to rest on their past achievements. They must be always up and doing—and the real salesman needs but little incentive to give himself without reserve to the absorbing work of his profession.

137. *Open-mindedness.*—In every occupation there are some men who think they know all there is to be known about their work. They resent suggestions from others; new plans, new ideas have no interest for them, and they are satisfied to continue in the same rut that they have followed all their lives. Such men are seldom found in important positions. They are never found at the head of a sales force.

The successful salesman is essentially open-minded. If he is to acquire qualities that he does not naturally possess, he must ordinarily learn what they are from the statements of others, and he must be willing to accept the frank suggestions of those whose advice he seeks regarding the defective portions of his personality. He is constantly watching for new methods of increasing his efficiency. He realizes that he is engaged in one of the most difficult of the professions, and he knows that there are things he can always learn about his business. He reads business literature, and he makes use of the information he gains from that source. If he has a particularly hard selling problem to solve, he is glad to receive the aid of his manager or a fellow salesman. He welcomes letters of constructive criticism, and he reads sales bulletins and attends salesmen's conventions with the determination to get from them everything that can in any way assist him in developing his efficiency.

Open-mindedness is a valuable asset. It is the

quality that keeps a man out of a rut; and it has been truly said that "the only difference between a rut and a grave is in the width and depth."

138. *Persistence*.—Persistence is the quality that prevents a salesman from becoming discouraged. It is based upon industry, courage, and patience. It enables a salesman to follow up a "prospect" month after month and year after year, if necessary, until the sale is finally made. The salesman must work for the future as well as for the present. The difficult, long-pending order is usually more valuable than the immediate, easily secured one. The salesman must often plan his campaign for weeks and months in advance. Every detail must be carefully worked out, and then he must persistently follow his program until the last barrier is removed and the sale is effected.

There is no quick and easy road to success in selling. The man who has the necessary training and who plods persistently along is the man who gets the orders. Mere brilliancy in salesmanship is notoriously unreliable. The persistent salesman who is always at work and who never gives up is the one whose order book contains the most entries.

139. *Tact*.—A salesman without tact is an impossibility. He would antagonize a customer more frequently than he would secure his order. No amount of inclination and training could bring a salesman success if the development of this important quality had been neglected. Tact is the attribute that enables a man to deal with others without friction. It enables him to adapt himself to circumstances and to do the right thing in the right place. The lack of tact is largely a matter of thoughtlessness and selfishness.

To develop the quality of tact, it is necessary for a

salesman to plan his selling talk with infinite care, to think of the customer instead of himself, and to use good judgment and common sense to guide him in all his words and actions. The tactful salesman always looks beyond the immediate action, and sees what its results will be. He does not force himself upon a dealer's attention, if the latter is obviously too busy to talk to him. He avoids such topics of conversation with his customers as politics and religion, which are likely to lead to profitless argument. He humors his customers' prejudices—when they are not antagonistic to his goods—and conforms his manner and speech to the known peculiarities of the man with whom he is dealing. He discovers his customers' likes and dislikes, records them systematically, and bases his selling talks upon this information. He knows when to talk, and he knows when he has said enough and it is time to leave the customer or to close the sale. He talks about his own goods—not his competitors', and he carefully avoids suggesting in any way that the "prospect" has not used good judgment in purchasing from another house. He is a business diplomat. He guards his tongue and actions with the utmost care, and he gains a desired end in a manner calculated to create the least friction and to pave the way for future cordial relations.

140. *Initiative*.—There are three classes of employés: the first need to be told to do a thing but once; the second have to be told three or four times, and then there is no certainty that they will carry out instructions; the third do the things that need to be done, without being told. They possess initiative. The ability to carry out instructions is valuable, but the ability to anticipate instructions and to do things on one's own initiative is immensely more valuable.

There are many salesmen who are continually asking the home office for help and advice in particular sales. If they are men who can carry out instructions, their manager is glad to give them the necessary assistance; but such men are not the ones the management sends on important missions or puts in charge of the best territories. The typical, high-grade salesman is self-reliant and confident of his ability to handle any situation that may arise. He is not egotistical or unwilling to accept aid when aid is necessary, but he is so trained in the principles of his profession that he can usually apply them immediately under any circumstances without delaying action while he seeks advice, when delay means a possible loss of the sale. The salesman with initiative scents possible business as a newspaper reporter scents news. He takes advantage of unusual conditions to secure unusual results, and he never loses an opportunity to act with decision and judgment when the interests of his employer are at stake. In short, his work for his employer is as self-reliant and constructive as it would be if he were working for himself.

141. *Knowledge of the business.*—In a profession in which there are so many qualities whose possession measures the worker's success, it is impossible to pick out one or more whose importance over-shadows that of any of the others. It is certainly true, however, that a man may possess all the qualities that have been mentioned, and yet not be a salesman if he has no knowledge of the business in which he is engaged. The phrase "knowledge of the business" is used to include knowledge of three different subjects:

1. Knowledge of the goods the salesman is to handle.

2. Knowledge of the policies, methods, and personnel of the business house that employs him.

3. Knowledge of the business methods and of the strength and weakness of competitors in the field in which he is to operate.

In a previous chapter we have considered modern methods of training salesmen, in which practical experience in the construction of the things to be sold plays an important part. No man can sell goods intelligently unless he is thoroughly familiar with them. He frequently meets buyers who are fully conversant with all the details of the line he is handling. If he finds that his customer knows more about his goods than he knows himself, he is in a decidedly embarrassing position, from which he can extricate himself with credit only by the exercise of exceptional tact. Absolute knowledge of the goods to be sold is essential, and this knowledge can be acquired only by specialization and careful training.

The most promising material for machinery salesmen is now to be found among the graduates of technical schools, and school-book salesmen are largely recruited from the ranks of teachers who have had actual experience in using the kind of books they are to sell. In these as in all other lines the best results are secured by the men who have the most extensive and exact knowledge of the things they sell.

The salesman represents his employer. Therefore, he can not work to the best advantage unless he is fully in touch with the house that employs him. Too often a new salesman is handicapped by being sent out "on the road" before he has had opportunity to acquire familiarity with the men and methods at the home office. The wider the salesman's acquaintance among the mem-

bers of the office force, the greater will be the probability of co-operation from all members of the organization. The salesman frequently works for weeks at a time without coming into personal contact with his manager or other members of the office organization. At such times his efficiency is increased if he knows that he is something more than a mere name to the people at the home office, and that his personal acquaintance with the various department heads will insure his orders' being given as careful and prompt attention as those of any other salesman.

But besides knowing the members of the organization of which he is a part, the salesman should know the methods and policies of the house that employs him. For example: the routine of orders is, of course, explained to him, and if he has reports to make out, he is given instruction in the method of their preparation. If his instruction in methods, however, goes no further than that, one opportunity of increasing his efficiency is being overlooked. Delays in filling orders are bound to occur at times; the salesman should understand the causes of these delays so that he can explain the matter satisfactorily to his complaining customers. Many salesmen look upon reports as unnecessary and unwelcome burdens; if they have a complete knowledge of the statistical system of which their reports form an important part, they will make them with greater willingness and accuracy than would otherwise be the case.

It is the duty of a salesman to keep his eyes and ears constantly open for anything that may have even a remote bearing on the sale of the goods he is handling. An intimate knowledge of the competitive field is a mark of the high-grade salesman. It is frequently and correctly said that a salesman should talk to a customer

about his own line, and not his competitor's. It does not follow, however, that a knowledge of his competitor's line is unnecessary. On the contrary, the salesman who has an intimate knowledge of the quality and prices of the goods that are in competition with his own is the one who can make the most effective use of the selling points possessed by the articles he is handling.

142. *Confidence*.—A salesman without confidence in himself, in his goods, and in his employer can not be successful. Confidence is not a quality that can be cultivated separately like honesty, knowledge of the business, industry, etc. It is the natural result of the development of all the other essential qualities. A man who makes a conscientious study of his own physical, moral, and mental characteristics, with the firm determination to correct his faults and to develop his efficiency, and who is at all successful in carrying out that determination, thereby acquires justifiable confidence in himself, which enables him to take up any proposition with reasonable assurance of his ability to carry it through to success.

Likewise, an intimate knowledge of the line he is selling serves to put him at his ease in whatever situation he may find himself. If he has studied his line and has found it good, he has acquired a confidence in the things he is to sell that no amount of criticism by a buyer can destroy. On the other hand, if he has studied his line carefully and has found it unworthy of confidence, he had better never attempt to sell it, because he will be constantly forced to counterfeit a confidence that he does not possess.

Confidence in the house that employs him, in its financial condition, in its ability to keep its promises, in the character and ideals of the men at its head, and in its

desire to deal honorably with everybody, is an immensely valuable asset for the salesman. It increases his respect and liking for his employer, it promotes satisfaction and contentment, it gives him assurance of solid backing, and it adds dignity to his work.

It has been stated that confidence is the basis of all business. The constant effort of the salesman is to create in the mind of the customer confidence in the salesman, in the goods he is offering, and in the house that makes them. If the man who is trying to inspire this confidence does not possess it himself, he can not hope to be successful in inspiring it in another.

143. *Enthusiasm*.—A great authority on salesmanship has said: A man might have honesty, health, ability, initiative, knowledge of the business, tact, sincerity, industry, and the other qualities of salesmanship, and without enthusiasm he would only be a statue. Enthusiasm is the white heat that fuses these qualities into one effective mass.

The man who is enthusiastic has an intelligent, vital interest in what he is doing. He works for the love of the work, and would rather sell goods than do anything else. He talks as if he meant what he said, because he does mean it. He is fired with an intense desire to impart his enthusiasm to others. Enthusiasm makes a man "talk shop" whenever there is the slightest chance of influencing a sale; it enables him to forget disappointments and failures and to start afresh with renewed determination to succeed.

Emerson says that no great thing was ever accomplished without enthusiasm. This is certainly true in selling, as in everything else. Enthusiasm is the force that grips the attention of the customer, that impresses him with the salesman's sincerity, that makes him forget

his objections, and that rushes the sale past all obstacles to a successful consummation. It is a quality that can be acquired, and it must be acquired before success can come in the fullest measure to anyone in any line of endeavor.

Thousands of salesmen begin each working day with the determined purpose of working up their enthusiasm to a point that will carry them over all the difficult places in the day's interviews. Their method is to "sell themselves" every day before they try to present their propositions to anyone else. They go over every selling advantage of their goods, they present their arguments to themselves just as they would to the most obstinate buyer, and they prove to themselves absolutely that their propositions are the best ones on the market, that their houses are the best in the business, and that no one is so capable of selling their lines as they are themselves. This method of stimulating enthusiasm brings results. It refreshes the salesman's memory with the essential points in his selling talk, it vitalizes him for the day's work, it rekindles confidence in himself, in his line, and in his employer, and it gives him the magnetic energy to impart his confidence to others.

Enthusiasm is the quality more than all others that makes a salesman oblivious of difficulties, that vitalizes his selling efforts, make him forceful and optimistic, turns apparent defeat into victory, creates a bond of sympathy between buyer and salesman, changes apathy into interest, and makes personal salesmanship the vital factor that it is in the distribution of the world's goods.

144. *Opportunities in salesmanship.*—In this character sketch of a successful salesman we have mentioned only the more important of the qualities that are essential to success in salesmanship. Their number and

variety are indicative of the growing importance and complexity of this absorbing profession. Modern industry offers opportunities that were not dreamed of a generation ago, and in no field of business are there greater opportunities than in the field of salesmanship. It calls for the highest type of ability and training, its demands are severe, but its rewards are commensurate with its requirements.

CHAPTER XIV

THE BUYER AND HIS WORK

145. *Buying the universal business activity.*—Buying is probably the most common of all business activities. In any marketing or manufacturing business a portion of the profits are very directly attributable to the care with which the stock of the store or the raw materials for the factory are purchased. It is true that the buying end of the business is not of primary importance in such industries as farming, lumbering, mining, and banking, which are either extractive or contributive, and are not concerned with the sale of goods that have been previously purchased or with the working up of raw material into a manufactured product. Even in these industries, however, the efficient conduct of the business requires the purchase of certain supplies. The farmer and lumberman must purchase their tools with care, the miner must exercise skill and economy in buying his valuable machinery, and the banker must guard his profits by seeing that the utmost discretion is employed in the purchase and use of office supplies.

There is no business or profession that does not involve the purchase of supplies of some sort. Buying is a universal business activity. Despite its importance in every organization, however, the subject of buying has received little attention from those who contribute to the rapidly growing literature of business. The purchasing agent has had no text-books and few reference works; his own experience and observation have been

almost the only factors in his training, and he has had little opportunity to profit by the experience of others whose methods and systems might help him in his own activities.

It is partly due to this fact that the buyer frequently is a "one house" man; that is, his success in one organization has not always been accepted as proof of his ability to secure equal results in a similar capacity with another employer. It must be borne in mind, of course, that the amount of detailed knowledge required of the buyer is so great that, even under the most favorable circumstances, it would not be easy for him to go from one line of business to another and to adapt himself quickly to the new conditions. But even with due weight given to that consideration, it is not to be questioned that general training in the principles of his work may be of assistance to the buyer just as it is to the salesman or the manufacturer or the accountant or the correspondent.

146. *Scope of buyer's duties.*—The modern tendency is continually to broaden the scope of the buyer's duties. At one extreme is the member of the small office organization to whom is delegated the task of purchasing the office supplies. At the other extreme is the buyer for the large factory who purchases raw materials, supervises their storage and distribution, and is largely responsible for the satisfactory working of the cost accounting system so far as it pertains to the processes of production. The duties of the buyer are so closely related to those of other employés that the tendency is more and more to give him a direct interest in all the work that is immediately allied to purchasing.

In a retail or wholesale business we have found that it is not customary to attempt any separation of the

functions of buying and supervision of selling; and in the complex factory organization the close relation between the actual buying, the storing, and, to some extent, the preliminary working on the raw materials that go into the finished product, has made it frequently advisable for the purchasing agent to be placed in charge of all of these activities.

147. *Buyer's problems.*—The chief problem of the buyer is to obtain low prices and quick delivery on small quantities. If he could always purchase in large quantities, his duties would be greatly simplified, and the purchasing would become largely a matter of system and routine. The possibility of a large order immediately attracts those who have the desired supplies. One salesman bids against another to bring down the price, and, if the bidders are of equal responsibility, the placing of the order simply means selecting the lowest bid. Ordinarily, however, the buyer is not in this enviable position. He must frequently go into the market with a small order which in itself is not attractive to the suppliers, and by his knowledge and skill obtain the best price that is possible under the circumstances.

148. *Two opposing considerations.*—In his desire to do his work in the most efficient manner, the buyer is constantly limited in his activity by the conflicting requirements of two opposing considerations. The first of these is the necessity of purchasing in the largest possible quantities in order to secure the lowest possible price. If, for example, one thousand units of a certain article can be used by a factory within a reasonable time, and, if the price for that quantity is lower proportionately than for one hundred units of the same article, it is to the buyer's advantage to purchase the larger amount. Is it equally advisable, however, for him to secure a still

lower proportionate price by purchasing in quantities of, say, ten thousand units? The requirements of economical buying force him to take advantage of the quantity price whenever possible, but the question of what is economical buying must receive careful consideration in each individual case.

The temptation to buy heavily is not occasioned only by the low price generally allowed on large orders. An unusual condition of the market frequently tempts the buyer to purchase a large stock of needed supplies under peculiarly advantageous circumstances. The restaurant keeper may have an exceptional opportunity to buy fresh fruit at a very low price. He knows that he will have to pay more to-morrow or next week, and if the food could be used before it deteriorates in quality, he would save money by purchasing at to-day's price. The clothing dealer may be offered a lot of garments at a special price which will mean a large profit on the transaction. If he could accurately judge the future demand, he might buy heavily because of the unusual inducement. The automobile manufacturer may have a chance to make a long time contract with a certain manufacturer of gasolene engines on especially favorable terms. If he could be sure that improvements and economies would not be effected in gasolene engines in the near future, it would be to his advantage to enter into the contract.

In all these cases the price is tempting; and, if that were the only consideration, the buyer would be saving money by taking advantage of the quantity figure. There is, however, a second consideration that enters into every buying problem. This second consideration is the necessity of limiting the size of the purchases, which may be caused (1) by financial considerations, or

(2) by the possibility of depreciation. Let us examine these two considerations.

149. *Financial considerations.*—In a small establishment the resources of which are meager and the credit limited, the financial consideration is the one of first importance; and this consideration loses little of its importance even in the larger and richer organizations. The ability to turn over capital rapidly is of vital importance in successful merchandising, and it is never advisable, therefore, to tie up capital in supplies beyond the extent required by economical buying. The manufacturer must likewise beware of an unnecessary or excessive investment of capital in the purchase of raw materials.

In order to guide the buyer in his determination of the proper quantities to purchase, maximum quantities are usually determined upon, which the stock of supplies or of materials of any particular kind must not exceed. Although these quantities are fixed only after careful consideration of the peculiar requirements of the organization and the nature of the supplies, it is plain that at times the arbitrary limits may seriously embarrass the buyer in his work. They are, however, valuable, because without them the buyer would be tempted, under the provocation of exceptional prices, to tie up more capital in one line than the financial condition of the house would justify.

150. *Possibility of depreciation.*—Although the chief reason for limiting the buyer's purchases is the financial one, he must also constantly bear in mind the peculiar nature of the goods he buys and the possibility that they may deteriorate in quality and depreciate in value. If goods bought to-day would in all cases have the same value at all times in the future, the purchasing agent

might be justified in yielding to the temptations of price and in making purchases beyond the maximum limit. But this is not the case; depreciation is a factor that must enter into all his calculations.

151. *Illustrations.*—The force of this consideration may be illustrated by a few examples. It would be very wasteful for a restaurant keeper to purchase more of perishable commodities than the probable demand would justify. For instance, he must ordinarily buy fresh meat and vegetables only to meet the demand from day to day, while in the case of canned goods he can buy in a low market and safely store the goods until they are needed. The buyer for a clothing store can not purchase for more than a single season, because styles in garments are constantly changing, and clothing left on hand at the end of the season must be sold with a sacrifice of normal profits. In an industry such as the manufacture of automobiles, in which processes are constantly being changed and improvements effected, it would not be advisable for a buyer to stock too heavily with the various kinds of parts, because of the chance of their being superseded by some better devices in the near future. In all these instances depreciation is a factor that the buyer must consider carefully in determining the quantities that it is safe for him to purchase.

152. *The task of the buyer.* We have seen that although the buyer is always anxious to get the low quantity price, he is constantly face to face with the necessity of limiting the size of his purchases, both on account of the resources and financial policy of his employer, and because of the nature of the articles to be purchased. This dual aspect of the buyer's task makes his problem a difficult one. He must view every prop-

osition from two points of view, and the success of his work is judged by the degree to which he reconciles the two conflicting interests that enter into every decision.

153. *Speculative buying*.—There are times, of course, when the maximum stock figure is exceeded, and when the advantages of the quantity price outweigh the disadvantages of making an unusually large investment in supplies. If there is any possibility of depreciation in the goods purchased, however (and there are comparatively few kinds of goods that do not depreciate in value), the buyer who exceeds the maximum stock limit is purchasing on a speculative basis. Much buying is of this character, and the successful buyer has to take many chances; but even in speculative buying, its basis must be the thoughtful opinion of the buyer consequent upon a careful balancing of the two conflicting considerations that are ever present in his work.

154. *Qualifications of buyer*.—Because of the complex nature of the problem that continually confronts him, the buyer must possess unusual qualifications for his work. The most important of these qualifications may be grouped under the general term, "knowledge." This may be subdivided into (1) knowledge of the house by which he is employed, (2) knowledge of demand, (3) knowledge of goods, including quality and present and prospective prices, and (4) knowledge of the sources of supply.

155. *Knowledge of the house by which buyer is employed*.—No buyer can intelligently carry on his work unless he is completely in touch with the policy of his house. He must know (1) its financial resources, so that he may determine whether he is in a position to demand and receive the most advantageous credit terms; (2) in a general way at least he must know the usual

and unusual demands upon the available funds of the house, so that he may be able to determine the possibility of any heavy buying that may seem desirable; (3) he must know the attitude of the owner or the directors toward the question of expansion or curtailment of production, so that if there are any plans in contemplation affecting the kind and quantity of the output, he may be able to govern his purchasing accordingly.

156. *Knowledge of manufacturing processes.*—In addition to the policies and resources of the house he represents, the buyer must know thoroughly the manufacturing processes through which the raw material passes. The buyer deals with many salesmen. Each one probably handles but a single article or line and in that one field he is an expert. The salesman knows absolutely the exact place and advantages of his article or line in the manufacturing process of the house to which he is trying to sell. He is, therefore, at an advantage over the buyer unless the latter also has a complete knowledge of how the product of his house is manufactured.

The buyer must know the uses for the various things that he buys. A certain article may be made in several grades or qualities, only one of which will answer for the particular purpose for which it is used. Unless this information is in the buyer's possession, he is likely to be misled into the purchase of a grade or quality that can not be used by the factory. So important is this knowledge of processes that often the buyer is given his position because of thorough training in all departments of the factory. If it is important for the salesmen who are to sell the finished product to know the product absolutely through actual experience in its manufacture, it is at least of equal importance that this

same knowledge be possessed by the man whose skill and knowledge are responsible for the factors that enter primarily into the cost of the finished article.

157. *Familiarity with departmental divisions of house.*—The efficient buyer is familiar with the departmental divisions of his house, and with the exact nature of the duties of each division. He buys not only raw material for manufacture but the various tools of the business and the general office supplies as well. In many organizations it is his duty to pass upon the requisitions of department heads or their subordinates for supplies of various sorts. To do this intelligently he must have a complete grasp of the needs of the departments and of the material that is best suited to accomplish their purposes. This particular function of the purchasing agent is one that requires other qualifications besides knowledge, but the first necessity in this work, as in all other branches of the buyer's activity, is knowledge of the wants of the business and of the materials that will satisfy them in the most effective and economical manner.

158. *Acquaintance with important employés.*—Closely associated with knowledge of the departmental divisions and their work, is knowledge of the men who make up the organization. Through his function of buying supplies for all parts of the business—office as well as factory—the purchasing agent is brought into contact with practically all of the important employés.

If he has the power of vetoing their requisitions, a knowledge of their individual characteristics is essential to guide him in this important duty. If a careful, conservative department head sends in an unusual requisition for new and expensive supplies, the buyer will

more readily fill the requisition than he would if it came from a man who was continually ordering unnecessary articles and attempting to install expensive systems without any preliminary test of their efficiency. In rejecting a requisition it must be done in a manner calculated to produce the least friction and unpleasantness, and in the performance of this delicate task a knowledge of the men with whom he is dealing is a valuable asset for the purchasing agent.

We have shown that the most important qualification of the buyer is knowledge and that the class of knowledge he must first acquire is knowledge of the house by which he is employed. We have subdivided knowledge of the house into the following headings, and have shown how each is of importance to the buyer in his work:

1. Knowledge of the house in general, including its financial resources and trade policies.
2. Knowledge of manufacturing processes.
3. Knowledge of departmental divisions and their works.
4. Knowledge of the characteristics of the individual members of the organization.

159. *Knowledge of demand.*—The second class of knowledge that the successful buyer must possess is knowledge of demand. In acquiring this knowledge the man who purchases raw material for a factory has a relatively simple problem as compared with that of the buyer in a retail or wholesale store. The quantity of the various kinds of raw material that will be required to keep the factory running to capacity is usually capable of exact determination. The stock-keeper has a card for each item that enters into the productive process. On this card is shown the minimum amount of that

particular commodity that should be on hand at all times, as well as the maximum quantity that the stock must not exceed.

Under normal conditions it is a relatively simple matter to keep the supply of each item somewhere between the maximum and minimum figures. Although this system takes into account the possibility of orders that will require the maximum output of the factory, it does not provide a mechanical method of determining demand when it is affected by such abnormal conditions as the following: labor troubles that make it necessary to close the plant; commercial crises that result in an unexpected decrease in orders; mechanical improvements that render obsolete part of the stock of raw materials or equipment; changes in popular taste or requirements that affect the demand for the finished product.

No system, however carefully developed, can enable the buyer to foresee the future or to guard against all possible contingencies. Nevertheless the buyer is constantly under the necessity of attempting to foresee the future demand for the things he purchases or for the finished product into which his purchases enter as raw materials. He is successful in this attempt largely in proportion to his experience and to his detailed knowledge of every condition that may have any influence upon demand. He frequently fails, but, in view of the fallibility of human judgment, it is surprising how often the successful buyer is able to foretell accurately the conditions that will obtain in his business.

160. *Buyer for wholesale or retail store.*—We have seen that the factory buyer has certain systematic aids in his purchase of raw materials, although he is by no means entirely relieved of the necessity of judging future demand. The buyer for a wholesale or retail store,

on the other hand, has a more difficult problem to solve. A merchant's stock usually consists of staples and novelties. To the extent that an article is a staple, and is, therefore, in comparatively steady demand, its purchase can be systematized in a manner similar to that in which the factory buyer systematizes his purchase of stock parts for the finished product.

But no such method can be applied to the purchase of novelties. How, for instance, is the wholesale grocer to judge of the probable demand for a new brand of breakfast food? Obviously in the merchandising field, buying inevitably involves a considerable factor of speculation. Nevertheless the buyer's opinion of future demand must always be based upon something tangible, and the surest foundation for successful judging of the future is wide experience in the past and the broadest possible knowledge of the innumerable conditions that influence demands.

161. *Knowledge of goods to be purchased.*—The purchasing agent must know his house, he must know demand, and, in addition, he must know the goods with which he has to deal. He must be able to judge of their quality, and he must have a thorough grasp of the subject of prices, both present and prospective. Price and quality are so closely related that it is unnecessary to treat them separately in this consideration of the buyer's qualifications.

The buyer must know values; in other words, when he makes a purchase, he must know whether he is getting the most that is possible for the amount expended. To do this he must have an intimate knowledge of raw materials, of production processes, and of production costs. Suppose, for example, that a buyer is purchasing iron castings in a competitive market. Their value

is largely dependent on the cost of the raw material, the nature of the foundry processes, and the cost of these processes. To purchase intelligently the buyer must have knowledge of all these factors. If he is purchasing a complicated piece of machinery, the problem is more difficult than in the simple case of the purchase of iron castings. Too often the careless buyer judges of the merits of articles only by comparing one with another instead of with the ideal product which should be the standard of comparison. The latter is the method that most successful buyers use.

If a buyer is required to purchase at different times, a large variety of articles, it is obvious that it is a physical impossibility for him to familiarize himself with all the articles he is required to buy. At least, he can not do so until he has had long experience in his duties. In such a case it is necessary for him to analyze the situation and to select the articles that enter most frequently into his purchases and that, because of their nature, present the greatest difficulties to the purchasing agent who is unfamiliar with them. This list should receive his first study. When he has secured a working knowledge of the essential details of the articles on the list, he should gradually add to them, until he has obtained a fair familiarity with all the goods that he may be called upon to handle.

This suggested method of acquiring familiarity with raw materials and productive processes is probably of too general a nature to be of much practical value to the ambitious buyer. The fact that it is general, and that nothing more definite is possible within the limits of a general discussion of the subject of buying, is indicative of the difficulty of the buyer's problem. The successful buyer is a store-house of detailed information.

Systems of various kinds help him in accumulating, filing, and using data; but behind the system must always be the ability to analyze goods and processes and determine the things about them that ought to be known, to investigate the essential points, and to store the acquired information in such a way that it can be employed immediately whenever necessity arises for its use.

We have said that the purchasing agent is chiefly guided in his determination of values by a knowledge of raw materials and of productive processes. There are, however, other items to be taken into consideration, such as profits, selling and administrative expenses, and the like. It is far more difficult to acquire knowledge of these factors than it is to acquire knowledge of materials and processes.

Selling costs, for instance, vary greatly in different houses handling the same line, and no buyer can expect to do more than approximate the cost of this item. The same thing is true to some extent, of course, of production costs. In modern factories, however, there are by no means the variations in these costs that there are in the costs of selling.

The increasing application of the principles of scientific management is doing much to eliminate the uncertainties of production costs; and, while there probably will never be uniformity in the cost of producing identical goods in any two factories, it is becoming more and more possible for the buyer who has made a complete study of the cost of producing a certain article in one factory, to make a fairly satisfactory estimate of the cost of producing a like article in any factory where similar productive methods are employed.

162. *Judging future prices.*—In judging future prices the buyer must depend on the same things that

guide him in judging future demand; namely, past experience and wide knowledge. The buyer who foresees an era of low or of high prices and who adjusts his purchases accordingly, is in a position to save his employer a great deal of money.

The average man who attempts to determine which way the market is going bases his guess on insufficient information or on no information at all. The small speculator who attempts this feat usually loses only his own money. The buyer who follows the same tactics stands a chance of ruining his employer.

Any buying on the basis of future prices is speculative and dangerous. If it is attempted, the buyer's judgment must be based on the most complete information that it is possible to acquire. For example, the buyer for a large cotton mill is keenly interested in the possible fluctuations in the price of raw cotton. No item of news bearing on the cotton supply escapes his attention. He is equally interested in the appearance of the boll weevil in Texas, in a threatened mutiny in India, and in the failure of the cotton crop in Egypt.

In like manner, the tea buyer for a wholesale grocer interprets in terms of future prices such news items as an agreement of the Powers affecting the "open door" in China, the Japanese annexation of Formosa, and the imposition of a new duty on tea by Congress. These examples suggest the range of information that the buyer must possess if his judgments of price movements are to be anything more than mere guesses.

163. *Knowledge of sources of supply.*—The last class of knowledge that the buyer must possess is knowledge of the sources of the supplies that he is to purchase. It is possible to acquire this information accurately, and to systematize it in such manner that the

data is always readily accessible. In general, the buyer must know the following items about the business houses from which it is possible to purchase the goods he desires: location and facilities for delivery; ability to keep promises; financial responsibility; production methods; selling methods.

164. *Importance of location of various houses.*—Obviously, the location of the various houses that can supply the buyer's wants is an important factor in determining which one is to secure the order. If the same quality of coal were mined in Colorado and in Illinois, the man in Colorado who wanted that grade of coal would be foolish to order it from Illinois. Location also has an important bearing on the ability to ship safely and quickly. A small order for furniture for a Milwaukee dealer would go more quickly and with a greater chance for safety from Grand Rapids than from some point in North Carolina. Facilities for delivery have a close connection with location. In placing an order with a local dealer the buyer is influenced by the consideration of whether he must send his own truck for the supplies, or whether the dealer will deliver them. An order for grain to be delivered by rail would probably not be placed with a dealer who did not have proper elevator facilities for unloading it into cars.

165. *Ability of salesman's house to keep his promises.*—To obtain an order, an irresponsible salesman may make any promises respecting such items as quality of goods and time of delivery. The buyer must know whether the salesman's house is capable of keeping these promises. A certain buyer wanted a supply of iron bolts for an urgent purpose. He had been dealing with Messrs. A. & B., and he knew that they could deliver the goods in the necessary time. Messrs. X. & Y.,

however, made a bid for the business at an exceptionally low price. They promised prompt delivery, and the buyer agreed to give them the order. When the agreed-upon delivery period had expired, only a small proportion of the total order had been filled. The low price that was offered had tempted the buyer to run the risk of the new firm's not being able to keep their promise of delivery. This method of buying does not pay; the successful buyer must have some good reason for believing that the house that gets the order can fill it in all of its details.

166. *Credit rating of seller.*—Closely related to the ability to keep promises is the financial responsibility of the houses with which the buyer deals. Many a large contract has gone to a small concern which did not have the resources to complete it. The results in such cases are always annoying, and frequently productive of financial loss to the purchasing house. The buyer can not afford to deal with houses that are not as fully able to fill the order as his house is able to pay for the goods. In other words, in the placing of a large order the credit rating of the seller is as important as that of the buyer.

167. *Important to know costs.*—The importance to the buyer of possessing a knowledge of productive processes has already been considered in connection with the discussion of the relation between value and the cost of productive processes. It is of importance to the buyer in another way. Suppose, for example, that he wants to purchase machine tools, and that he is visited by a salesman representing a manufacturer who, the buyer knows, has in operation a satisfactory system of cost accounting. It is possible for that manufacturer, then, to know the cost of his product with a reasonable degree of accuracy. To this cost he presumably adds a fair

profit, and the result is a price that the buyer has little chance of "beating down"; because few manufacturers will accept an order at or below cost when they really know what the cost is. They will not do so unless they are willing to sell below cost to secure an order that may result in profitable future business.

If the buyer knows of the operation of the manufacturer's cost system, he can usually save his own and the salesman's time by accepting the first quotation as final. On the other hand, a buyer may be interviewed by a salesman who represents a house in which cost accounting is unknown or inefficiently operated. Neither the manufacturer nor the salesman knows the real cost of what he is selling. He usually has a variable scale of prices, and if the buyer knows of the absence of suitable cost methods, and if he is shrewd enough, he may be able to force down the price to a point actually below the cost of production.

There is nothing ethically wrong in a buyer's securing any price that it is possible for him to obtain, if he avoids misrepresentation and uses only honest methods; because no independent supplier can be forced to make any price that he does not wish to make. If a manufacturer's business methods are such that he does not know his cost of doing business, and if he consequently permits his salesmen to make unprofitable prices to get an order, the buyer is perfectly justified in taking advantage of such a condition.

168. *Selling methods of houses dealt with.*—The last important item for the buyer to know about the houses with which he deals is their selling methods. Many manufacturers, even when they have an exact knowledge of the cost of producing and marketing their product, consciously make their list prices considerably in

excess of the figure they will be satisfied to receive. This is done sometimes to conceal the real selling prices from competitors; at other times, to make buyers think that they are being specially favored when they are granted large discounts from the list prices; and in still other cases, because competitive conditions in the business are such that the manufacturer expects buyers to question every quoted price.

There are some buyers whose principal qualification is the ability to "beat down" the price, and in anticipation of these tactics some manufacturers and dealers always make their first quotation considerably in excess of the real market value of the thing to be sold. When such houses, however, deal with a buyer who never practices the "offer" method of buying, but accepts or rejects a proposition on the basis of the first price quoted, they have to modify their usual procedure and make their first quotation a fair one. It is as important, therefore, for the salesman to be familiar with the methods of the buyer as it is for the buyer to know the selling methods of the houses that solicit his patronage.

169. *Variable price scales.*—Many reputable concerns still have a variable scale of prices, and there are highly successful purchasing agents who continue to look with suspicion upon every quoted price. But as fixed prices are doing more than any other one thing to dignify the profession of salesmanship, so buyers are generally coming to believe that they can best serve their employers and save valuable time by dealing with houses that quote but one price and that refuse to deviate from that figure.

170. *Tact in buying.*—We have shown that the first qualification of the successful buyer is knowledge; we have analyzed this knowledge that he must possess, and

have considered each of its main sub-divisions. The second important qualification is tact. Tact is the quality that enables its possessor to get along with others without friction. First of all, tact is essential to the buyer in his relation with his fellow employés, and then in relation to the salesmen who call upon him. We have shown that one duty ordinarily assigned to the purchasing agent is the acceptance or rejection of requisitions for supplies from the heads of departments. In exercising this function it is necessary for the buyer to know intimately the needs and work of the different departments; but it is far more important for him to possess and to exercise tact, so that his veto of a requisition may not cause ill-feeling, and be destructive of the co-operation that should exist between all departments.

171. *Friendly relations with salesmen.*—A tactful buyer secures the good will of the salesmen who call upon him, while one without this quality is likely to antagonize them. No man is fitted for a purchasing position unless he is able to gain and hold the regard of those with whom he comes into contact. It is true that the salesman is the one who is most often seeking the favor of the buyer, but it is just as true that the salesman is in a position on many occasions to do substantial favors for the buyer whose treatment of him has gained his regard. It is common practice for a salesman who has some real bargain to offer to place the proposition only before those buyers whom he counts as his personal friends.

A friendly salesman can also frequently do a great deal in the way of facilitating deliveries, obtaining favorable credit terms, and giving the purchaser trade news that is of direct value to him in his work. It is distinctly worth while for the buyer to cultivate the good will and

friendship of the men with whom he deals, and the most potent factor in this endeavor is the possession of the quality of tact.

172. *Other qualities important for buyer to possess.*— Knowledge and tact are not the only qualities that the buyer should possess, but they are so exceedingly important that they have demanded separate and detailed consideration. Common-sense, intelligence, ability to read human nature, decision, industry, loyalty—these and many more are essential to success in his work. The man that has proved the possession of all the necessary qualities of the successful salesman frequently makes the best buyer. He is engaged in a big work; narrowness in any particular will disqualify him for success, and he must strive for the development of all the qualities that efficiency in any line of modern business demands.

173. *Who should do the buying?*—In the small retail store the proprietor does all the buying; and in some of the largest industrial corporations the careful purchase of immense quantities of valuable raw material is so important that the president of the corporation reserves this duty for himself. These examples are typical of one method of modern buying.

The vital importance of this function is so generally recognized that in many establishments the owner is unwilling to delegate the purchasing to any of his subordinates. He is willing enough to allow others to sell for him, because he can fix the prices, and even the most inefficient salesman can not immediately bankrupt him or permanently alienate all his trade. An inefficient buyer, however, is in a position to do irreparable injury to his employer; it is possible for a single unwise purchase to wipe out a season's profits. It is only natural, therefore, that the proprietor should retain immediate super-

vision over the buying until the growth of the business makes it impossible for him to retain control of all the details of the work, and until he has found a man who is capable of relieving him of this important responsibility. In well-developed retail and wholesale establishments we have found that the heads of the various goods sections or departments are entrusted with the buying as well as with supervision over the selling in their respective departments.

Each buyer knows more about the goods he handles than the owner or general manager could possibly know. In addition to his knowledge of the goods themselves, the buyer is or should be an expert on the subject of demand, and, if he is honest and loyal and thoroughly trained in his work, his employer's interests are safe in his hands.

174. *Factory purchasing agents.*—In the same manner that the development of a retail or wholesale business requires the dealer to abandon the detail of buying, the growth of a factory organization renders it impossible for the individual manufacturer to give his personal attention to the purchasing:

When it is necessary to delegate this duty, one of two methods may be adopted. First, a member of the firm or an officer of the corporation may be delegated to give his time to this work. If there are three members of a firm or three active officers of a corporation engaged in manufacturing, a convenient division of authority is to assign to them, respectively, supervision over production, selling, and buying. In many large organizations the general manager, although he may not attend to the actual detail of the buying, acts in an advisory capacity to the purchasing agent, and keeps a careful watch on present and prospective prices.

The second method of factory buying is to assign the work to an employed purchasing agent. This procedure is common. Its chief disadvantage is that it places the direction of an activity that has a vital bearing upon profits, in the hands of one who has only a limited financial interest in the business. Its great advantage is that it places buying in the hands of a trained buyer who can specialize in this activity and who can attain a degree of proficiency that can be achieved in any line only through specialized training and experience.

In view of the great opportunity for disloyalty and "graft" in their calling, the purchasing agents of the country present a striking example of the general loyalty of employés to their employers and of the basic honesty which is responsible for the confidence on which our business system is built.

CHAPTER XV

SYSTEM IN BUYING

175. *General systems and specific conditions.*—No universally applicable system was ever formulated for any branch of business activity, nor can it be, because every industry and every organization has its individual peculiarities which must be taken into consideration in developing a system to fit the business. In the consideration of any business activity all that is possible is to present the general outlines of a typical system. Even this is difficult in the case of purchasing, because the duties of buyers as a class are not clearly defined, and in some organizations the authority of the purchasing agent may be much more extensive than in others. Generally speaking, buyers may be divided into two classes:

1. Those who confine themselves strictly to placing and tracing orders, and have no supervision over the store-room.

2. Those who, in addition to placing and tracing orders, are in charge of the material after it arrives and are responsible for its distribution in the factory or office.

It is evident that some of the activities of the second class of buyers are not concerned strictly with purchasing, but are only incident thereto. In other words, the determination of what goods are to be purchased and their storage and distribution after receipt are not necessarily purchasing functions. They have been frequently added to the duties of the purchasing agent simply be-

cause they are more directly connected with his activities than with those of any other member of the average organization. Because they are incidental, however, and not fundamental duties of the buyer's position, we shall not consider them in any detail in this discussion of purchasing methods. It is our purpose to consider chiefly the systems that guide the buyer in his relations with his sources of supply—systems that help him in his essential duties of placing and tracing orders.

176. *Requirements of an adequate purchasing system.*—Any adequate purchasing system must make provision for the following:

1. A method of classifying and filing important data.
 - a. The articles that have to be bought.
 - b. Where they can be bought.
 - c. Prices at which they are offered.
 - d. Where, when, for what, and in what quantities they have been bought in the past.
2. A method of ordering and of tracing orders.
3. A method of checking deliveries and invoices.

177. *Subject index.*—The first essential in the buyer's system is an accessible record of every article that he may be called upon to purchase. This is usually kept in a subject index on cards similar to Form No. 1.

The cards are arranged in a drawer or desk cabinet and are filed alphabetically with suitable index cards to enable the buyer to find quickly any desired subject. If the purchasing agent is required to buy different sizes or grades of the same article, there is a distinct card for each size or grade that may be needed. Each kind of article and each grade or size has a permanent stock number, which appears on all records in connection with the name or other reference to the goods. The purpose of each subject index card is to show the names of the

Subject Index

Stock No. _____
Name and Grade of Article
Suppliers

Form No. 1

Firm Index

NAME..... TEL. No.....		
ADDRESS.....		
NATURE OF BUSINESS.....		
Date	Catalog, List, or Circular	File No.

Form No. 2

various houses that can supply the particular article whose name and stock number appear on the card. If all the names of suppliers can not be placed on one card, as many cards are used as may be needed.

178. *Firm index*.—To supplement the subject index it is necessary to maintain a file that is usually known as a firm index. Form No. 2 shows a typical arrangement of the cards for the firm index. The cards are filed in the same manner as those that comprise the subject index; and the two sets of cards are kept either in adjacent drawers or in twin desk cabinets. One is merely a cross reference for the other.

The firm index file contains important information concerning every house that might possibly supply the buyer with any of the material that he purchases. Its value is in proportion to its completeness. There is a separate card not only for each supplier from whom purchases have been made or whose catalogues are on file, but also for every other firm of whom the buyer may learn, and who deals in the material that the buyer is required to purchase. The word *firm* in the name of the index is not intended to restrict the use of the file to the recording of information concerning supply houses that have a partnership form of organization. Used in a non-legal sense, the word is simply a customary and convenient generic term for all business houses, irrespective of whether they are conducted as individual enterprises, as partnerships, or as corporations. Each card in the firm index contains the following information:

1. Name and address of the supplier, with telephone number.

2. Nature of the supplier's business—whether dealer or manufacturer—with some indication of the general character of the supplies handled.

3. Date when catalogues, price lists, etc., are received.
4. Nature of the data filed—whether catalogue, general circular, price list, direct quotation, etc.
5. File number showing where the selling literature of the supplier is to be found.

When the subject index and firm index are first introduced as the basis of the buyer's systematic record of purchase data, a complete list is made of all the material for which it is possible to foresee any need. The items in this list are copied onto the subject index cards. It is then necessary for the buyer to obtain a list of suppliers. This is compiled from his personal knowledge, from information secured from others, and from advertisements. When he learns of a house dealing in any article on his subject index, he enters the name of the house on the card referring to that article. At the same time he makes out a card for the firm index, giving all the information he may possess concerning the supplier. If he has their catalogue on file, he makes a record of that fact on the firm index card, and he also makes proper notation in the "File Number" column, to enable him to find the catalogue readily. If the information from the supplier is in the form of a special price list, circular, or direct quotation, instead of a catalogue, that fact is noted and the necessary file reference recorded. As will be explained later, however, if the information is in the form of a direct quotation, no reference to the catalogue file is necessary.

179. *Necessity of cross-references for buying data.*—There are several reasons for having two sets of index cards instead of combining all the information in one file. Among them are the following:

1. Each catalogue must be filed with due regard for its accessibility. If only one index were kept and the

cards were filed *according to articles or subjects*, when a catalogue was received it would be necessary to record its receipt and file number on every card in the file that referred to any article listed in the catalogue. Obviously, this would be out of the question.

2. If, on the other hand, the single set of index cards were filed *according to the names of the supply houses*, the buyer would not be able to turn to any particular card and find thereon the names of several dealers who might supply him with the article he desired to purchase.

If two index files are used, the buyer who wants to purchase an article can look up the proper card in the subject index. There he will see the names of dealers handling that article. He can then look up those dealers in his firm index, and be referred immediately to the price information that has been received from them.

180. *Catalogue file.*—The filing of catalogues and other price data is an important feature of the buyer's work. A good file is made by dividing a series of shelves into pigeon-holes by the use of vertical partitions. Each of these pigeon-holes should be large enough to contain several catalogues. When a catalogue is received, it is usually bound with a heavy cover, on the back of which is placed a number coinciding with the number of the pigeon-hole in which it is to be filed. The necessary notation is then made on the proper card in the firm index, and the catalogue is filed away. This same procedure is employed in the case of price lists and other circulars. It is customary to have all the catalogues from the same house bear the same number. For instance, Messrs. Smith & Jones' number might be 163. Their first catalogue would be numbered 163A, the second 163B, the third 163C, and so on. All of the catalogues would be found in file compartment Number 163.

181. *The quotation file.*—It has been suggested that certain price information, not contained in catalogues or price-lists, requires a special method of filing. For this purpose a quotation file is maintained. It consists of a series of cards on one side of which may appear the arrangement of columns and headings shown in Form No. 3. A separate card is provided for each article on which

Quotation File Card

Stock No.				
Name and Grade of Article				
Supplier	Date	Price	Terms	Remarks

Form No. 3

a special quotation has been received. The cards are filed alphabetically according to the names of the articles to which they refer, and no cross-reference file is necessary other than the firm index.

Price data in the quotation file is received from those suppliers who publish no general catalogue or price-list, or from those who wish to modify their published prices on individual articles for any reason whatever. Special quotations are usually made either by letter or by some representative of the supplier in person. When a quo-

tation is received, the name of the supplier is recorded on a card in the quotation file, together with the date of the quotation, the price, the credit terms, and other data that may be deemed advisable. If the quotation is received by letter, the communication is filed under the name of the supplier from which it came, and it can be referred to easily, if further details are desired, by referring to the date of the letter on the card in the quotation file.

182. *The order record.*—The information contained in the subject index, the firm index, and the quotation file, is not all the purchase data that the buyer should have in the form of permanent, accessible records. He should also have easy access to the record of previous purchases. This information is readily recorded on the back of the cards in the quotation file. It would probably be more correct to say that quotations are recorded on the back of the cards in the order record file, because every article purchased should have a card in the order record file, while special quotations are usually received on only a small proportion of the articles that are purchased. The quotation file, however, is logically the third in the buyer's system, and for that reason it has seemed advisable to discuss it before the order record. The only reason why it is suggested that the record of quotations and of orders be kept on the same cards is that in both cases the cards are filed alphabetically by articles handled, and it is a saving of space and material to utilize both sides of the cards rather than to duplicate the entire set. A convenient method of providing for the necessary data on the order record cards is shown in Form No. 4.

If these cards are properly written up, they present the following data regarding all articles that have been purchased:

1. Name of the articles, with size and grade if more than one kind have been bought.
2. Dates of previous orders.
3. Record numbers of previous orders.
4. Names of suppliers.
5. Quantities purchased.
6. Prices charged.
7. Dates when the goods were received.
8. General remarks; for example, condition of goods when received.

Order Record

Stock No.						
Name and Grade of Article						
Date	No.	Supplier	Quantity	Price	Date Rec'd	Remarks

Form No. 4

(Reverse Side of Form No. 3)

Of course, with simply the order number the buyer should be able to obtain all this information by looking up the original order in his files. It is of great advantage to him, however, to have all the foregoing data immediately before him where he can turn to it readily and utilize it in determining where to place his orders. Such a record, also, is of value in enabling the buyer to fol-

low the movement of prices for any particular commodity, and from past changes to draw some conclusions as to future fluctuations.

It has been stated that the first essential of any buying system is to provide for classified purchase information. The four card forms that have been described ordinarily give this data in sufficient detail. With such a system in operation the buyer knows what goods he requires, where they can be bought, the prices at which they are offered, and where, when, for what, and in what quantities they have been purchased in the past.

183. *Placing orders.*—The second requisite of a purchasing system is a method of placing and tracing orders. It should be remembered that in the elementary system that we are considering the buyer does not have to determine when and what to order. This is decided by the general manager or the stock-keeper, by whom a purchasing requisition is sent to the purchasing agent. Upon receipt of the requisition the buyer uses the various classes of data that have been described, and decides with whom he will place the order. He then fills out a regular order blank, which usually provides for the following data:

1. Name and address of house from which the goods are ordered.
2. Exact quantity and kind of goods desired.
3. Price at which the buyer understands the shipment is to be billed. (This item is not frequently found in orders.)
4. When goods are desired.
5. Shipping instructions.
6. A serial number with a request that the number be placed upon the shipper's invoice.
7. Conditions under which the order is placed; as, for

instance, compliance with the instructions about placing order number upon invoice, making delivery when requested, allowing certain credit terms, etc. The order is ordinarily made in triplicate by the use of carbon paper, each impression being on paper of a different color. The original order goes to the house that is to supply the goods, the first carbon copy is sent to the receiving clerk or stock-keeper, and the last carbon copy is retained by the buyer. The purpose of sending one copy to the receiving clerk will be explained later. For the present we are interested only in the copy that is kept in the office of the purchasing agent. This is used to trace the order and to check the invoice when the goods are received. For this purpose the back of the buyer's copy of the order has spaces provided for four classes of information:

1. Correspondence sent.
2. Correspondence received.
3. Goods received.
4. Invoices received and checked.

184. *Tracing orders.*—An actual example will illustrate how the buyer keeps track of orders that he has placed. Suppose, for example, that an order is forwarded to a supplier on the fifth of the month, and that an acknowledgment may be expected by the eighth. The buyer places his copy of the order in a folder which bears the number 8 in his "tickler" file. If an acknowledgment is received on or before the eighth, the order is taken out of the No. 8 file compartment, and the fact that acknowledgment was received, with the date, is noted on the back of the order under the heading "correspondence received." If acknowledgment is not received by the eighth, the order automatically comes to the buyer's attention on that date; he writes requesting

immediate acknowledgment, and places the order ahead in the file folder representing the date on which he can reasonably expect to receive a reply. At the same time, on the back of the order under the heading "correspondence sent," he makes notation of the fact that he has had to write for acknowledgment, with the date of his letter.

When the acknowledgment is received, it is necessary to place the order ahead in the "tickler" file so that delivery can be traced if the goods do not arrive within a reasonable time. The supplier may have promised delivery on a certain date, or it may be necessary for the buyer to estimate the probable delivery date. Under either condition the order is placed in the folder bearing the same number as the day of the month when delivery is to be expected. If the goods are not on hand on that day, the order is taken out of the file, and exactly the same method of tracing is pursued as was the case when the acknowledgment did not arrive promptly. When the goods are received, notation is made on the back of the order under the heading "goods received." If partial deliveries are made at intervals, as is frequently done in the case of large orders, each separate delivery is noted on the back of the order, with the exact amount delivered in each instance; and the order is not considered filled until the total amount ordered has been received.

185. *Checking deliveries.*—Before we follow the buyer's copy of the order to the time when it can be removed from the "tickler" file, we must consider the system by which the buyer knows when the goods have been received. We have said that one copy of the order goes to the receiving clerk. This is to inform him that the goods are expected, so he can make room for them in the store-room. When the goods arrive, he checks the quantities with the order and makes notations of any

defects. The copy of the order is then returned to the buyer. This method is simple, but it has certain disadvantages. If the receiving clerk has before him an order showing the exact quantity of the goods to be received, he is likely to be careless in actually counting the number of pieces in the delivery, and to take it for granted that the number ordered were received. To avoid this difficulty it is sometimes customary to use a short piece of carbon paper in making the first carbon copy of the order, so that the *quantities* of the various articles ordered do not appear on the receiving clerk's copy of the order. He then has to count the shipment and to place the exact figures on the order sheet before he returns it to the buyer.

186. *Checking partial deliveries.*—The method of guarding against carelessness in checking orders that has been described in the preceding paragraph is feasible only when all the goods ordered are delivered at one time. When partial deliveries are frequent, a system similar to the following is advisable: If a copy of the order is sent at all to the receiving clerk, it is simply to give him advance information of the arrival of the merchandise, and it is not used in checking deliveries. At the close of each day the receiving clerk fills out a blank form that gives the following information about every delivery that has been made during the day:

1. Name and address of shipper.
2. Description of goods.
3. Quantity of goods.
4. Apparent condition of goods on arrival.
5. Method of delivery, name of railroad, etc.

With this sheet before him, the buyer can go over his unfilled orders and make the necessary notations of

deliveries on the backs of his copies of the orders. By this system partial deliveries are checked and reported to the buyer as readily as complete deliveries.

The final result of any system of checking and reporting is to inform the buyer of the status of his orders. When an order has been only partially filled, it is retained in the "tickler" file, and so placed as to come up automatically for attention on the date when another shipment can be expected. As heretofore explained, every letter written by the buyer or received by him from the supplier with reference to any order, together with a record of all deliveries, is noted on the back of the order. If at any time he desires more detailed information than is contained in the brief record on the order itself, the notations enable him to refer to his correspondence file for such letters as he may wish to see.

187. *Checking the invoice.*—When the order is finally filled, an invoice accompanies the shipment or is sent by mail to the consignee. The invoice ordinarily goes immediately to the buyer. He frequently has a rubber stamp with which he may provide for information of the following nature to be given on the face of the invoice:

Goods received	
Price O.K.	
Extension O.K.	
Distribution	
Account No.	\$
Account No.	\$
Account No.	\$
Total.....	
	\$

The buyer knows whether or not the goods have been received, but in order to have a double check on this item,

he sends the invoice to the receiving clerk, who has kept a record of all receipts. The receiving clerk places his name or initials, with the date, after the phrase "goods received." The invoice is then returned to the buyer. Either he or one of his clerks compares the prices charged with the quotations or catalogue figures, and verifies the extensions. The name or initial of the person who makes the comparison and checks the multiplication is inserted in the proper place, with the date of the operation. After the purchasing agent has made his own record of the receipt of the goods and of the checking of the invoice, his duties in regard to the order are completed. His copy of the order may be removed from the "tickler" file, and filed permanently according to the order number. The invoice is sent to the stock clerk or to some one else who knows the uses to which the goods that have been received are to be put, and these uses are indicated by noting on the invoice the accounts to which the purchase is to be charged. The invoice is now ready to go to the accounting department for entry upon the books of account, and for payment.

The details of a purchasing system may differ greatly in individual cases, but most of the features that have been described are found in the majority of houses. Perhaps the greatest variations are found in the method of handling the invoice after its receipt. It is not at all necessary for the successful operation of the system that the employés who check the invoice and who indicate the distribution of the charge among the various accounts be the ones we have mentioned. In fact, in an organization that has a system of cost accounting in operation, the method of determining the distribution of the charge is much more complicated than the simple system we have described. This is purely an accounting matter,

however, and the variations in the methods of handling it have no bearing on the purchasing system.

188. *The perpetual inventory.*—We have considered only a method of purchasing goods after their need is known. Few buyers, however, have so simple a task. The purchasing agent is frequently in charge of the supplies, and he must have a system that will enable him to know when purchases are necessary. This information is customarily obtained from a form known as a perpetual inventory. A suggestive arrangement of this record is shown in Form No. 5. A card or loose-leaf record sheet is provided for each kind and size of article used. The data on this record gives the buyer the following information:

1. Minimum and maximum quantities of the article that should be on hand, together with an average that may be considered as normal.

2. On what dates and in what quantities supplies of the article have been ordered.

3. Amounts received on any date, as well as quantities taken from the store-room for use in the factory, office, or store.

4. From the above data, a daily balance of stock on hand is obtained. This figure, in comparison with the minimum, normal, and maximum figures at the top of the form, tells the buyer whether or not new purchases are necessary.

5. For the purposes of cost accounting, the prices of goods ordered and received are frequently shown on the perpetual inventory. This information, however, is not necessary for the purposes of the buyer, because the same data is given on his order record. For that reason no provision is made for it in the suggestive arrangement of columns in Form No. 5.

189. *Modification of the typical purchasing system.*—It should be remembered that the systems and forms that have been described are of the most simple character. There may be, and often are, many other forms for use in making requisitions upon the purchasing agent and in the disbursement of supplies from the store-room. Ordinarily, however, they are not immediately concerned with the strictly buying activities, and for that reason it is not necessary to give them consideration in a general discussion of the duties and methods of the purchasing department. The essential purchase data is provided by the forms that have been described. There may be variations in details, and there may even be additions to the number of forms that comprise the system. The peculiar requirements of individual businesses, of course, always determine the number and kind of forms to be used. It should be borne in mind, however, that the usefulness of any form is not the only thing to be considered in determining whether it is to be employed. Every form requires a certain amount of clerical labor to record the data for which it makes provision, and sometimes the value of the information is not worth the amount of time and energy necessary to record it. The value of any form, therefore, must be determined by balancing its usefulness against the difficulty of its preparation. If the former factor is outweighed by the latter, the form should not be used.

190. *System in retail buying.*—The purchasing system that has been described applies particularly to a manufacturing industry. Its essential features, however, are equally applicable to a retail store, but with this very important modification in mind—it is usually impracticable to keep an accurate stock record of every article that is handled. In a grocery store, for instance,

it is out of the question to maintain a perpetual inventory that will show every cake of soap or pound of sugar or can of corn that is sold. The smallest units that the buyer needs to consider in the case of articles of this character are boxes of soap, barrels of sugar, and cases of canned corn. In other words, whenever an original package is broken, it appears on the buyer's records as having gone out of stock.

The small retail store that purchases a large part of its stock from a single jobber would scarcely require all the forms that have been considered. It would certainly not need to maintain a firm index, and possibly the quotation file would not be of value. The subject index, the order record, and the perpetual inventory, however, could be used to advantage even in a very small establishment. Retail stores are frequently almost entirely lacking in system in their buying methods. Many dealers order only when a salesman calls upon them. Then they hastily look over their stock, or allow the salesman to do it for them, and make up an order according to the result of this brief observation. It is a common experience for a retailer to be "out" of an article for which there is a steady demand. Almost invariably the cause of this annoying situation is lack of system in buying.

There are some dealers who—paradoxical as it may seem—permit a traveling salesman who has gained their confidence to order for them what he thinks they need, and there are even a few who allow a jobber a hundred miles away to send on such an assortment and such quantities of goods as he may deem proper. The dealer who pursues any of these methods is not in line for the greatest success. It is entirely right for him to accept the advice of those who may be more experienced in

stocking up a store than he is, but he is a poor merchant unless he learns to do his own buying. If he does not do so, it is because he does not know his own stock, and the reason for his ignorance is usually lack of system in his business.

There is no retailer who can not use a carefully developed buying system to advantage, and in the largest and most successful stores the purchasing methods are as carefully worked out as they are in the most highly developed manufacturing organization.

191. *The jobber's purchasing system.*—The jobber is in a more favorable situation than the retailer with respect to his ability to keep accurate stock records, because he does not ordinarily deal in broken packages. There are some jobbers, however, who are as lax in their buying methods as are many small retailers, but their limited success is evidence of the fact that carelessness in buying is as fatal to volume of business and to profits, as carelessness in any other of the important business activities. The wholesale dealer purchases from a large number of manufacturers and he usually handles a very great variety of articles; if he is to be able to fill the orders of his customers at all times, he must use systematic methods in order to keep his stock complete. The subject index, the firm index, the quotation file, the order record, and the perpetual inventory provide detailed purchasing information that is as important to the jobber as it is to the factory buyer. The buying in a wholesale house is usually done by departments, and there must, therefore, be a distinct purchasing system for each department. This is also the case in retail stores in which there is departmental division of the buying. As a result of this characteristic feature of the buying in wholesale and retail establishments, certain changes in the typical factory

buying system are necessary, chiefly with respect to the arrangement of some of the forms and the routine of orders.

Whatever may be the changes in detail, due to the requirements of the individual business, the general nature of the buying data to be recorded remains approximately the same in all instances; and there are few industries in which the demand for a suitable method of systematizing the purchasing can not be met by some application of the fundamental principles that are at the basis of the system described in this chapter.

PART III: CREDIT AND THE CREDIT MAN

CHAPTER I

NATURE OF CREDIT

1. *Relation of confidence to business.*—Confidence is the basis of all business relations, which simply means that in order for business to be carried on, men must trust one another. In that stage of society when men only exchanged goods when there was opportunity for personal inspection, and where the actual goods passed from one person to another, a certain amount of confidence must have existed between the traders. But this was the confidence of a condition of truce rather than a trust in the commercial honesty of either of the barterers. Men were primarily fighters in those days, and the exchange of goods by barter was simply an improvement upon the still earlier method of the transfer of goods through conquest.

When men began to surrender their possessions by means of barter rather than by articles of capitulation, there was evidence of a growth of confidence between them which at least showed that each felt secure of his personal safety during the trade. The development of society from the earlier condition of perpetual hostility between individuals, through the various stages of hostile distrust between families, clans, tribes, nations and races, to the time when the world holds that "each man's word is as good as his bond," has been and will be of slow growth. This development, to be sure, is not complete

as yet, but it can be measured by the extension of man's confidence and faith in man. And, although nations still build battleships to protect their commercial interests, nevertheless it has become universally acknowledged that confidence is the basis upon which our whole business structure rests.

2. *Contracts support confidence.*—During this long evolutionary period, society encouraged the growth of the spirit of confidence by various means, and as men often describe a thing in terms of the means by which the object was accomplished, it is well to note by what means society has encouraged and protected men's confidence in each other. The law of contract has been one of the chief means in accomplishing this end. Hence we find the lawyer describing the growth of civilization as a development from a condition of status to a condition of contract. That is, under the earlier condition, society decreed that every man had a right to carry on his method of making a living with the assurance that his economic relations with other men would be protected so long as his actions conformed to the customary usages. So men paid customary rents, received customary wages and charged customary prices; in fact, business relations of all kinds were limited and restricted by the customs which had been established by earlier generations of business men. So long as changes were slow and few, men did not feel the restrictions imposed by the necessity to conform to usages established by previous generations, but as commercial and business relations were extended, society found that greater individual freedom and initiative were necessary. It was no longer possible to find safe guidance in the customs of bygone ages for the newer and larger business relations. It became necessary to permit each individual to enter into a bargain

upon such terms as he felt were most advantageous to himself. He could no longer be bound by customs more applicable to a past generation than to his own environment. Men therefore formed contracts with one another, pledging themselves to the performance of some act in the future. As this element of future time entered into men's business relations more and more, it became increasingly necessary to protect the confidence upon which these business relations rested. Therefore we find to-day that the basic law of the business world is the one which severely punishes any act impairing the obligation of a contract. So closely allied are the two ideas of contract and confidence that they are sometimes united into one concept, called credit. When so united credit is defined as "a right of action," which may be called the legal concept of credit.

3. *Money a sign of economic progress.*—Various measures are used in determining the progress of society, but perhaps there is none more illuminating or suggestive than that which gauges civilization by the readiness and facility with which exchange of possession or ownership takes place. Under a system of exchange where ownership was surrendered by one person to another through barter, the number of transfers was necessarily limited by many causes too evident to mention. As soon, however, as men could trust to a common medium of exchange which in time was called money, they were no longer so closely tied to time and place in order to effect a transfer of their property. But the change from "barter" to a "money" economy means more than a substitution of one system for another. It signifies the development of society from the low plane of ignorance and suspicion to a higher plane of intelligence, wider information and increased confidence. So

thoroughly did the advantages of the "money" economy impress itself upon the people of that period, that for centuries they believed that money was identical with wealth itself. With such universal confidence in the metals which were used as the media of exchange, it is easily seen that few people would deem it necessary to resort to barter in order to effect an exchange of goods. But the point to be noted is, that no such step from barter to money could have been effected without an increase in the confidence and trust which men were generally acquiring in one another. The fact that with the growing complexity and increase of business there were one or two commodities which were universally recognized as having general purchasing power made it easy to take another step upward in the economy of trade. This was done by again extending the scope of operations dependent upon confidence.

4. *Bargains which involved future delivery.*—The direction of the next extension lay in bargaining for future delivery of goods or services. Under the older money economy, men exchanged goods for money and vice versa, and the chief risks incurred were those incident to the loss through theft or accident; for under a barter or a money economy the exchanges of goods or money were performed by both parties, who delivered their commodities at the same moment. With the introduction of this new element of future time into transactions, new risks were also introduced and these had to be provided for. This was done by simply substituting a promise to pay money in the future to the party who delivered his goods in the present. Upon this simple provision was founded our modern system of doing business. Thus it is that some nations passed from a money to a credit economy and confidence and trust became

not only helpful factors, but the very basis of the structure of industry. To quote one authority:

Money economy gave liberty, credit gave opportunity. By credit the competitive system has developed so as to be able to replace the primitive group system, and even surpassed its accomplishments. Without credit, individuals could not extend their operations so as to supersede the collective system which subsisted as some form of natural or involuntary coöperation until the rise of credit in Europe.

Under an organization of credit economy undertakings are carried on by men who may acquire title to capital, not by delivering an equivalent at the time of acquisition, but by a method which divided the two parts of a transaction, the receipt and the delivery, by a considerable period of time. This is the distinguishing feature of the new system of exchange. This is the peculiar mark of the newer credit economy. Under this simple arrangement by which the borrower promises to pay a certain sum of money at some future date in return for goods delivered to him in the present, the field of industrial activity has been widened and extended in harmony with the forces of production which were demanding new outlets for its surplus. We said "harmony," but not perfect harmony.

5. *The relation of money to credit.*—The close and vital connection between the new system of exchange and the older money economy is not generally recognized. It will be noticed that not only is one-half of the transaction to be performed at some future date, but the contract calls for a delivery of money. Any system of exchange, therefore, that does not provide for the close and ready coöperation between the money needs of a country and the credit needs of the same, will often

find its whole industrial system thrown into disorder by this maladjustment. The best known illustration of the way credit coöperates and aids money is seen in the banking business.¹

6. *Banking and credit.*—Because of the central position which the banks of a nation hold in the credit system as dealers in credit, the result of any disturbance affecting the public confidence is first observed in the banks' attempt to protect their cash reserves. This often necessitates the calling in of certain lines of credit, which means that some class or classes of business men must find the money to meet the banks' demands. They in turn are also compelled to call in some of their credit, and thus it is that the demand for money is scattered far and wide, while at the same time no one is offering credit. So panics begin and spread until every business firm which has used credit in its operations is affected. Many are ruined because they can not meet the demand upon them to pay money, and others are injured by being compelled under the immediate pressure to turn valuable goods into money at a great loss, while all enterprises are hurt indirectly by the general industrial depression.

The practical point to be observed here is that the relation which the cash reserves of the banks hold to their outstanding credits is a fairly good guide to the business man in judging whether or not it is advisable to extend or contract his commercial credit operations.

7. *Relation of credit to panics and depressions.*—A study of the great panics and depressions which have occurred at various periods during the last one hundred years discloses in each case a constantly growing disproportion between the reserves and the liabilities of the

¹ See volume on MONEY AND BANKING.

banks just before the business world has been plunged into a financial crisis. In every case the immediate cause of the panic was the inability of the two essential factors in the credit system to cooperate effectively at the critical moment. This defect lies partly in the faults of banking and currency systems, but more fundamental still is the fact that though our industrial system is founded on confidence, there are still many men in every community who are not yet fitted to participate, without restriction, in a system which depends for its existence upon the general belief that men are honest and will pay the debts which they contract. Trade exchanges should be more strictly guarded by holding men within their "credit limits." There is a general reluctance on the part of business men to put checks upon the freedom of trade, but in the present state of commercial development it is necessary that men be held fast to some credit-giving standard, which is high enough to enable only those who can reach it to get the benefits derived from the use of credit. Under our present credit system men are prone to take advantage of any looseness in the granting of credit and as a consequence there are frequently recurring periods of "over-trading." These inevitably end in a general failure to liquidate, and this, combined with an inelastic system of banking and currency, means bank failure, business failure and industrial depression. Mr. Henry D. MacLeod describes this state of affairs as follows:

All commercial crises, therefore, originate in the over-creation of credit and this is innate in the modern system of credit. Suppose that at any time the commercial world started with a perfectly clean slate. When such multitudes of persons are trading on credit, it must inevitably happen that a considerable number will speculate unsuccessfully, and create an excess

of credit, which cannot be redeemed by fair means. All excess of credit may be considered as so much virus or poison in the body commercial. However, by various tricks and devices known to traders, they can keep themselves afloat many years after they are utterly insolvent, and thus the poison continually accumulates. Then perhaps a fever of speculation takes place, giving rise to the creation of vast masses of speculative paper, and then, the poison having accumulated to a sufficient extent, bursts forth in a tumor or abscess, called a commercial crisis.

8. *Different degrees of business confidence represented by different credit instruments.*—Confidence is such an essential element in all departments of social activity that it becomes necessary to specify which particular confidential relation is referred to. We speak of a man's "belief" when we have reference to the conviction upon which his religious trust is founded. If we mention a man's "credit" then we have reference to that trust or confidence which pertains to his business relations.

As business transactions grew more involved and embraced longer times and greater distances, it became necessary to qualify the idea of "credit" so that there might be a more correct judgment regarding the degree of confidence, or the opposite—the amount of risk—involved in these varying business relations.

The first difference that suggests itself is the difference due to the distances which separate men and other obstacles that prevent men from forming accurate knowledge of each other. This puts restrictions upon men's confidence. Few men have national reputations, none are universally trusted, and the great majority are not known and trusted outside the circle of a few personal friends. This limits the acceptability of credit in-

struments issued by individuals, institutions, and even governments. It is necessary in a discussion of credit to put some limits to the locality within which we wish to consider it. The nation is taken, therefore, when the extent of the acceptability of credit instruments is considered. Thus we can speak of credit of limited and credit of unlimited acceptability. The first of these is represented by the promissory note, and the bank check, while examples of the second are seen in the greenback and the banknote. The last two are popularly called money and are so readily and generally accepted that people often forget that they represent only the government's promise to pay money upon demand.¹

A further consideration of the relation of credit to money would lead into a discussion of the subject of prices. Although this is a very important one to the business man, it cannot be developed here. A few words, however, may be suggestive. Men who give credit extending over long periods of time are interested in the return of an equivalent value when the debt falls due. The face value of the credit instrument is expressed in terms of money, say \$1,000, but if at the date of maturity the value of money has changed, that is, if the \$1,000 will not buy the same amount of goods at the latter date that it could at the date at which the note was given, then the creditor may be in a position

¹ *Scientific use.*—Money is that thing which everybody in a community desires in some degree and is willing to take in payment for goods parted with or for services rendered. This is money in the scientific sense. It is sometimes distinguished as standard or redemption money. In the United States, according to this definition, gold coin alone is money.

Popular use.—Money is popularly used as a synonym of cash or "ready money," being applied indiscriminately to all forms of currency, such as gold coin, bank notes, greenbacks, silver dollars, etc. This is the most common use of the word. In this sense money is made to include not only so-called "standard money," but also all kinds of credit money.—Joseph French Johnson, "Money and Currency," page 6.

to lose money by the transaction. Thus it is important that the giver of long-time credits should have some means of judging the tendency for money to increase or decrease in value. The use of credit as a medium of exchange tends to lessen the need for money and hence to lessen its value. The level of prices is higher than it would be if credit were not used. As before explained, a credit instrument is a promise to pay money and serves as a medium of exchange. Since the promises to pay money are cancelled through the agency of banks, without the use of money, it is evident that the demand or need for money must tend to decrease when the use of credit is increasing. In a country whose business is giving rise to a certain volume of exchange the demand for money itself varies in proportion to the use of credit. It is large if credit is little employed, and small if credit is much employed.¹

9. *Time as a factor in credit.*—Another distinction that it has become necessary to make within the field of credit is the one due to the different lengths of time for which credit is granted. The close relation between the development of commerce and the credit system has been noted already. The severe commercial competition forced men into a close study of the better organization of the productive and the distributive systems in order to economize. This better organization enabled men not only to increase their capital, but enabled them to turn over their capital oftener. Man is compelled to-day to work on smaller margins of profit and he must, therefore, turn over his capital oftener. Consequently, the credit system was modified to suit the commercial conditions, and as a result there has been a curtailment of time in the granting of credits. The long-time credits, when

¹ Joseph French Johnson, "Money and Currency," page 24.

six and twelve months were regularly given to traders in the far West and South, would not be considered warrantable to-day. Those were days of long distances, and of little communication, except when the buyers visited the market in person. When these conditions changed it was no longer necessary to grant such long terms of credit. Therefore it became customary to speak of short-time and long-time credits. Examples of the first kind include a period of time running from a demand at sight to a thirty-day promissory note. The second class includes those long-time instruments which may run sixty days or longer.

10. *Various classes of credit.*—Still another classification of credits may be made. The basis for this classification rests on the particular economic activity in which credit is used. In the field of production into which capital is led by the means of credit we have what is known as capital or investment credit. In the field of exchange, where business men devote themselves solely to the business of buying and selling credits, we have the kind of credit with which people are most familiar. Credit in this relation is spoken of as banking credit. Another very active sphere where credit is used is in connection with the distribution of the products of manufacture. The form of credit which permits the change of goods from one merchant to another is commonly called mercantile or commercial credit. Although these divisions constitute the most thoroughly systematized spheres of credit operations, nevertheless there is still another point of view from which credit should be observed. This is within the field of consumption. Credit which permits the individual to obtain goods for his personal enjoyment is designated as "personal

credit." The problems which arise under this latter system belong especially to the retail trade.

The advantages of credit in these various branches of economic activity of production, exchange, distribution and consumption are well set forth by Professor Conrad of Halle University:

(1) Credit furnishes a more perfect and convenient means of payment in large sums and between distant places than the precious metals, saving time and labor. This is effected by means of notes, checks and bills of exchange. (2) Credit takes the place of corresponding amounts of gold and silver. This is a saving, as it enables us to employ the precious metals for other useful purposes. (3) Capital is employed more productively. He who possesses capital, but is for any reason unable to make use of it, transfers it to another for a compensation to the benefit of both, as well as that of the public economy. It is given, *cæteris paribus*, to him who is ready to pay the highest price for its use; that is, in general, to him who can employ it most productively. (4) The laborers, artisans, and traders, although unprovided with means of their own, may by the use of credit obtain capital to assist them in their labors, and that without sacrificing their independence. This point is to be particularly borne in mind as of special weight in judging the credit of unions. Credit is thus of importance in avoiding that separation of capital and labor which excites so much bad feeling and which forebodes danger to modern civilization. (5) Credit gathers together the small sums, which, by means of joint-stock companies and otherwise, are economically employed. Capital is concentrated, but its returns are disseminated among the people, politically a weighty point. (6) The possibility of employing every sum, however minute, urges people on to saving. (7) Credit binds together the interests of those having dealings with one another. Under a highly developed system of credit economy, it is the interest

of each to show himself worthy of trust; this can be of advantage in the moral education of a people. (8) It enables men to save for their old age, and make provision for their families in case of their death. Were there no such thing as credit, the best one could do would be to heap up, and then consume afterward, the capital gathered together.

To this excellent summary Professor Ely in his article on "German Coöperative Credit Unions" adds the following division:

(9) Capital, when obtained under favorable circumstances, yields a larger return than the interest. Were it otherwise, borrowing, except in case of special need and distress, would cease. The prudent and skillful laborer who can command credit is thus enabled to obtain, besides his wages, a surplus from the use of the capital. Credit, *well used*, is therefore economically as productive as a favorable climate or a high education of a people.

CHAPTER II

DIVISIONS OF CREDIT

11. *Varieties of business credit.*—It has been mentioned in the preceding pages that barter, money and credit simply represented three transactions, differing only in the degree of confidence that was manifested in the transaction. The last stage, or credit economy, shows a higher degree of confidence, since the very essence of our commercial system is found in the element of future time involved in our transactions. The longer the period of time that is interposed between the surrender of one's property and the payment for the same, the greater is the confidence displayed. There remains, however, a close connection between the present credit economy and the use of money; for every credit instrument given in exchange for goods must be liquidated by means of money. This imposes upon the commercial world the necessity of watching a double set of conditions: (1) The character of the collateral; and (2) the condition of the money market. That is, the credits must be based on goods or collateral that are marketable and whose future value in terms of money will be equivalent to the value of the credit extension at the time when it was given. Banking credit, mercantile credit, or personal credit are simply transactions which differ from each other because they hold different situations in the field of business relations. A bank, a large commercial house and a small retail store may be presented simultaneously with requests for credit, each applicant

offering the same kind of security, but as there would be different relations established in each case, there would be different names used. Thus while there are certain things which are common to the whole field of credit operations, there are certain lines of credit which become the particular study of each of the divisions represented above.

12. *Personal credit.*—In order of origin, personal credit holds first place. Borrowing arose for the purpose of satisfying some consumptive desire. But when the purpose of business changed from making a living to making a profit, banking and commercial credits were developed. Nevertheless, personal credit still persists, and although the oldest form, it is not the one which presents the most systematic organization. This is easily explained when we examine the elements of which it is composed. In general, it resembles commercial credit; the difference lies chiefly in the fact that commercial credit has other features, in which personal credit is lacking.

13. *Why a personal credit system is not well organized.*—On account of the difficulty of classifying personal credit-takers, there seem to be no well-established rules that are followed by those who extend credit to their customers. Each extension of credit is to an individual member of society. His relation to others in his capacity as an individual consumer is in no way regulated by public ratings of his riches, earning power, or character. Any agency that would attempt to gather such information from among the various classes of laborers, professional people and others would find the costs far too high to make it pay. Another difficulty which confronts the dealer, and which makes the establishment of any uniform policy almost impossible, is the

great difference in the economic status of those who wish to "buy goods on trust." First, there are individuals who can demand credit on their merits; secondly, there are others who by virtue of their very misery and poverty have a claim for credit. The reason for lack of system in this branch of credit is not, however, solely due to the variety of social and economic disparities among consumers. There is much to be charged against the dispenser of credit. Mr. James G. Cannon, vice-president of the Fourth National Bank of New York, in a paper entitled, *Individual Credits*, is of the opinion that one of the great evils connected with this kind of credit is "too great liberality." Neither genuine liberality nor philanthropy inspires the extension of such credit; it is rather the result of ignorance or inertia on the part of those whose duty it is to investigate the credit-standing of the applicant.

14. *Reasons for not making proper inquiries.*—The neglect of making proper inquiries may be due to the following factors. First, there is often an inordinate desire on the part of dealers to gain wealth. This leads them to extend credits without distinction. In order to out-rival their competitors, they throw discretion to the winds, and invite custom by offering liberal credit. The maxim of "a small business with good collections and fair profits" is forgotten, and the dealer is led by his cupidity upon the unsafe ground of a big credit business, which is not only less profitable financially, but is detrimental to his health and peace of mind, insofar as it means a constant struggle to support the thin margin that stands between him and commercial failure.

Second, many dealers lack the "business sense." They are wanting in those instincts which discriminate clearly between a proposition based on a trading relation and

one which is based on personal friendship. Such men are deterred from making inquiries of their patrons regarding their immediate or prospective ability to pay for fear of giving offense, although questions of this sort are perfectly legitimate from a business point of view; but the dealer allows himself to be controlled by feelings which are more suited to a "good fellow" socially, than to a successful business man.

Third, there exists a species of credit-seekers who prey upon the fears of the dealer, knowing that by presenting a bold front, by telling a plausible story, or by convincing manners, they will be given credit. Having once won a foothold, they further increase their debts by appealing to another fear common among dealers—that of losing a patron, or playing him into the hands of competitors. What storekeeper, having convinced himself that he was wrong in not refusing credit, has not been again driven to the same policy by the appearance of some clever woman, who full of righteous indignation, "the family honor having been impugned," offers explanations which make the dealer feel that the evidence of unpaid bills is as naught beside the mighty possibility standing before him. He will probably chide himself and offer humble apologies for letting an unfavorable balance arouse any doubts of her paying ability.

Fourth, besides these personal causes, there is another factor which, although it is perhaps outside of the control of the individual, may not be beyond the control of a united trade. Many dealers would make investigations in harmony with good business judgment if there were such facilities. We do not here include the "mammoth stores" whose managements can avail themselves of the various sources of credit information. The majority of dealers do not have access to these facilities,

however. The expenses connected with membership in a mercantile agency, or coöperative bureau, put such means beyond their reach. Then, too, the small merchant has not the necessary time to give his attention to the investigation of the credit standing of his customers, while to hire a man for this particular purpose is also far beyond his means. Yet, it is the opinion of eminent authorities, that it would be to the advantage of every merchant to give considerable time to the study of his credits.¹

That the time is not far distant when the retail trade will have much better facilities for obtaining credit information is evident from such movements as the "Indianapolis Plan." During the year 1910 four cities had adopted this plan of coöperative retail credit reporting.

The plan as outlined by W. E. Bolch before the annual meeting of credit men shows the following significant features:

A private telephone exchange was installed. This enables the credit departments of each firm to get absolute privacy. The records of customers are kept in a central office. When cards come to the office they are carefully compiled. A special code of numbers known only to the central office is used to designate the members

¹ One of the large department stores sends the following form letter to persons whom an applicant for credit give as references:

Dear Sir:—

Will you kindly give us in confidence such information as you may possess concerning the financial responsibility, income and habit of pay, etc., of the person whose name is noted on the reverse side of this inquiry.

Thanking you in advance, we are

Yours very truly,

The following appears on the reverse side of the letter:

Name
 Residence
 Business
 Address

REPLY:

of the association. Under these numbers the information concerning customers was filed. Thus when the file was completed the bureau had a record in concise form of the manner every account in every store had been taken care of. In order to keep the file "alive" a record book was introduced. In this is entered every account as soon as it is opened. This keeps the record complete to the very day. Special attention is given by members to reporting changes of address of customers. This makes the record valuable as a reliable directory.

Daily the *Commercial Record* is checked to this record; every suit and judgment, every lien and lease, chattel mortgage—in fact—everything tending to lessen a customer's credit responsibility is entered on his particular card. If danger is scented all members interested as having sold or still selling the customer are called on their special telephone and notified of the facts against his record. Likewise is each case reported if a customer's account shows that it is becoming dangerously slow. Two or more reports on one person sent to the Bureau is the signal for a general notification to all members of the Association.

Information of a more general nature, such as a record of the persons to whom credit had been denied either because of previous adverse ratings or because of no credit experience is sent out in bulletin form twice a week to the members.

The three elements which the Association lays stress upon when a customer's credit standing is being investigated are paying ability, stability of character and moral responsibility. "As practically 75 per cent of the retail credit risks," says Mr. Bolch, "are salaried persons, we ascertain as nearly as possible the income or salary of an applicant, his stability as shown by the length of

time he has been with his present employer, his domestic responsibility and his paying habits in the immediate locality of his home. The tax records show his legal responsibility, if any, and these all go to show as far as possible, the probable results, should credit be extended. When an applicant is engaged in business, a complete report of his ledger experience in the local wholesale trade is secured through close affiliation with a similar bureau maintained in the wholesale jobbing trade."

Besides keeping in touch with other trade bureaus the retail association maintains close affiliations with the city banks. All the banks are members of the bureau. This relation helps both the retailers and the banks, since "kiters"¹ either of checks or commercial credit are known to the Bureau and reported to the whole association. Three fundamental ideas underlie the working of this system.

(1) *Opinions* are never confused with *facts*. The bureau acts only as a clearing house for ledger figures which tell their own story.

(2) The source of information is *never* made known. The stores are known by a cipher. Without divulging the source of the information the bureau can report upon a customer's indebtedness to another store. The inquiring store gets only the total sum owing and the amount past due. The chief value of this information rests upon its being up to date. It represents *present* indebtedness of a credit customer.

(3) Coöperation between the members is stimulated by a feeling of ownership. The bureau belongs to the members and not to a voting agency owned and con-

¹ A check "kiter" is a person given to overdrawing his account habitually. "Kiting accounts" refers to the practice of establishing a line of credit in several stores by a person in excess of his ability to pay.

trolled by people from the outside. The association absolutely owns a live record of over 60,000 persons, comprising over 600,000 actual ledger transactions.

In summing up his valuable report the author says:

While the direct tangible good wrought by the working out of this plan has been far greater than we had dared to hope, the intangible salutary effect it has had has been worth far more than can be estimated in dollars and cents. It has been the means of clearing out forever parasites who have literally lived on the local retail merchants in maintaining their valued (?) position in society and at the same time, has given a correct and firmer credit standing to those to whom credit is due.

15. *Relation of personal credit to other credits.*—The extension of personal credits has a two-fold effect. It affects the commercial system as a whole, and it is also connected with the subject of prices. If the retail dealer cannot collect his debts, it means that the wholesaler or jobber or his banker must wait for their payments. Then, too, there are the producers or manufacturers or their bankers, who must suffer the restrictions which are put upon business activity by fraud or failure to meet engagements on time. For this lack of system and the strictness in regard to credit extension, the consumer pays the penalty in the increase of prices due to added risks which the commercial world must undergo as a result. How great these risks are, may be inferred from the statement made before the meeting of the Credit Men's Association in 1900. After giving the estimated average losses for the years 1890-1899, as being more than \$178,800,000, Mr. D. B. Murphy says:

Appalling though these figures be, they do not include the untold millions that are absolutely lost each year, by merchants

engaged in retail trade, in every line of industry, in every town and cross-roads, from ocean to ocean, from the lakes to the Gulf, comprising every retail enterprise, from the gigantic department stores in our great cities to the humble rural dealers. These figures do not include the very considerable loss sustained by those engaged in the learned professions—notably by the physicians of the country—nor do they include the enormous losses of a personal and confidential nature.

16. *Effect of "too ready credit" upon the consumer.*
—There is another penalty which the consumer must pay although not so directly, through the use of too "ready credit," which is nevertheless more harmful because of the insidious nature of the cause. Among those who seek credit are a large class of laborers and others who do not give due consideration to the demands of the future, but who are controlled entirely by their present desires. We see whole communities in numerous sections of the country, who lack definite plans for provision for old age or for periods of idleness or sickness. The "installment plan" is a good example of the method by which credit is made attractive to this class of people. In a recent report upon the conditions in "The Cotton Mills of South Carolina," the author says in illustration of this point:

It is an exception to go into a home and not find photographs or highly-colored lithographs. In a great many communities I was told that the bane of the operatives as a class was the habit of buying things on the installment plan—from an organ to a last year's almanac—and when I asked him why anyone would buy a "last year's almanac," he replied that it would be bought on credit for the jokes that were in it. As a matter of fact, the first thing that the operatives have to contend with after they get into the mill village is the agent who wants to

sell furniture, pictures, a sewing machine, books, and a Bible, and now a phonograph on the installment plan.

Any means by which credit might be curtailed among such classes would tend to raise them morally and economically in the scale of social betterment. A method often followed by individual dealers is to restrict credit allowances to one week and refuse more until settlement is made. This is often most effective among those who "run" book accounts with the grocer and butcher. "Run" is a good word to use in this connection, for the account book is generally traveling back and forth between the home and the store incessantly. As a consequence, the weekly salary is outrun before the week's necessities have been provided for.

Perhaps no human weakness is more universally played upon than the readiness of the individual to bargain away his future independence through the instrument of credit. It is the instinct of every trader to insure his profit wherever he can. By getting men to buy on credit, he not only encourages them to purchase more extravagantly than on a strictly cash basis, but he holds a claim upon their future earning power, and to this extent controls their independence. The "truck system" is the best example of the abuse of this class of credit. The relationship of employer to employé often puts the latter in the power of the former through the "enjoyment of credit" at the "company stores."

17. *Other abuses of credit.*—There is, however, a more general abuse of personal credit in the appeals to the public made by mercantile houses. "Your credit is good at the New England" is a type of a very common mode of advertising which is meant to trap people into assuming heavy obligations, which, in view of their

means, they have no right to make. The risk to capital and profits when long credits are given is protected by chattel mortgage and high prices for the goods. But these disadvantages look small to the purchaser when "the day of judgment" lies so far in the future.

Another favorite device practiced even by large and representative firms, is only a variation of this method. Personal letters are sent to prospective customers whose patronage is solicited. The advantages of a running account are offered to them. The evil of this method lies not so much in the solicitation as in the kind of information which forms the basis for offering the opening of credit accounts. Lists of names are gathered from a sort of society's "Who's Who." The makers of these directories are not concerned with the financial responsibility of the people whose names they procure. Fashionable residence quarters are the chief consideration. Where luxury exists there should be at least a suspicion of extravagance, and extravagance means that the credit margin is likely to be narrow. The merchant should be more interested in the surplus which the customer can devote to the purchase of goods, than to the size of the bills for the rent of house and automobiles.

18. *Mercantile credit.*—The division of credit into personal, mercantile, banking, and capital credits is done on the basis of convenience rather than for the purpose of forming a basis for scientific analysis. While personal credit has to do with the transactions connected with the buying of the individual consumer, it is desirable to form another classification in order to include those larger transactions which involve a greater degree of responsibility. As a consequence, we should expect to find a more fully organized system for dealing with credit, and a sounder basis upon which it is granted.

Mercantile credit is confined to those trade interchanges embraced in the distribution of goods. So numerous and varied are these credit operations in this field of trade interchange, that it has become necessary to provide special institutions and agencies to aid in giving celerity and security to these credit operations. So there are banks and brokerage concerns that help in the transfers, and insurance agencies which aid in affording security to credit transactions.

The system of mercantile credits as it exists to-day is the result of a steady growth. The rapid extension of commerce put limitations to the old credit facilities. The whole system of distribution underwent a transformation. As the country developed toward the west and south, it became necessary to meet the newer condition of widely separated markets. The essential characteristics of the credit situation were the ever-growing risks and the involved adjustments necessary to bring present and prospective resources to meet present and prospective needs among communities whether local, national, and if we go beyond the nation, international markets.

The distribution of our products, regarded as a commercial system, involves so many risks to capital and labor that this service has become a distinctively speculative business. These speculative risks have reacted upon the industrial system in such a way as to develop a new system under which credit may be extended. The credit system is, therefore, complementary to the commercial system. The new communities in the west and south needed capital to help them in developing their natural resources. It was credit that helped them over the experimental stage of their endeavors. It is not to be wondered at that the spirit of speculation often became rampant. Yet as communities became more

accustomed to settled conditions, they began to appreciate the necessity for greater commercial conservatism and the importance of handling more carefully the finely balanced mechanism of the credit system.

19. *Factors that have changed the credit system.*—The factors that have been uppermost in the modifications of credit systems are the railroads, the telegraph, and other means of communication. These have helped to cut down the risks due to bad roads, inadequate information as to investment and commercial conditions, and the necessity of keeping capital tied up for long periods of time. Under the old conditions, capital was tied up because it was necessary for the merchant to carry such large amounts of stock due to the difficulty of calculating the probable sales of a season. As an illustration of this as it exists in international trade, we need only cite the case of the Indian trade. In the days when a voyage around the Cape of Good Hope took a part of a year, and the time of arrival varied by months, India merchants had to keep large stocks on hand to meet the varying demand. At present, however, when ships make the trip by way of Suez Canal in a month, goods are ordered as they are needed, and the immense warehouses of India are practically useless for the purpose for which they were designed. It was necessary, too, for the merchant to make periodically long trips to the market in order to purchase his supplies. The better means of communication have reversed the situation because it is more economical for the selling concern to send a salesman to many localities than for the country merchants to travel in person to the trade centers. Selling by sample has superseded selling by inspection. It is the wholesaler who must now assume the risks of overstocking rather than the local merchant.

The character of the credit systems was modified in several important respects. The liberal "time limit" under the old commercial conditions compelled the merchant who accorded credit to require the promissory note at the time of sale so that he himself might not be lacking in capital funds while his goods were being disposed of under a long term credit contract. Quick and easy communication has occasioned the substitution of short time payments for the former "long time" commercial paper. Then besides the services of the railway, the mail, the telegraph, and telephone, is the fact that banking accommodations have been extended to nearly every village and hamlet in the nation. These combined factors have had the secondary effect of changing the method and extent of note settlements. The long time credits running from four to six months had to be paid for by the merchant in higher prices and higher rates of interest, but as the banks were ready to advance him liberal accommodations, he soon saw the advantage of borrowing money from the bank and paying for his goods at the most favorable discount rates. In the place, therefore, of the long time paper, two new features began to be used, "dating" and "book accounts."

20. *The custom of dating.*—The custom of dating seems to have grown out of a plan to grant extra credit by the wholesaler and jobber in order to induce the merchant to make purchases before the season opened. Competition, too, encouraged the practice of making time allowances in order to cover the period during which goods were in transit and while they were being prepared for display. By this method, the purchaser persuades the seller of the goods to date the bill a certain length of time ahead of the actual shipment, say, thirty or sixty days. Then if the purchaser is accustomed to another

definite length of time in which to pay, the time does not begin until the expiration of the thirty or sixty days. For instance, a cotton textile merchant has a bill of goods sold July 1, 1908, and charged for on the same date with a dating of sixty days; terms 2 per cent, ten days; and net thirty days. This will not be due until October 1, which means that the debtor can pay the bill at any time within three months from July 1, because the dating gives him until September 1, and the term of thirty days extends the time limit to October 1. Not until October 1 can the creditor demand payment. The merchant might take advantage of his credit at his bank and borrow money with which to liquidate the note at the end of ten days. He would then be gaining the advantage of the 2 per cent discount as well as the interest upon the note for sixty days.

Although the custom of dating bills seems to be firmly established, yet the wholesale world is beginning to favor its discontinuance. This is seen in one direction by the steady growth of cash wholesalers by whom the credit market is being undersold. If the latter practice should prove the more economical, it is only a question of time when the retailers must withdraw their support of the dating system. Some claim that it is already outgrown and is on the whole detrimental to the trade since it encourages men to use snap judgments in anticipating market conditions. As a consequence, dealers overstock, and large and frequent losses ensue.

21. *The book account.*—More recent than the custom of "dating" is the substitution of the book account for the familiar promissory note and the domestic bill of exchange. For many years these formed the greater part of the business paper handled by the banks. By the extension and better organization of the banking sys-

tem, the dealers in the country were enabled to save the extra costs connected with the long time paper. Merchants could now buy credit of their local banker and pay "cash" to the distant jobber or wholesaler.¹

The long time credit instruments having disappeared generally, the chief record of the transaction was that left upon the books of the creditor. The bills of exchange had served not only as evidences of debts, but had also entered largely into commerce as mediums of exchange. They were among the best kinds of business paper. A merchant who had sold his goods and held a note against them could easily pass it to another business man for more goods, or he could readily discount it at a bank for the actual cash. The disappearance of the bill of exchange, however, did not do away with the necessity on the part of the wholesaler or jobber of often seeking to raise money on outstanding accounts. Not having the notes to discount, the only avenue open was to borrow directly upon the book accounts. This, of course, could be done only when the owner of the book accounts was well known to the banker, for while the promissory note gave double evidence of the transaction—that of the maker and that of the endorser—the book account had to stand on the word of the owner alone.

The experiment, however, having been made and found to be reasonably safe and profitable to both parties, a regular system has grown up which deals with this particular kind of credit. At first it was handled solely by the banks along with their loan departments, but the business increased to such an extent that some

¹ A cash sale is a sale which is to be immediately delivered and paid for at the same time (stock exchange rule), but among merchants payment is to be made within a certain number of days, usually ten.—Montgomery Rollins, "Money and Investment."

banks organized a separate department for dealing in book accounts.

Most banks found, however, that work of this kind was very highly specialized and therefore too expensive—taking into consideration the conservatism necessary in banking—for them to handle. Accordingly there grew up outside the bank certain brokerage institutions which made it their specialty to handle business paper. They became very expert in judging of business credits and as they gained rapidly in capital strength themselves, these brokerage concerns became valuable adjuncts to the banking system. Often where a bank is prohibited from assuming the risk of discounting the book account directly, it is able to loan money on the broker's security and experience, as well as on the knowledge that a ready market exists in which they can quickly realize on these securities if necessary.

22. *Two methods of assigning accounts.*—The terms under which this business is done vary. The accounts of a merchant may be assigned to a bank or a commission house in one of two ways. The assignee may allow the assignor of the accounts to withdraw a certain percentage of the value of the book credit, amounting to from 70 to 90 per cent. In addition he may ask a bonus and a heavy rate of interest.¹

The terms which govern another class of assignments are not so onerous, the difference depending in a great measure upon the degree of confidence which the banker has in the assignor of the accounts. A common practice permits the assignor to act virtually in the capacity of an agent of the assignee. The banker accepts the ac-

¹ In the state of New York the usury laws compel such agreements to be carried on *sub rosa*. The methods by which some commission houses and banks evade the law are very questionable.

counts and then allows the original owner to collect them and to use the money. As soon as the account is collected new credits of equal value are turned over to the banker. By this means is maintained the margin between the total book value of the accounts and the agreed percentage allowed upon them by the banker. This method is considered favorable to the assignor because he may in this way keep the fact of assignment from his customers. It is generally thought that a man's business prospects are not sound if he is willing to assume the heavy charges connected with this method of raising funds. But conditions may compel the banker to exercise his rights under the assignment, in which case the customer's accounts that have been conveyed to him would be collected by the bank.

In case the bank or commission concern is willing to take all the risk connected with a given line of accounts, the terms are proportionately exacting. Here the book credits are bought outright but only at a heavy discount including a "bonus" and a high interest charge. To be convinced that the handling of this kind of credit paper is profitable one needs only to observe the increasing numbers of commission firms which are discounting and loaning upon these book credits. Many of these concerns have the capital strength of large banks and their work partakes much of the nature of banking.

CHAPTER III

DIVISIONS OF CREDIT (*Continued*).

23. *Capital or investment credit.*—When goods have been turned out of the factories, mills and workshops, completely finished and ready for use they may be divided into two general classes—those which are to be consumed directly, their usefulness ending with one act of consumption, and those goods which are to be used in the production of more merchandise. The former are desired because they satisfy some personal want. Food and clothing are the commonest examples of these. The economist calls them “consumption goods.” In the preceding pages we have taken this use or function as the basis for classifying the credit transactions connected with the exchange of these goods in their transference from the dealer to the consumer, and we have designated this transaction as “personal” or “consumptive” credit. The latter class is desired because these goods are expected to help in the production of more goods. People value them according to the profit they are expected to return. They are therefore called “capital goods.”

Income from capital goods may arise from the use of them by the owner; for example, the blacksmith may own his own forge, anvil, and other tools and may perform all the work with his own hands. He assumes the personal risk in the business and he expects to receive his return in the shape of profits. On the other hand, the owner of the capital goods may take no active part in the business. His interest in the enterprise is limited

to the income in the form of dividends and interest payments. His share of the gain does not depend on the fortunes of the handler. Railroad stock, municipal and government bonds may be cited as good illustrations of this class of investments. Men who invest in these forms of capital goods are generally controlled by the desire to have a regular and assured income. Certainty and regularity, therefore, must be the guiding elements in considering the exchanges which take place in transferring the claims of ownership comprehended in this field of capital investment. So we have another basis for classifying the credit transactions of persons who deal in this grade of capital investments. The title given to this branch of credit is in accordance with the character of the investments which it aids in carrying out and is therefore called "capital" or "investment" credit. The credit instruments which arise as a result of these are designated investment securities, and the essential nature of the credit is suggested by the term "long-time investments."

24. *Elements of safety in capital credit.*—A full discussion of the nature, forms and methods of investment would take us into the broad field of financial operations, but it is pertinent here to mention the elements of safety to be studied in capital credit:

(1) If the business is safe and profitable, the security is safe.

(2) The permanency and activity of the market is essential in determining the character of the demand.

(3) Stability and progress in business conditions indicate the general trend which all investments are taking.

(4) Solidarity and fixedness of policy in a business lend the same attributes to its securities.

(5) A steady and reasonable rate of interest over a

series of years insures the fact that a business is on an "investment basis."

(6) The character of the competition discloses the value of its monopoly position as a holder of franchises, good will, patents and so on.

(7) It is desirable that the character of the management be known in order to arrive at a knowledge of policy, trustworthiness and so forth.

25. *Principal forms of capital credit.*—The usual forms of capital credit are the following:

1. Government bonds.
2. State bonds.
3. Municipal bonds.
4. Real estate bonds and mortgages covering real estate.
5. Railroad bonds and stock.
6. Municipal street car line bonds and stock.
7. Telegraph securities.
8. Telephone securities.
9. Gas and electric lighting.
10. Waterworks bonds.
11. Bank and trust company shares.
12. "Industrials."

The rapid growth of the last form of investment—"industrials"—calls for at least a passing remark. Within a comparatively short period this form of capital credit has assumed a leading place. The magnitude of the industrial capitalization may be appreciated from a recent tabulation showing that the amount of "industrial securities" was equal to 43 per cent of the capital listed on the New York Stock Exchange. This comparison showed that the industrials amounted to \$4,002,000,000 as against the railroads of \$5,300,000,000.

26. *Principal sources of capital funds.*—The sources from which funds are drawn to be employed in capital investments show the desire of the investor to have security for his capital. The commonest source is the funds of the retired business man. Another well-known avenue by which surplus funds reach the investment field of credit securities is found in the savings bank deposits, the accumulated profits of commercial banks, and the funds of life and fire insurance companies. There are also certain charitable or educational institutions which buy up well-known bonds as safe investments. Of the same nature are the funds of estates in the hands of executors. In the case of trustees the risks and profits of business are exchanged for the safer but smaller income from some form of capital credits.¹

27. *Banking credit and its relation to commercial credit.*—The close relation of banking credit to commercial credit is indicated by the frequent association of the two before the subject of banking credit could be treated specifically. Not all banks are connected with commercial credits. Those which do deal in them are called commercial banks. Their organization is based on the principle of accepting deposits subject to check so as to facilitate an exchange of commodities, and in this way to be of benefit to merchants and business men in general. It is commercial credit that originates and gives life to the vast amount of credit instruments which form the bulk of the banking business. That the bank's relations to the community can be defined in terms of credit is illustrated by the fact that when a bank receives a deposit, the community expresses its degree of confidence in the bank, and when the community takes a loan from the bank, the latter shows its faith in the com-

¹ See "Credit and its Uses," by William A. Prendergast, page 52.

munity. This mutual expression of confidence extends the activity of the bank in one direction, while it sets limits to it in another. The confidence of the depositor rests largely in the belief that the "bank is safe," by which is meant that the creditor can obtain his money upon demand. So long as this faith in the bank's ability to pay on demand is unquestioned, which is generally true in normal business times, the depositors will not all call for their money at the same time. Knowing this and through long experience having found out what proportion of the deposits must be kept for meeting the immediate demands, the banker is able to use part of the deposits for granting credit to business men who have no money to deposit but who have property in the form of notes, bills of exchange, warehouse receipts and so on, which they are willing to deposit with the banks or sell to them at a discount in return for the right of using the bank's credit. In this way the banking credit is exchanged for commercial credit and in two ways is credit extended. First, the bank by its position as an accumulator of deposits is enabled to create four times the amount of credit transactions that could have been created in the hands of individual depositors. Second, by the "swapping of well-known credit for less known credit," as the discount of commercial paper is so aptly defined, a credit instrument of greater acceptability has been added to the community by means of which exchanges are the more readily increased.

28. *Limitation of bank credit.*—On the other hand, the scope of a bank's credit operations is limited and by means of the very force which gives it its great credit strength. Every deposit is also a liability which the bank must meet at once if demanded. The limit of a banker's power to discount commercial paper is set by

the probable call for money by his depositors for withdrawal from the bank. The amount kept on hand to meet such demands is called the cash reserve. "This reserve is *the bank*, in the original meaning of the term—the heap, or pile, from which daily payments are made and upon which all the credit operations rest."¹

29. *The credit latitude of a bank and a mercantile house.*—In order, therefore, to meet any sudden demand upon the reserve, it is necessary that the bank's investment in outside credits be of such a nature as to be realized upon with certainty and despatch. It must be satisfied, therefore, with a comparatively low rate of income from its investments.

Guided by the leading idea of maintaining its own credit in the discharge of the obligations to its depositors, the field of credit operations open to a bank is dependent upon the degree of convertibility among credit instruments. A certain kind of credit security, therefore, may be excluded altogether. Under our national banking law, commercial banks cannot lend money on the security of real estate. On the other hand, the securities which a bank accepts may be so readily marketable that it is not necessary to connect them with its credit department at all. These "call loans" are handled in a loan department where the momentarily fluctuating market conditions govern the collateral value rather than the person or persons making the note.

¹ The cash reserve may consist of any kind of currency which is commonly accepted, but preferably of legal-tender money, not the notes of other banks. Its amount must be proportionate to that of the deposits. The right proportion can be learned only by experience and only approximately. It varies in different countries, and at different places in the same country; and the local banker, as the person most thoroughly conversant with local conditions, has, as one of his most important duties, the ascertainment and preservation of that reserve which most nearly meets the needs of his community.—Horace White, "Money and Banking."

It is desirable that a bank should have a portion of its interest-bearing assets so invested that it can be quickly turned into cash to meet a sudden emergency. This is especially needful in the case of a bank which holds large sums deposited by other banks, since a financial disturbance occurring in a distant quarter may bring sudden demands for cash from the depositing banks. Stock exchange securities are held by banks, partly because they can be sold at short notice to meet such emergencies, partly because opportunities occur to bankers for acquiring them at low prices, and sometimes because they have been compelled to take the securities for debts, which would otherwise have been lost.¹

Still another class of credit instruments are excluded from the credit department on account of their nature. Such are checks and other cash items as drafts on private banks not members of the clearing house, and small advances payable on demand.

30. "*Business paper*" and "*loans and discounts.*"—Therefore, by a process of elimination we arrive at the particular branch of credit known as banking credit. The change of name which certain credits undergo because of the different point of view involved, often causes confusion and leads to complete loss of connection between the commercial and the banking world. In the commercial world many credit instruments, running from two to four months, are executed by men engaged in active business. In this relation they are spoken of collectively as "business paper" and consist of promissory notes, drafts and bills of exchange. From the point of view of the bank these promissory notes and so forth become "loans and discounts." Then, too, the bank finds it convenient and necessary to make other classifications of this "paper." Two of these are

¹ Horace White, "Money and Banking," p. 91.

fundamentally very important to the credit man from the point of view of security. Promissory notes are divided into single-name paper and double-name paper. A promissory note which is executed by one person and offered for discount without other security is called single-name paper. A similar note drawn by X to the order of Z, endorsed by the latter and presented for discount, gives the note a double security, both men being liable. This is called double-name paper. A second criterion of security is sought in the method of its origin. Either single-name or double-name paper may have its origin in a sale of goods on time and be presented to the bank for discount, but if it does not owe its existence to an actual business transaction it is not considered as sound security to lend upon. This kind of a note is called accommodation paper. In the case of a fictitious or intended transaction, the security is considered to be simply "personal." The following estimation of Mr. Henry Thornton illustrates the difference between real and fictitious paper:

Real notes (it is sometimes said) represent actual property. There are actual goods in existence which are the counterpart to every real note. Notes which are not drawn in consequence of a sale of goods are a species of false wealth by which a nation is deceived. These supply only an imaginary capital, the others indicate one that is real.

In answer to this statement it may be observed, first, that the notes given in consequence of a real sale of goods cannot be considered as on that account certainly representing any actual property. Suppose that A sells £100 worth of goods to B at six months' credit, and takes a bill at six months for it; and that B, within a month after, sells the same goods, at a like credit to C, taking a like bill; and again, that C, after another month, sells them to D, taking a like bill, and so on.

There may then at the end of six months be six bills, of £100 each, existing at the same time; and every one of these may possibly have been discounted. Of all these bills, then only one represents any actual property.

In order to justify the supposition that a real bill (as it is called) represents actual property, there ought to be some power in the billholder to prevent the property which the bill represents from being turned to other purposes than that of paying the bill in question. No such power exists; neither the man who holds the real bill nor the man who discounts it has any property in the specific goods for which it was given; he as much trusts to the general ability to pay of the giver of the bill, as the holder of any fictitious bill does. The fictitious bill may, in many cases, be a bill given by a person having a large and known capital, a part of which the fictitious bill may be said in that case to represent. The supposition that real bills represent property, and that fictitious bills do not, seems, therefore, to be one by which more than justice is done to one of these species of bills, and something less than justice to the other.

Mr. Horace White seems to agree with him when he says in his "Money and Banking": "Both are loans on personal security, since in neither case has the banker a lien on any particular goods."

CHAPTER IV

FUNCTIONS OF A CREDIT DEPARTMENT

31. *The forming of credit estimations.*—Some knowledge of the nature of credit opens the way to a clear understanding of a credit department. From the point of view of trade interchanges, two elements need to be emphasized regarding the nature of credit. (1) Every credit transaction involves the future and (2) it involves a contract. Hence, credit making is an estimate of the ability and intention of business men to carry out their business contracts, and of their ability to judge future commercial conditions. The functions of a credit department, then, may be said to be the forming of credit estimations. If every customer paid cash on the receipt of his goods, there would be little need of a credit man; but since customers buy on credit, it is necessary that the man who sells on credit shall study the conditions on which the customer's future profits depend. Every seller of credit thus becomes a risk taker in the enterprises of every credit taker and to this extent is a partner in the business.

The basis upon which the credit man forms his opinion is the information which is collected. It therefore becomes necessary to know what information is most essential to the particular business under consideration. Many factors must be taken into account before a decision can be made. Consequently no general statement that will fit all lines of business activity can be appealed to. Before seeking information, the credit man

should consider the location of his own business house, the kind of wares it handles, the general character of its trade, and the form of credit it usually extends. Having once mastered the relations growing out of the activities which these factors produce in meeting the commercial world at various points, much information that is irrelevant to his work may be eliminated. In general, after all due allowances have been made, two factors may be said to form the basis of the essential information needed to judge of the advisability of extending credit. These are character and tangible assets. By the latter is meant "property which can be taken under an execution and whether personally acquired or inherited, qualified by income and net wealth."

32. *Credit extension in the wholesale trade.*—We have already pointed out important distinctions that arise in applying credit to the various fields of industrial and commercial activities. It will now be necessary to point out certain differences which arise within the more restricted field of commercial activity. The most fully developed branch of this field from the point of view of commercial credit is that which embraces the relations of the wholesalers or jobbers to their customers. A very important matter in connection with wholesale credit is the volume of a customer's sales and the amount of his expenses. The amount of sales throws light upon the frequency of the turnover of his capital, which in turn indicates the ability of the merchant as well as the condition of the market.

One of the largest wholesale houses in Chicago follows a plan which allows a customer with a business capital of \$10,000 a certain line of credit to start with. If he proves himself prompt in meeting his obligations and confines his purchases largely to this one company,

the amount of his credit is often increased, but the principal basis for increasing a line of credit lies in the amount of business done. If the customer does a business of three times his capital he is entitled to more credit than one who is turning over his capital only once or twice annually. In this particular line of trade, statistics show that a merchant must turn his stock at least twice a year or he is not making a profit.

But after all, if the credit man keeps his eye solely upon the business-getting qualities of a customer, he has observed only one side of his ability. Much depends upon the cutting of expenses, for this shows the man's ability as a manager. The relation between the expenses of a house and the amount of sales forms one of the best foundations for granting it credit.

33. *Granting credit by a manufacturing concern.*—Another branch of business which comes within the scope of trade interchange is the manufacturing concern whose product must be put upon the market, but which is generally done through the jobber. Yet there is a growing tendency on the part of the manufacturer to deal directly with the retailer and even with the large consumer. The basis upon which credit opinions are formed here is much the same as that in the wholesale trade; but the point of view of the manufacturer is different from that of the jobber. The latter works locally; the former has a broader horizon. The manufacturer is often in a better position to choose his customers from among the retail trade and can leave the poorer risks to be dealt with through the middleman. But on the other hand, the manufacturer must take other risks not imposed upon the jobber. This gives different directions to the general policies of the two firms. To demonstrate this, let us suppose that a manufacturer has

decided to put a new line of goods on the market. To do this he advertises broadly. He has no limitation as to the extent of that market, but when it comes to the filling of the incoming orders he must meet his customers in the spirit in which he created the demand for his product. Failure to supply any large commercial center, or failure to assume a liberal attitude in granting credit might not only lose him trade, but might injure his reputation as well. He must often place his goods with little hope of getting other returns than a good advertisement. The credit department of a jobbing house has few worries of this nature, for its policy is usually directed toward selling staple goods with an assured market. Yet the manufacturing concern must ever keep in mind that it is also a producer as well as a distributor. Goods left on hand at the end of the season mean a loss. Promptness, therefore, on the part of the credit department is a vital factor. Too great caution in forming a credit judgment may result in overstocking, or the delay may leave "a loophole through which a competitor creeps into a customer's favor."

34. *The giving of credit by a retail house.*—Differing from both the wholesale and the manufacturing concern in its relation to the demand for credit, there is the retail house. The retailer seldom looks up the past history of a customer. He bases his opinion on the character of the man and certain specific facts pertaining to his income, his bank account, his place of residence and if possible, the state of his past or present standing with other dealers with whom he has run accounts. The method of applying for credit in the retail trade differs in some respects from that of other lines of business. As the applicant comes in person, and often in the person of a woman, judgments must

be made quickly and often without a private interview regarding the credit strength of the applicant. The necessary facts for the formation of a judgment must often come indirectly from a general conversation. Inferences rather than settled opinions must be formed until the applicant's statement can be verified from outside sources. In case the applicant is a business man, the services of mercantile agencies can be used. Even in case he is not a merchant, it is possible that the agency can give information regarding a man's reliability. But at best, the retail man must form his opinion of the honesty and resources of his customer from a more incomplete set of facts than those upon which the wholesaler relies. Still some compensation exists in the retail trade. There is a much broader field here for the exercise of the credit man's ingenuity in seeking a safe basis on which to open an account. More risks can be safely taken as the time limit is more completely under his control as well as the extension of credit. For example, every account can have a limit put upon the amount of credit extended by monthly periods. Some firms change the limit of the amount several times during the month, in accordance with the condition of the account and the character of the purchases. These statements, however, only show that "eternal vigilance" is the price of success in the credit department of a retail store.

35. *Installment house credits.*—As manufacturing credit is only a phase of wholesale credit, so do we have different phases of retail credit. The installment method of the retail trade is differentiated from ordinary trade through the methods of its sales. The installment plan provides for (1) a part payment in "cash down" and (2) a mortgage of some kind for the re-

mainder of the invoice. When the method of selling on installments was first instituted, the customer looked upon the installment house as granting him a favor, but competition in this method of trading has removed any advantage which this fact may have given to this branch of the retail trade. An advantage of the plan, however, is the fact that the credit man knows better what class of customers he has to count upon. Men of limited income are the people with whom the installment house largely deals. They seldom have any real basis for credit. On the other hand, there is the disadvantage in the risks the house takes in being compelled to grant credit on the basis of the credit man's intuitions. He must gain his information on the spot and decide then and there. In an indirect manner, he must find out from his customer the reason for his buying on this plan and the position or trade or bank account from which the resources must come to pay the installments. A quick analysis of this information in order to circumvent the fraudulent buyer or to guard against the honest man who may be overreaching his resources, is very essential.

Having decided upon the character of the information which any particular business needs in forming a suitable basis for granting credit, each firm must settle upon the best means for gathering the desired information.

CHAPTER V

SOURCES OF CREDIT INFORMATION

36. *Three essentials in credit giving.*—As education has its three R's, so the business of credit giving has its three C's—"character," "capacity," and "capital," and the greatest of these is character. If the credit man has decided that the character of the applicant is sound, the investigation of the other two features will be materially lightened, for the qualities that make for character must of necessity be reflected in all statements which are presented as evidence of ability and sufficient capital strength.

37. *Methods of investigation.*—In searching for information, the credit man has two ways of approach. These may be termed the direct and the indirect methods. By the direct method the credit man may interview the applicant personally and decide to what line of credit he is entitled. He may even ask for a direct statement from the applicant himself. In some ways this is an ideal method. It presupposes that the credit man is of a type similar to the *entrepreneur* himself. He must be able to judge of a risk; and the cumulative risks connected with a credit department are only secondary to the risks incident to the original business venture. If the credit man can be on the spot where the customer is to venture upon the credit of his firm, he can judge of the commercial conditions at first hand; he comes into personal contact with the customer on his "native heath." In this way—to use the language of the stage—he gets

the setting along with the principal character. Then if he is permitted, too, to inspect the internal sources of his information, such as the books of accounts, there ought to be little excuse on the part of the investigator for accepting a "bad risk."

If the credit man selects the other direct means of getting information, the applicant is requested to present a statement. Although the statement is not generally taken at its face value, it is often the starting point in establishing a basis for judging credit, and if this knowledge is regarded in the light of its true importance as a means to an end, this information coming as it does directly from those asking for a line of credit, is a valuable aid.

38. *Testing the reliability of a statement.*—In considering the reliability of a statement two important factors must be kept in mind: (1) "Chronic and intentional misrepresentation," and (2) ineffective methods and loose systems in business, which make a reliable statement impossible. These two factors are so common that the commercial public looks with skepticism upon statements in general. Many good firms refuse to submit them because of the feeling that the credit man regards them as mis-statements rather than statements. This method of acquiring information is used with greater frequency and success in the banking world than in commercial circles. The nature of banking necessitates frequent statements and accordingly more attention is given to method.

The following forms are among those in common use. The first two forms are sent by a bank to the customer for a statement of his affairs. The next three forms are used by commercial houses.

Form I.

Property statement sent by a bank to be filled out by an individual or partnership firm.

MESSRS. KNAUTH, NACHOD & KUHNE, BANKERS, 15 WILLIAM ST., NEW YORK CITY

For the purpose of procuring and establishing credit from time to time with the above Bankers, for claims and demands against the undersigned, the undersigned furnish the following as being a true and correct statement of his or their financial statement of his or their condition on the..... day of190 and agree that in case any change occurs that materially reduces his or their ability to pay all claims and demands against him or them, the undersigned will notify the said Bankers without delay.

In consideration of granting any credit by said Bankers, the undersigned agree that in case of failure or insolvency on the part of the undersigned, or in the event of it appearing at any time that any of the following representations are untrue, or in case of the occurrence of such change as aforesaid or of failure to notify of such change as above agreed, all or any of the claims or demands against the undersigned held by said Bankers, shall at the option thereof, immediately become due and payable.

Further, that the exercise of or omission to exercise such option on the part of the Bankers in any instance shall not waive or affect any other or subsequent right to exercise the same.

ASSETS.		LIABILITIES.	
Cash on hand.....		Bills Payable for Merchandise...	
Cash in.....Bank.....		Bills Payable to Own Banks....	
Bills Receivable, good, due from Customers.....		Bills Payable for Papers Sold...	
Bills Receivable, due from Partners.....		Open Accounts.....	
Accounts Receivable, good, due from Customers.....		Deposits of Money with us....	
Accounts Receivable, due from Partners.....		Mortgages or Liens on Real Estate.....	
Merchandise (at actual present cash value).....		All Other Notes.....	
Real Estate belonging to Firm..			
Machinery and Fixtures.....			
Other Assets and of what composed {		Other Indebtedness and of what composed {	
Total.....		Total Liabilities.....	
		NET WORTH.....	
Total.....		Total.....	

Contingent Liability. { Accommodation Endorsement.....
Endorsed Bills Receivable Outstanding.....

Names in full of all General Partners {
.....
.....
Names in full of Special Partners with amounts contributed by each, and until when, {
.....
Date of organization and expiration of Partnership.....
State last date of taking trial balance and if same proved.....
Memorandum.....

Please sign here.....
By Date signed.....190.....

CAPITAL.

Authorized.....Subscribed.....Paid in.....
 Held by Company as Treasury Stock.....
 How paid in: Cash \$.....Other property \$.....
 Description of other property and how valued.....
 What portion of real estate, if any, has been acquired through bad debts.....
 In whose name is title to real estate held.....
 Incorporated in what State and under what General Law or Special Act.....
 Date of charter.....Commercial business.....
 Are Stockholders liable beyond amount of stock subscribed.....
 If so, to what extent.....
 Amount of annual business.....Annual expenses.....Annual dividends.....
 When was last dividend declared.....Rate.....
 Insurance carried on merchandise.....Real Estate.....
 Is Mortgage above state a first lien on all the assets.....
 Regular times of taking inventory.....
 Give basis of statement, whether actual inventory, by whom {
 taken and, date, or if estimate, by whom made and date {
 What amount, if any, of acc'ts and bills rec. not charged off, is past due, extended
 or renewed.....
 Amount charged off for bad debts last year.....
 Amount recovered during same period.....
 Amount charged off account of plant preceding year.....
 State last date of taking trial balance and if same proved.....
 Regular times of balancing books.....
 Number of bank accounts, and where kept.....

OFFICERS.

NAME IN FULL	ADDRESS
President
Vice-President
Secretary
Treasurer

DIRECTORS.

NAME IN FULL	ADDRESS
.....
.....
.....
.....

Please Sign Company's Name here.....)

By

Date signed.....190...

PROPERTY STATEMENT BLANK

RECOMMENDED AND INDORSED BY THE
NATIONAL ASSOCIATION OF CREDIT MEN

THE RECIPROCAL VALUE OF A SIGNED STATEMENT

Good credit in the markets of the world enables every merchant to add to his ability to do business. It gives him the use of enlarged capital, thus enabling him to carry a more complete stock, increase his sales, and magnify his profits.

Large assets are not always necessary to the creation of credit; what is most desirable is, that credit be in relative proportion to the actual assets, and in harmony with conditions which create and maintain it. A merchant's capital is the sum of his net available resources, plus his credit. The giver of credit is a contributor of capital, and becomes, in a certain sense, a partner of the debtor, and, as such, has a perfect right to complete information of the debtor's condition at all times.

Credit is given a merchant because of the confidence reposed in him. Requesting a statement when credit is asked is not a reflection on one's character, honesty, or business ability, but is done to secure information to enable business to be conducted intelligently.

When a statement is made it should be absolutely correct. To make it so necessitates the taking of at least an annual inventory and the keeping of an accurate set of books. Statement giving, therefore, will tend to make a debtor a better buyer, because more familiar with his stock, more careful in giving credit, more conservative in incurring debt, and will result in a better knowledge of his business generally.

A merchant who desires to serve his own best interests should recognize that his most valuable possession, apart from his actual assets, is a sound, substantial and unquestioned reputation as a credit risk, and that, under the prevailing conditions and demands of business, the most effective, and eminently the best way to prove his basis for credit, is to be willing to submit a statement of his financial condition.

NOTE: The above estimate of the value of a statement to both giver and receiver is the embodiment of the thoughts and experiences of scores of the leading credit men of the United States who are members of the National Association of Credit Men and who thus desire publicity given to their views in order that there may be the largest benefits to both retailer and wholesaler.

Standard Form A.

To RICH, MANN & CO., New York

For the purpose of obtaining credit for goods to be sold me or us by you, or for any extension granted me or us on my or our account with you, the following is given you as a true statement of my or our assets and liabilities and general financial condition. I or we agree to and will notify you immediately in writing of any materially unfavorable change in my or our financial condition, and in the absence of such notice, or of a new and full written statement, this may be considered as a continuing statement, and substantially correct.

Firm name.....Date.....190....
 Town County State.....

ACTIVE BUSINESS ASSETS.

Value of merchandise on hand at cost.....
 Notes and accounts, cash value.....
 Cash in hand.....
 Cash in bank.....
 Fixtures, machinery, horses and wagons.....
 Total Active Business Assets.....

Dollars				Cts.
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

BUSINESS LIABILITIES.

Owe for mdse., open acct. of which \$...is past due.....
 Owe on notes for mdse.....
 Owe bank.....
 Owe others for bor'd money...
 Owe taxes and rent.....
 Mtges. on fixtures, machinery, horses and wagons.....

Dollars				Cts.
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

Total Business Liabilities.....

Net Worth in Business.....

OUTSIDE ASSETS.

Total real estate, assessed valuation, \$.....
 Total encumbrances.....\$.....
 Equity.....
 Personal property.....
 Other assets.....
 Grand Total net worth in and out of Business.....

Dollars				Cts.
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

Please state location and description of each parcel of real estate, and cash valuation of, and encumbrances on each, and in whose name each parcel is held.....

SOURCES OF CREDIT INFORMATION 539

What portion of real estate described is homestead.....
 Have you any other debts than herein mentioned?.....

Full given and surname of each partner	Age?	Married?	Possible liability of each member of firm as indorser, bondsman, etc.
.....
.....
.....

What kind of business do you conduct?.....
 Insurance on stock.....On fixtures, machinery, horses and wagons
On real estate.....
 Amount of sales last year..... Amount of expenses last year
What proportion of your sales is on credit?.....
 Date of last inventory.....Have you any judgments,
 judgment notes, chattel mortgages, or other liens against you, recorded or
 unrecorded? If so, describe.....

If you have pledged or transferred outstanding accounts or property re-
 maining under your control, state amount thereof and amount received, or
 to be received, on account of such pledge or transfer.....
 What books of account do you keep?.....

Buy principally from following firms:

Name	Address	What line of business?
.....
.....
.....
.....

The above statement, both printed and written, has been carefully read
 by the undersigned, and is a full and correct statement of my or our
 financial condition as of.....190....

Firm signature.....

By whom signed.....a member of the firm.

All questions must be answered, insert ciphers in absence of any amount.
 When the words "Yes," "No" or "None" will correctly answer the ques-
 tions, write them in their proper places.

PROPERTY STATEMENT BLANK ¹

Recommended and endorsed by the National Association of Credit Men

"Large assets are not always necessary to the creation of credit; what is most desirable is, that credit be in relative proportion to the actual assets. The giver of credit is a contributor of capital, and becomes, in a certain sense, a partner of the debtor and, as such, has a perfect right to complete information of the debtor's condition at all times."

To RICH, MANN & CO., New York Date.....190

For the purpose of obtaining credit for goods to be sold me or us by you, or for any extension granted me or us on my or our account with you, the following is given you as a true statement of my or our assets and liabilities and general financial condition. I or we agree to and will notify you immediately in writing of any materially unfavorable change in my or our financial condition, and in the absence of such notice, or of a new and full written statement, this may be considered as a continuing statement and substantially correct.

BUSINESS ASSETS		Dols.	/Cts.	BUSINESS LIABILITIES		Dols.	/Cts.
Cash value of Merchandise on hand.....	Owe for Merchandise, not due.....	.....	.....	.....
Store Furniture and Fixtures.....	Owe for Merchandise, past due.....	.....	.....	.....
Cash in hand.....	Owe Notes for Merchandise.....	.....	.....	.....
Cash in bank.....	Owe Banks.....	.....	.....	.....
Accounts good and collectible.....	Owe Relatives and Friends.....	.....	.....	.....
Notes good and collectible.....	Owe Taxes.....	.....	.....	.....
Store, Building and Lots, \$... } Equity	Owe Rent.....	.....	.....	.....
Mortgaged, \$... } Equity	Total Business Liabilities.....	.....	.....	.....
Other personal property.....	Net Worth in Business.....	.....	.....	.....
Total Business Assets.....	Total.....	.....	.....	.....

If any of above liabilities are secured, state particulars in proper place below.

OUTSIDE ASSETS	Dols.	/Cts.	Full Given and Sur-name of Each Partner	Age	Married	Liability as Endorser or Bondsman
Less exempt portions.....
Total Real Estate not exempt.....
Encumbrance on Real Estate not exempt.....
Net Equity in Real Estate not exempt.....
Other Property not exempt.....
Total Outside Property.....
Debts not enumerated above.....
Net Outside Assets.....
Net Worth in Business.....
Total Net Worth in and out of Business.....

Included in Liabilities in Above Statement:

Mortgage on Merchandise.....\$....	Suits pending.....	Merchandise consists of Dry Goods.....\$..
Mortgage on Furniture and Fixtures.....\$....	Judgments.....\$..	Notions.....\$..
Mortgage on Horses and Wagons.....\$....	Judgment Notes.....\$..	Clothing.....\$..
Mortgage on Other Personal Property.....\$....	Mechanics' Liens.....\$..	Boots and Shoes.....\$..
What proportion of Sales is on Credit.....\$....	Amount of Sales.....\$..	Hats and Caps.....\$..
REMARKS—Give details and explanations of questions not fully answered above.....	Last year.....\$..	Groceries.....\$..
.....	.....	Crockery.....\$..
.....	.....	Hardware.....\$..
.....	.....	Total.....\$..

The above statement, both printed and written, has been carefully read by the undersigned, and is a full and correct statement of my or our financial condition as of.....190.....

Town..... State..... Firm signature.....
 By..... a member of the firm.
 On the reverse side of this sheet is given a complete list of houses I or we deal with, and amount owing each one; also a description of all real estate owned.
 Standard Form D.

¹ Sent by a commercial house to be filled out by an individual or partnership firm.

Form V.

PROPERTY STATEMENT BLANK ¹

Recommended and endorsed by the National Association of Credit Men

"Large assets are not always necessary to the creation of credit; what is most desirable is, that credit be in relative proportion to the actual assets. The giver of credit is a contributor of capital, and becomes, in a certain sense, a partner of the debtor and, as such, has a perfect right to complete information of the debtor's condition at all times."

To RICH, MANN & CO., New York

For the purpose of obtaining credit now and hereafter for goods purchased, we herewith submit to you the following statement of our resources and liabilities, and will immediately notify you of any material change in our financial condition.

In consideration of your granting credit to the undersigned, we agree that in case of our failure or insolvency, or in case we shall make any assignment for the benefit of creditors, bill of sale, mortgage, or other transfer of our property, or shall have our stock or plant attached, receiver appointed, or should any judgment be entered against us, then all and every of the claims which you have against us shall at your option become immediately due and payable, even though the term of credit has not expired. All goods hereafter purchased from you shall be taken to be purchased subject to the foregoing conditions as a part of the terms of sale.

ACTIVE BUSINESS ASSETS.	Dollars	Cts.
Cash value of merchandise on hand		
If manufacturing, raw material, \$		
... finished, \$		
... unfinished, \$		
Notes and accounts, cash value...		
Cash in hand.....		
Cash in bank.....		
Bills or accounts receivable, due from officers.....		
Patents and patterns.....		
Fixtures and machinery.....		
Total real estate, cash value, \$.....		
Total encumbrances on real estate.....		
Equity.....		
Total Active Business Assets.....		

BUSINESS LIABILITIES.	Dollars	Cts.
Owe for merchandise, open acct., of which \$..... is past due.....		
Owe for notes for merchandise.....		
Owe banks.....		
Owe for bills for paper sold.....		
Owe others for borrowed money.....		
Owe taxes and rent.....		
Mortgages on fixtures and machinery.....		
Total Business Liabilities.....		
Net worth in Business.....		

Contingent Liability } Accommodation Indorsements .. Indorsed Bills Receivable and Outstanding ...

Authorized Capital.....

Subscribed...Paid in... How paid in: Cash, \$.. Other property.....

Incorporated in what State and under what General Laws or Special Act?.....

Nature of business?.... Date of charter?..... Suits pending, and of what nature?.....

Are any merchandise creditors secured in any way?.....

Amount of annual business

Annual expenses..... Annual dividends.... When was last dividend declared?.....

Rate..... Insurance carried on merchandise

 ... On fixtures and machinery

 ... On real estate.....

Regular time of taking inventory

Keep bank account with

Keep the following books of account... ..

If you have pledged or transferred outstanding accounts or property remaining under your control, state amount thereof and amount received, or to be received, on account of such pledge or transfer

OFFICERS.	
Name in Full	Address
President
Vice-Prest.
Secretary
Treasurer
DIRECTORS.	
.....
.....
.....

REMARKS:

The above statement, both printed and written, has been carefully read by the undersigned, and is a full and correct statement of our financial condition as of

Dated.....190..... Corporation Signature.....

Town.....State..... By.....

On the reverse side of this sheet is given a list of houses we deal with.

¹ Sent by commercial house to be filled out by a corporation.
Standard Form G.

No extended commentary upon the contents of these forms is necessary at this time. The items contained here are discussed in the various volumes of this series of books. The purpose of presenting these forms is to show what particular facts the credit departments of a bank and a mercantile house are interested in; and in what special form or arrangement business men have found it most convenient to have it presented. For these reasons two distinct types of forms are given corresponding to the two forms of business, the individual or partnership and the corporation. The number and character of the questions asked by the corporation statements show how much more important and intricate is the organization of capital in the corporate form than is the case with the individual or partnership form.

The types which are given as examples for commercial houses were selected from a series of six forms which are recommended by the "National Association of Credit Men." The items printed upon the forms are almost identical, but the styles are different (in shape and arrangement) the better to fit in certain filing cabinets and also to meet conditions in different classes of credits. Special attention is called to the paragraphs setting forth the reciprocal value of a signed statement. They show in part how the association of credit men is endeavoring to educate the commercial world up to the standard demanded by a credit economy.

In estimating the worth of a firm applying for credit one writer suggests the following formula:

The credit man should apply liberally the principle of depreciation. Appreciating the generosity with which a merchant will estimate the value of his own resources, the credit man should deduct 10 per cent from accounts and notes receivable as a reserve against bad debts; about the same percentage for

machinery; at least 10 per cent on account of shopworn stock, and 50 per cent from anything scheduled which appears to be of indeterminable value. If, after this operation, the surplus of assets over liabilities appears to have been transformed into a deficit, the credit man should require security, or make such further investigation into the general reputation of the firm, or corporation, involved, as would enable him to accept the risk with a fair assurance of ultimate realization.

It is now understood that certain classes of assets on a balance sheet are more or less fictitious, that applications are not often made for credit based on a showing of that kind. In some classes of business a "construction" account is perfectly legitimate and represents actual value, but the value placed on a mine, or on real estate, etc., should always be compared with the amount of working capital. It would be generally safe to make it a rule to assume that where assets of this kind are a very important feature of a balance sheet, while the cash on hand amounts to \$2.50, or thereabouts, there is a good deal of "discount on stock" lurking around somewhere, and not much real value.

39. *An example of statement analysis.*—In analyzing the statement the credit man forms his judgment by comparing the items with the whole business situation of the applicant. For example, the answer to the question "How much store rent do you pay?" forms the basis of several opinions. In selecting this item for consideration, the relation of rent to capital, the volume of business transacted, and the profits are of first importance. It is generally agreed that the amount of rent a man can pay does not depend upon capital or the amount of sales, but that the rent and the profits do have a close relation. A druggist, for instance, could pay out a larger percentage of his sales for rental than a dealer in some staple commodity because drugs yield a larger profit than the latter.

Some men prefer to compare the rent with the expenses of the business rather than with the income. If this point of view is taken, it is well to bear in mind that it is only an indirect way of arriving at the same result as by the other method. Rent in no way depends upon the expenses of a business. Two men engaged in the same business may pay the same amount of rent, and yet the expenses of one may be twice as high as those of the other. If the profits of the two are not considered, the only conclusion to be arrived at would be that one enjoyed advantages which the other did not; and instead of its being desirable that the one who has the greater expenses pay less rent, perhaps it would be more desirable that he change his location and pay a higher rent, if by so doing he could increase his business prospects. Because there is a close connection between the expenses of a business and the profits, some merchants have found it possible to make a rule for their particular line which says that the rent shall bear a certain ratio to the gross expense. One man may think that 4 per cent of the gross expenses is a conservative estimate for rent, while another may say that 1 per cent is sufficient in his particular business.

These differences of opinion only serve to show that these "rules" were arrived at by a process similar to all "rule of thumb" methods. By practical experience each man ascertains the amount of space necessary for successfully operating his business under the conditions prevalent in his line, and one of these "conditions" is the usual rental for a given amount of space. Having ascertained these facts, he arbitrarily fixes upon a ratio of rent to gross expense.

40. *The reporter and the traveling representative.*— Because of the expense and the fact that the credit men

connected with large establishments are too busy in the home office, the method of direct investigation by the credit man himself can seldom be carried out in practice. Therefore, indirect ways are devised. The representative method most nearly takes the place of the personal interview of the credit man. There are two kinds of representatives used in this method—the reporter representative and the traveling representative. The difference between the two classes of investigators is simply one of responsibility. The reporters are generally young men, credit apprentices, perhaps, whose duty it is to visit the various persons to whom the department has been referred as well as the houses from whom useful information may be obtained concerning the particular firm under investigation. This interview method is confined to the environs of the house conducting the inquiry. Much depends upon the keenness of the investigator, for, like the newspaper reporter, he must depend often for the truth of the facts upon the attitude of the man he is questioning. He must frame his questions so that evasion is difficult. The man to whom the questions are put must either answer directly or reveal by his manner the true information which he wishes to conceal. The experience of firms in the larger cities proves that this system gives the best returns of any, although the expense involved is heavy.

The method of employing traveling credit representatives is an outgrowth of the necessity for large firms to have direct information concerning classes of accounts which, because of their number and magnitude, become heavy as well as doubtful risks. This method is an expensive one, but the extent and complexity of modern wholesale business is calling for it more and more. The traveling credit man is the complement of the travel-

ing salesman. The responsibilities call for a man of experience—one who can critically analyze a customer's books and stock and, if necessary, can make use of the information collected from banks, local attorneys and agencies. Such a man becomes the best substitute for the credit manager himself, for he brings to the investigation a knowledge of both sides of the situation. Knowing the business thoroughly and being experienced in the ways of the credit department, he is acquainted with both the creditor's point of view and that of the customer in the particular case under consideration.

41. *The salesman as a gatherer of information.*—Perhaps the oldest way of getting information by personal representatives was through the salesman's reports. At first thought it would seem a good idea to unite the two offices of credit man and salesman with a single "expense account." But between these two offices there is ever a thick partition. The self-interest of the seller of goods rises like a wall of adamant, and as a consequence the demands of the credit department seldom penetrate its thickness.

Someone has said that of the four chief factors which enter a salesman's considerations, he himself comes first, the credit man fourth, and in between these two are the customer and the salesman's own firm. While it may not be safe to rely entirely on the salesman's judgment, the credit man can, however, secure a certain kind of information from this source which will prove valuable supplements to the reports received from other sources. The character of the information demanded of the salesman should be of a kind that he can easily supply from his own observations and experience. If the information does not require the salesman to ask questions that

may hinder a sale or embarrass the customer, much that is of value in making a study of credits can be obtained. The following form has been used:

Firm name	Address	
Date	Salesman	
<i>In General</i>		
Business good?	Growing?	Competition?
<i>In Particular</i>		
Store neat?	Well located?	Any advertising signs?
Stock kept in good order?	Well displayed?	Well stocked or low?
Clerks well trained or incompetent?		Kept busy?
Proprietor a good business man?		Social standing?
Drink?	Gamble?	Other firms bought from?

Each salesman is provided with these cards, and whenever he takes an order from a new customer one of the cards is filled out and enclosed with the order. If conditions seem to warrant it, the credit man may ask for a revised report on the same form, thus keeping the file up to date. A modification of the salesman's report is seen in connection with large packing houses or firms which conduct their selling departments through branch houses. The local managers are expected to obtain the information which is usually embodied in the salesman's report. It is often possible to substitute the local manager's report for that of the local banker's or attorney's report.

42. *Agency method.*—So extensive is the use of credit that it was found more economical to establish a new kind of business whose duty it is to devote its whole

time to the study of commercial credits. Its purpose was to impose upon each firm the necessity of gathering all the information needed to do business on credit. This is another illustration of the growth of a new employment because of the economy in the division of labor. The best known methods of gaining information by an agent are those of the large mercantile agencies. For several years this method was the chief source of credit information, but at present the field of credit is being broken up and special agencies are organizing to furnish information along certain lines of business. Then, too, commercial concerns are making use of the principle of coöperation in this branch of their business. The old method of turning a "dead beat" loose upon the commercial community is a survival of the old self-protection idea which at one time made every man furnish his own bodyguard. If he protected his own person from the criminal, he felt no necessity of warning his neighbor against the marauder nor any responsibility for his neighbor's safety.

Besides these agencies, the wholesale house has at its disposal two other agents. These are the local bankers or attorneys, whose services are secured by firms to keep them in touch with local conditions. Both will be treated of further on.

Mr. T. J. Zimmerman, in his book "Credits and Collections," says of the commercial agency:

The point at which the commercial agency enters into credit operations is between the receipt of the order and the shipment of the goods. Credit rests upon the seller's confidence in the buyer's ability to pay; confidence results from favorable knowledge of a man's character, ability and circumstances. In order to decide whether his house wishes to extend credit to an applicant, to determine the amount of credit which this credit is to

be granted, the credit man must have certain general and specific information. Such information the commercial agency has made it its function to furnish.

43. *The commercial agency.*—The commercial agency originated as a result of the panic of 1837. New York, the commercial and financial center of the United States, suffered greatly from the wild-cat speculations of the West, and it was felt necessary to devise some means whereby the credit responsibility of the merchants might be assured. In response to the needs of the times came the first mercantile agency, which was established in New York in 1841. Its business was limited at first. Its reports were meager and its facilities for obtaining reliable information were incomplete. But in 1860, when Mr. Dun's name became associated with it, the mercantile agency had gained a recognized and assured position in the business world. Meantime, however, a rival institution had appeared. This was the firm of J. M. Bradstreet and Company, which had its beginning in 1849. Although many agencies with similar purposes have been organized, these two are the only ones that have survived. They both have so widespread a reputation that they keep competition out of this field by the sheer force of a name—a form of monopoly not always recognized. They have covered the country with branch offices and have extended their connections to all parts of the business world. They purpose to trace the experience of a person engaged in business, to discover the real character and general reputation which a man holds not only in business but in society, and to investigate the extent of his operations and the strength of his business position.

44. *How information is collected.*—This informa-

tion is collected by means of a system whose organization reaches every business man in the United States and Canada. Several independent district offices located in the large cities of the country form the central points for the accumulation of business news. In the large cities the work of collecting information is specialized. There are separate reporters for different kinds of trade. In the wholesale trade, for example, there are various individual lines of business and a man is assigned to look after each special line. But outside of the large centers the business territory is divided into districts and the reporter assigned to the particular district gathers information along all lines of trade. In order that the information may be gathered quickly and yet be reliable, these reporters are kept in their positions year after year. They become thoroughly acquainted with the detailed business facts and trade conditions in their line of trade or within their districts. They can judge of the importance of any new developments or rumors affecting the commercial standing of the firm or firms within their jurisdiction.

Besides, each independent office has sub-offices in the smaller cities, the number depending upon the size of the territory and the amount of business carried on. Some district offices have as many as eight sub-offices, others only two. The work of these is much like that of the larger cities. In a city of 40,000 people, for example, the sub-office sends reporters to the smaller towns and the territory round about. These men make regular trips and keep their managers in touch with the conditions along their routes.

But in addition to the news that can be gathered by reporters at intervals, there are often many developments and changes that need to be reported to the

agency immediately. To look after this kind of information the agencies employ local attorneys who reside in the various towns. These men report news of importance which needs the immediate attention of the district office. Although they do not give their whole time to this work, these representatives are helpful in supplementing the work of the regular reporters. One feature of the reports is their regularity. The city reporters make daily reports and the country representatives send in theirs at longer intervals of time.

45. *Content of the agency reports.*—The information appearing in these reports may be divided into three classes. First, there are the strictly news items. Second, there are the “impressions,” that is, judgments of tendencies. Is a business going backwards? The reporter may have heard rumors of growing carelessness on the part of the merchant, whose stock is running down and whose manager is inattentive to the needs of the business; or it may be that a firm has increased its capital and is branching out in new lines. Third, there are the special reports growing out of a request on the part of a subscriber for special information concerning a customer, or from a desire on the part of the agency to gain information concerning a new firm. The agency prepares these reports not merely for the convenience of the subscriber, for they wish to publish the ratings of the new house in the next quarterly book. Whenever a district office wants a special report on some merchant outside its territory, it notifies the sub-office, and from here a reporter is sent out to gather the facts wanted for the report. Copies of these are made if it is an important one and sent to the several district offices. This is done so that time may be saved should the new firm seek to get credit outside the agency’s district.

In order that all reports may be made to the district office in the shortest time and with the greatest secrecy, the agency has a special telegraph code which is used in all reports made by wire.

46. *Methods by which the information is distributed.*—How does the agency distribute this information which it has gathered? The names of merchants and manufacturers with business, capital, and credit ratings throughout the United States and Canada are issued to subscribers. By the payment of an extra fee, each customer of the agency is given two books of reference. These are merely the quarterly reports put into permanent form with corrections. In order to make use of the information received daily from reporters, the agency publishes daily sheets informing their subscribers of all failures, new incorporations, changes of ownership and so on. And, finally, the agency furnishes the special reports concerning the character of certain firms, which information is generally more difficult to procure. They include a record of the man's business and personal character, past and present; his wealth inside and outside of his business; his debts, his social connections, and his reputation. Then follows an analysis of the business itself—the capital, debts, outstanding accounts, amount of business done, its connections and creditors. In a concluding statement, the agency offers its judgment concerning the worth, credit limits, and best method of handling the situation.

Another feature of the works of these companies is the review of trade conditions and market information. This is published weekly and is accepted by the commercial world as the most authoritative opinion upon trade, financial and industrial conditions. Business

men find this of invaluable aid in measuring the credit conditions.

47. *Cost of the agency service.*—The cost of the general agency service to merchants and banking houses is \$100 per annum, but \$50 more must be paid for the two extra books which are published six months apart. If the merchant or banker wishes the special reports he must make the request on a blank prepared by the agency. He has the privilege of receiving one hundred special reports under his agency membership. Additional reports of this nature are charged for extra.

48. *Sources of the information.*—The sources of the agency's information are much the same as those of the individual firm when it seeks to determine the standing of another concern applying for credit. The agency sends its reporter directly to the firm under investigation. Questions are asked along the lines outlined above in the treatment of the special report. The reporters generally insist that the statements of the firm shall be signed by a legally responsible member of the firm. This makes the statement a better financial basis for credit extension because a false statement makes the party liable for obtaining goods under false pretenses. It is now that the reporter's abilities are called forth. He must form rapid judgments from what he hears and observes so as to sustain or condemn the statements given. Putting these facts and impressions together with such indirect information as can be acquired from other people, he now files the report with the agency. In the meantime, the district office has had other sources under investigation. A force of clerks is constantly at work examining the various government and court reports of incorporations and bankruptcies.

Then, too, the agency uses the valuable information gathered for its own weekly publications from the trade and financial sections of newspapers, government reports and so on.

49. *Kinds of reports.*—The reports may be divided into three classes: High, medium and unfavorable. These estimations are based upon two fundamental elements: capital rating and credit rating. The ratings are indicated by short abbreviations. The agencies generally use about seventeen or eighteen signs for financial responsibility and about eight for credit standing, not counting the “blanks.” A firm may be rated as being worth \$3,000 to \$5,000 and be given a second grade of credit. Perhaps a sign “21” is placed beside the financial rating. This means that the capital rating is assigned on a signed statement. Another sign may show that the firm refuses to make a statement. The credit rating “second grade” is explained by little figures which mean perhaps that the person concerned “pays when ready, no regard for terms,” or “takes off discount in violation of terms,” or that there is a “chattel mortgage on record.”

The making of these ratings is the most difficult part of the agent's work. A few short abbreviations express the labor of days, and on these few signs perhaps rests the fate of some firm's business reputation. The reporter cannot form his judgment on the capital strength of a firm from a single statement of the concern, nor even upon the basis of the known cash investments or the amount of nominal or paid-up stock, but he must make an appraisal of the commercial or par value of the firm's assets. Not only is the individual estimate of the value of the business on the basis of investment concerned, but the relation of its assets to the market where

those assets are valued as well. This accounts for variations that appear from time to time in the agency's quarterly book. The invested capital of a firm or corporation may remain the same for many years and yet the capital rating may change often. This is only a practical illustration of that fundamental idea in economic theory that the value of a commodity or a business is not determined by the cost of production or the amount invested, but rather by the demand for goods, or if it be a business, by the market value of its assets. The credit rating naturally tends to change in the same direction as the capital rating, but this tendency may be and generally is checked by many other factors which influence the judgment of the reporter. Confidence in a man's ability to pay may be neutralized or added to by evidence which shows a man's willingness to pay. Character and social or commercial standing, as disclosed by a history of the firm for a number of years, determine the reporter's opinion as to the credit value of that firm's integrity and worth in terms of cash.

50. *Criticism of agency methods and services.*—The many criticisms coming from credit men show the increasing necessity of business concerns to watch their margins of profit more closely. All risk is a result of lack of knowledge. If our knowledge of future events were complete there would be no risk. Before the days of railroads, telegraphs, telephones, and daily newspapers risks were greater in all departments of human activity than they are to-day. The business world has struggled to cut down "time and distance" to a minimum in order that risk may be eliminated. The mercantile agency itself was called into being because of this demand. For many years its information was superior to the haphazard methods of individual firms, and even

such indefinite statements as the following illustration offered by Mr. E. F. Morgan in his article entitled "Some Defects of the Commercial Agency Report System," were better in those days before the "rush order régime" began than no "guess" at all.

Jones, Wm. H.

JONESVILLE, JONES CO., Ga.

This party recently came here from Smithton, at which place he is said to have been in the dry goods business. It is not thought that he accumulated very much while in business at Smithton, though it is said that he owns a house and lot there, which is not known to be encumbered. He could not be seen at his place of business when correspondent called, so no statement could be obtained from him. He has a stock of goods estimated to be worth \$2,000, but it is not known how much he is owing on same. Without a showing from Jones it would be difficult to estimate financial responsibility.

The credit man does not have the large profit margin to work on to-day, and he must eliminate all risk due to indefinite and inaccurate knowledge of the commercial situation. "Above all things give us accuracy" is the demand of the credit man. But *accuracy* under the present system of doing business, which measures efficiency in terms of speed, is the most difficult thing to attain. Especially is this true in the case of the agency which has been compared "to a huge machine, made up of numerous intricate parts, all human, therefore liable to occasional error."

In judging the agency one must first of all consider the purpose of its reports. Is it to furnish information so complete and judgments so final that the credit department needs no further proof before determining a customer's line of credit? Or is the work of the agency simply a supplement to other information pro-

cured by the credit man before arriving at conclusions? If the former is its purpose, so say the agencies, it would be more economical for credit departments to be transferred to the agency's offices. There would be no necessity for two departments to perform a single function. If the latter purpose be considered the more correct one, the question arises: How well is the agency supplying information which may be considered within its possibilities to supply? Are there any sources left untouched by them which would advance the credit system to a higher plane of increased confidence? We cannot do more than to name the various complaints which credit men make against the mercantile agencies. These are as follows:

1. The service is slow.
2. The reports of the agencies need to be checked by outside information.
3. The reports lack in detailed statements.
4. The books do not use enough significations in the rating of capital and credit. A pay rating designation is demanded.
5. The agencies have refused to institute a thorough system for the interchange of trade and ledger information.

It is perhaps in the last of these statements that the credit men have the best basis for a complaint. The agencies are undoubtedly well situated, both as regards equipment and reputation, to undertake this work successfully. So far they have refused, probably for business reasons. In the meantime, the necessity for wholesale manufacturing concerns to protect themselves against "poor risks" is compelling them to obtain this most necessary information independently of outside assistance. Their system demands of them that they

increase their confidence in each other and protect themselves by coöperating in furnishing such important information as a ledger account.

51. *Credit coöperative methods—special agencies.*—The failure of the general agencies to meet a widespread demand for some modification of the method employed and the character of the information furnished has led to attempts on the part of various lines of business to provide their own system for furnishing this information among themselves from their "ledger experiences." The purpose of this "interchange system," as it is set forth by Mr. W. H. Wheeler, vice-president of the Credit Clearing House, is to provide "an impartial medium between debtor and creditor and between creditors themselves, and to establish a system whereby those who are interested in any account may freely and unrestrainedly interchange the facts contained in their ledgers, without the necessity of direct reference each to the other, without divulging this information under their own name, and at all times receiving in exchange for items contributed by them the combined experiences of all the others interested in the account."

The blank report on page 559 is for interchange of information between firms. This blank, with an exact duplicate, which is filled in by the firm seeking new information, is sent to another firm. Thus some information is offered in return for information requested.

The basis of this new method rests upon the principle of coöperation and reciprocity. In not living up to the spirit of reciprocity some firms are bringing discredit upon the interchange system. For example, one firm will solicit information from another without giving an equivalent with the inquiry. Another instance where the spirit of coöperation is violated is seen when a firm

Form A7 11-08—100M.

OUR EXPERIENCE.

KEEP THIS FOR YOUR FILES.

Mess..... } New Britain, Conn.....
..... } We have.....order, \$.....
from.....P. O.....

Kindly favor us with your experience and opinion.

This blank is adopted
and recommended by the
National Association of
Credit Men, of which we
are members.

Yours truly, GOOD FORM & COMPANY,
BOOTS AND SHOES.

How Long Sold?.....
Terms:
Highest Recent Credit, \$.....
Owes, \$.....Past Due, \$.....
Pays
Other Information:

Form A7 11-08—100M.

RETURN THIS TO US.

Mess..... } New Britain, Conn.....
..... } We have.....order, \$.....
from.....P. O.....

Kindly favor us with your experience and opinion.

This blank is adopted
and recommended by the
National Association of
Credit Men, of which we
are members.

Yours truly, GOOD FORM & COMPANY,
BOOTS AND SHOES.

How Long Sold?.....
Terms:
Highest Recent Credit, \$.....
Owes, \$.....Past Due, \$.....
Pays
Other Information:

attempts to pass its credits solely on the ledger experience of fellow merchants, and without subscribing to a mercantile agency. This practice tends to increase the number of inquiries unduly. Such a firm will get a twenty-five dollar order from a concern rated at a million or more. Instead of looking up the rating of the firm they seek to establish the firm's credit strength by means of a trade investigation.

In order to facilitate and at the same time reduce abuses the following rules were proposed at the 1911 Convention of Credit Men.

1. The association blank shall always be used in making inquiries.

2. Each inquiry shall show the amount of the order; and when it is a first order, shall so state.

3. If the inquiry is on a customer, and is forwarded to one with whom credit interchange is rarely carried on, the inquirer shall accompany his communication with a statement of his own experience, and thus encourage the reciprocal exchange of views.

4. Inquiries shall not be made except on orders actually in hand, or on an open account; if investigation is being made with a view to selling an account, a letter should be written stating that fact.

5. All inquiries to be treated confidentially, and under no circumstances shall the subject of the inquiry be informed that he has been inquired about. This is fundamental.

6. All inquiries shall be answered if possible on the day of their receipt; and shall not be simply turned over to a bookkeeper or clerk, but shall pass through the hands of the credit man, in order that special information he may have, not appearing on the books, may be furnished.

A number of wholesale houses in some line of trade might agree to furnish to each other upon application the credit standing of any customer as presented by their ledger accounts. This method has been tried, but the amount of work and the expense connected with it is likely to limit its wide use.¹ It is known as "interchange by direct correspondence." A further development of this same idea is seen in the organization of "credit bureaus by trades."

One of the most advanced plans for reciprocal exchange is that of the manufacturing hatters who sell the jobbing trade. Their entire product is put on the market through about a dozen commission houses. These commission men cooperate in handling the trade. An "actuary" is hired by them to whom all orders and payments are submitted.

In Columbus, Ohio, the grocery men to the number of over five hundred have a reciprocal credit plan. It works about as follows: Each grocer gives the names of all customers, together with all credit information they may possess to the secretary of the grocers' association. This credit data pertains to the amount of the man's worldly goods, to the amount of credit allowed him, to a careful estimate of his moral strength, his business ability, his habits and his attitude toward paying his debts. The range of information is large and often embraces the amount of fire insurance carried by the customer, the social aspirations of the wife and the ability of the family to live within their income.

The secretary arranges all this data into forms for

¹The complaint is now quite general that the number of inquiries is increasing so rapidly that the credit men must be careful about making unnecessary requests or the whole scheme must fall. Some firms report that the number of inquiries has become so large that an extra clerk is hired to give his whole time to handling them.

ready reference. Upon application from members, the secretary answers all questions concerning the credit standing of a customer. For instance, a charge customer having moved from one section of the city to another wishes to open a new account. The new grocer immediately gets in touch with the secretary and asks him how Mr. Blank met his last obligations. If it is found that he is in arrears, credit will be refused until his old debts are paid.

The bureau also collect data pertaining to selling conditions in the various districts, and this with a weekly list of customers who are becoming slow in their payments, keeps the members of the association well informed as to the possible failures and the "dead beats" of the community.

In order to make as few mistakes as possible in judging the customer's credit reliability, the association has appointed a committee whose duty it is to inquire into the condition of accounts of those delinquents who have been prompt in meeting obligations heretofore and have always stood high in the opinion of the credit men. Perhaps it is found that the man is worthy but is the victim of outside influences such as a strike or the prevalence of a contagious disease which prevents him from disposing of his goods. The committee is in a position to lend a helping hand here, and by so doing not only saves the man from failure but saves a customer to the trade. Occasionally the committee upon investigation reports unfavorably. The debtor is striving to "cover up" with the intention of defrauding his creditors. An early investigation of this kind enables the members of the association to withhold further shipment, to collect their accounts and close their relations with the debtor before disaster overtakes him.

The extent of the influence which such an association can wield is indicated by the number of names of customers listed in the bureau. The Columbus association is said to have complete reports on over three hundred thousand people doing business in their vicinity on whom can be given "complete ledger information instanter."

By the establishment of a central clearing house all the information and requests can be centered at one point. Information can thus be tabulated and distributed with a minimum of labor and expense. This seems to be the direction which the newest development of collections and distribution of credit information is taking at present. As each trade has its own specific needs, such as terms of sale, time of shipment and so on, it maintains its own bureau in harmony with its own immediate interests. The limitations of this method may be seen by the fact that each trade is dependent upon a number of other trades in securing a reasonably complete record of orders and indebtedness of a dealer.

Recognition of the fact that information must be gathered from sources outside the particular trade has brought about a still further extension of the interchange system. An example of this development is seen in the Northwestern Jobbers' Credit Bureau, organized in 1905. This is supported by the four credit associations of Minneapolis, St. Paul, Fargo and Duluth, and at present has 160 members made up of jobbers residing in these cities. It employs an inside office force of twenty-one people and an outside force of thirty.

Its purpose is to serve the members with credit information about the trade and to act as a standing body of experts continually on watch to guard the members against losses due to fraud and failures.

Every day each member receives a complete list of

firms about whom inquiries are being made. Each member is expected to respond by giving the information which his ledger contains. The next day the members receive a statement showing the import of the evidence collected. The statement shows the condition of the debtor's indebtedness since the last statement was issued and the number of times and by whom he has been denied credit. No names are used. The information is issued in key form. However, a credit man familiar with the account and the conditions surrounding it can easily locate the larger accounts.

One unique activity of the Jobbers' Bureau is in connection with trusteeship and bankruptcies. Under its administration the trusteeships have paid on an average of 65 per cent, while bankruptcies have averaged about 40 per cent.

Another feature of the bureau is the provision by which an expert will be sent out to investigate a customer's business affairs for a member. This service costs the member requesting it \$10 a day and expenses. If the report is favorable to the firm investigated no publicity is given to it, but if the report shows that conditions are not satisfactory a representative of this bureau takes charge immediately. In case of bankruptcy no preference is given the members but all creditors are treated alike. An average of about six months is required to liquidate a business. The manager of the bureau has a list of about 400 prospective buyers to whom he applies when trying to dispose of bankrupt stock, private sales being favored as they are more successful than public sales.

The magnitude of the business which goes through the bureau's hands in this connection is seen in the figures which represent the average values distributed for each

month, during the years 1910 and 1911. These averaged \$34,000 per month for 1910 and \$49,000 per month for 1911.¹

The goal of many credit men is to supplement the trade bureaus with a "central clearing house." Other credit men think that the extra expense and the many difficulties in the way of providing a uniform handling of the information make this method impossible in practice. They would offer as a substitution an independent corporation to take charge of the collecting and distributing of the inter-trade information which pertained solely to the ledger experiences of the various firms. Being independent of all trade connection it could not be accused of favoring any particular trade.

52. *Advantages of interchange system.*—The following advantages are claimed for an interchange system: (1) It offers a means of studying a customer in the light of two ledger accounts—his own and his competitor's.

(2) Much valuable information not directly sought comes to a firm, often anticipating the need.

(3) It helps to put a check upon a dealer's tendency to overtrade. Some buyers make a practice of paying their bills promptly to the firms from which they wish "a reference." With a good record of this kind they purchase heavily of other firms. Under the interchange system, this increased indebtedness can be detected and the person's line of credit limited accordingly. The system offers the same protection against fraudulent overbuying—that is, buying a large stock preparatory to a bankruptcy.

(4) The collection department is helped by a knowl-

¹ Bulletin, National Association of Credit Men, July, 1911.

edge of the trader's entire obligations. Merchants are often overtaken by calamities not within their control, but if allowed time they may be able to right themselves. Some one creditor by forcing his claims might at this time ruin all chances for his recovery. If all the creditors work together they may not only save a hundred cents on the dollar, but a good customer for the future.

(5) A strong moral influence is exerted over the mind of the trader. He knows that his shortcomings as a business man will be published over the whole field from whence he expects to get credit. It gives a strong support to the maxim that honesty is the best policy. As a further aid, the customer's statements can be verified by comparing his own estimation of his liabilities with the bureau's estimate as compiled from the ledgers of the interested creditors.

53. *Banks as sources of information.*—Among the indirect methods of getting credit information are the local banks and local attorneys. These sources are open to all the different mediums for collecting information. The various firms consult them directly, and the general agencies find them valuable aids in supplementing the work of their reporters. These banks and these attorneys are not of equal usefulness to the credit man. The position of the two and their relations to the commercial community are very different. Often the local banker and the distant jobber may have interests very much alike in the business of the merchant. The merchant may be a borrower at the bank and may wish credit from a distant wholesale house. This possible and generally probable connection between the bank and the merchants of a town leads the wholesaler to look upon bank references as of little value. They divide the bank's attitude into three classes depending upon cir-

cumstances. If the bank holds the notes of a local merchant and he feels that a contraction of the merchant's credit might endanger his business, the banker is not likely to express an opinion unfavorable to the merchant. In case the merchant is a good customer of the bank, the latter would naturally recommend him for accommodation, while another bank in the same town would report the man as unworthy of any consideration when it came to giving him credit. This bank would probably not be handling the business of the merchant in question.

Perhaps it would be well to mention at this point that at present the weakest part of the credit system shows itself here. There is practically no credit interchange between the bankers themselves, while the recognition of the good that would come from an interchange of credit information between banker and merchant is also still among the "things hoped for."

54. *Attorney-at-law.*—The attorney-at-law, on the other hand, is in a position to render valuable services to the credit man. He is in a position both by training and profession to become acquainted with and to weigh the facts of business in his locality. Then, too, his relations to the community enable him to use this information without violating any trade confidences or without prejudice to his own business interests. Especially well qualified is he to report upon the results of litigations and other legal matters which are important in determining the credit standing of a merchant.

In cities which are large enough to afford an extended amount of business, law firms have found this class of commercial business so profitable that they have installed a special department to handle the gathering of credit information. The files of such firms are becoming rich

with accumulations of credit data. Some years ago credit men kept card indexed lists of attorneys for purposes of credit reporting, but this method has been superseded recently by "law lists" published by responsible houses. The lists are revised frequently, and lawyers whose names appear are under contract to act as agents for supplying credit information to firms which apply for it.

THE NATIONAL ASSOCIATION OF CREDIT MEN.

41 PARK ROW, NEW YORK.

On.....

Dear Sir:

Your name appears on our list as having represented us, or as being ready to look after our interests, should occasion arise requiring your services.

Inclosed, therefore, please find one dollar, for which kindly send us confidentially as complete a report as possible on THIS BLANK on..... especially answering the various questions specified. DELAYED REPORTS ARE OF NO USE, THEREFORE BE PROMPT, PLEASE. DO NOT DISCLOSE OUR NAME AS INQUIRING. File our name as being interested in above business, and advise us at once of any change affecting his or their financial standing. Yours truly,

Name..... Town.....
 County..... State.....

Full names of all Partners. { Nationality? Age? Married?
 Nationality? Age? Married?
 Nationality? Age? Married?

Form 19.— Attorney's Report Blank.

How long in present business?.....
 What amount of capital invested?.....
 Ever failed?..... When?..... How did they settle?.....
 Ever been sued?.....
 Ever asked extension?..... Is there any evidence of overdue indebtedness?..... If so, of what kind and amount?.....
 Reputation good, fair, or bad for ability?.....
 Honesty?..... Promptness?..... Is he doing a good business?..... Location relative to business center?.....
 Is stock in good condition?.....
 Your estimate of amount of stock carried? Of whom does he buy goods if you know?.....
 Is it insured?.....\$.....
 Value of Real Estate above exemptions and incumbrances?.....\$.....
 Value of other assets?.....\$.....
 Your estimate total net worth above all debts, exemptions and incumbrances?\$.....

REMARKS.

Any answers which cannot be made in above spaces kindly indicate by some mark and amplify here.

.....

Attorney's Name.....

CHAPTER VI

CREDIT PROTECTION

55. *Efforts to secure protection.*—In a certain sense the general and special agencies, as well as the various means of gathering information, are only different ways of securing protection. These methods are evolved from the inside relations of the creditor and his customers, and as such form a distinct portion of the credit system. In order to supplement the agencies already existing and to impart strength to the whole structure of the credit system, certain other means have been devised which act as props from the outside.

On account of the nature of the credit one is not surprised to find the principle of insurance applied in this field. The credit indemnity companies supplement the commercial agencies in two respects: (1) They provide against uncalculable losses by applying the theory of averages to the field of credit extensions; (2) they aid the dispenser of credit by adding to the information of the customer that information which comes from a close investigation of the creditor's business also.

Every form of business is subjected to the losses incident to the uncertainty of the future. To remove this element of uncertainty from man's calculations, the institution of insurance was devised. So we have marine insurance, fire insurance, life insurance, burglary insurance, accident insurance, old age insurance, laundry insurance, and so on. As soon as any branch of business

or human activity involving risks becomes extended enough so that large numbers can be used in a combination of these risks, a new form of insurance arises to overcome the economic disadvantages of the particular uncertainty peculiar to this branch of activity.

The principle which underlies all forms of insurance is the same. The difference lies in the character of the data which enters into the averages. If we have accurate statistics of fires for a term of years and take the number of fires with a given number of houses during that period, we get an average. Nothing is more uncertain than the specific loss which will occur in any particular group; but, on the other hand, nothing is more certain than the average loss on all risks.

56. *Credit insurance.*—In the same way, if during the period of several years, the number of losses due to extension of credit is known, it is possible to classify the losses and arrive at a normal or average loss that a group of commercial houses or any particular house which has a large number of credit customers may sustain in a year's time. Accordingly we have companies which will insure a manufacturer or wholesaler against losses arising from selling goods on credit. The usual method is an investigation by the company of the wholesaler's books to determine what the average loss for the past five years amounts to. This loss must be borne by the firm itself. The company considers this loss as within the realms of certainty, and insurance has to do with uncertainty. Therefore it is only the losses in excess of this "initial" loss that can be insured. The wholesaler will be required to sell to retailers of a certain commercial rating and the premiums charged will depend in large measure upon the grade of rating allowed. Therefore the amount of credit that can be allowed to

any one purchaser is dependent upon the size of the policy and the rating of the debtor.

In illustration of the method, let us assume that a wholesale firm has gross sales of \$100,000, and the normal loss figured over a period of five years is \$1,000 or 1 per cent. The amount of insurance allowed the firm might be represented by a bond for \$2,500, on which there could be an annual premium of \$125 or 5 per cent. In case of a loss of \$1,000 or under during the year, the wholesale firm would get nothing from the insurance company, yet all losses over the initial \$1,000 up to \$2,500 would be recoverable within certain restrictions. These restrictions are regulated by the credit standing and the capital of the debtors of the firm as determined by the ratings of the commercial agencies. Losses sustained from the failure of "rated" customers—those having a capital rating followed by a first or second credit rating—are covered by the full amount (100 per cent) of their debts or perhaps up to an agreed percentage of their capital; while losses on the "off-rated"—those with poor or no ratings—are never covered for more than a part of the loss sustained through them.

57. *Business houses classified by credit underwriters.*—Just as the underwriter determines the class to which each new applicant for fire insurance belongs, so the credit underwriting company investigates the condition of the commercial house to be insured. It must first determine the line of business that the applicant for credit insurance follows. There would, of course, be a difference in the character of the risks connected with a wholesale liquor house and those pertaining to a wholesale hardware firm. The class of customers with whom the applicant deals is the next consideration, and then the business policy of the applicant himself. For the cus-

tomers' standing the credit insurance companies rely in a large measure upon the various agencies which make it their business to collect information. As mentioned before, the mercantile agencies have amassed a vast amount of valuable commercial data and statistics of failures. By these means the "commercial mortality" can be classified according to different trades, localities and commercial considerations. Then, too, the mercantile agencies supply valuable data, all bearing on credit conditions regarding any specific business concern.

Although much can be learned concerning the insurance risk of a wholesale firm by investigating the customers of the house, still the chief basis for determining the normal loss, the per cent and fixed limit of indemnification, and the premium per year, is in the inside investigation of the wholesale house itself. It must disclose from its books the class of customers, the volume of business, the size of the accounts, the terms on which goods are sold, the run of its collections and the general credit policy.

58. *Arguments in favor of credit insurance.*—All forms of insurance must have some economic justification or they will not survive. The economist and the business man have the same tests, but they are expressed from two different points of view. The economist uses the test of utility. He argues that uncertainty results in a lower degree of productivity, or in a smaller surplus of utility, than would be the case were uncertainty lessened or removed. By minimizing this uncertainty it follows that insurance is productive of wealth. The business man reaches the same goal by a like test, only in a very practical way. He asks: "Does it pay?" By this he means, when applied to credit insurance, does it add income to his business and is the cost of adopting

it—the premium—necessary? Are the losses on the average large enough to make insurance necessary?

The indemnity companies claim that credit insurance does pay according to either test. It gives the business man control over his costs. He knows at once what costs are due to bad debts and he can enter his insurance premium upon his books without waiting for the end of the year. By adding this to his other fixed expenses he can ascertain the exact production and costs. Then, too, being secured from any excessive loss, he can compute his profits with certainty. No longer does he need to worry over his book credits. He has exchanged an uncertain expense for a certain expense, and his mind is free to watch the productive part of his business with greater keenness. As he now has some one with whom to divide responsibilities and losses he can increase the sales of his house to the maximum and at the same time keep the losses at a minimum. Although the terms of the bond offer him protection, yet it is only within certain restrictions, and it is for this reason that the credit man is forced to watch his customers' accounts in order to avail himself of better insurance rates, which depend upon a reduction of the average losses.

Much is claimed for credit insurance as a stimulator of trade and a preventive of panics. By giving business men confidence in their granting of credits the more active they become, for with increased confidence come increased opportunities for opening up larger and newer fields of business enterprise. At the same time, however, confidence in doing this is keeping men away from the source of all panics—loss of confidence. Each man feels that his outstanding accounts are secured to him by insurance.

59. *Weak points in credit insurance.*—Many busi-

ness men are not yet satisfied that the claims of the supporters of credit insurance have been realized. For instance, they question whether the normal loss of a large firm for a long term of years, if it has averaged a certain percentage of its gross sales, does not include the very risks that the firm wishes to insure. If it does, then any premium paid for "losses" above this amount is simply an added expense without any return. It is extremely probable, they say, even though in some one year the losses do not exceed this normal amount, that the average of the next five or ten years will be no higher.

The effect of insurance on the credit department is one to be condemned rather than commended, as it either usurps the credit man's place entirely, or by dividing the responsibility weakens his judgment as a dispenser of credit.

In regard to panics it is difficult to imagine an insurance company strong enough to stem the tide of distrust drawn on by a general feeling that the commercial world is overtrading, and a knowledge that losses due to bad debts approximate two billion dollars every ten years.

60. *National bankruptcy laws.*—Laws of bankruptcy are based upon the fundamental relation between creditor and debtor as determined by the law of contract. The theory upon which legal redress is sought by the creditor is based upon the presumption that the debtor has violated his contract.

Early laws pertaining to insolvency were framed upon the presumption that the bankrupt was guilty of fraudulent intention. These were creditors' laws. The development of our industrial system and the greater attention paid to a study of the true relations between creditor and debtor has brought about a great change in the object of bankruptcy laws and the scope of their

application. The tendency of modern legislation in this respect is toward the recognition of the fact that the creditor is a risk-taker in a business along with the debtor. Modern laws therefore do not concern themselves primarily with fraudulent practices, but with the equitable distribution of the assets of an estate among all risk-takers—the creditors principally—but the debtor, too, is included.

The changed attitude of the present day merchant as contrasted with former times when men were easily imprisoned for debt is seen in the report of the Committee on Bankruptcy presented at the 1911 meeting of the National Association of Manufacturers. It says: "The business world is inclined to believe that the average man is honest and that the greater proportion of those men who suffer failure in business are entitled to release from their obligations through the due process of law, and especially if the courts and the creditors are convinced that no fraud exists."

Only brief reference can be made here to this phase of the subject, although every credit man should know the provisions of this law, not only that he may the better know his legal rights and limitations, but that he may support the principles which are embodied in the law. The protection of the law against legislative attack is distinctly the obligation of the credit man. What the national bankruptcy law means to the credit men of the country may be seen by contrasting the condition before and after the legislation of July 1898, when the present bankruptcy law was passed. On several occasions before 1898, Congress enacted bankruptcy legislation, the chief acts being those of 1800, 1841 and 1867. All of these were short-lived and were brought about because of wide-spread commercial disaster just previous

to those dates. Relief was sought by legislation affecting the relationship of creditors and debtors. The absence of national bankruptcy laws put the administrator of debts under the control of the individual states. Therefore each state had its own system of bankruptcy and no two were alike. The only restriction put upon the state legislation was the federal constitutional provision prohibiting any law which impaired the obligation of contracts. The creditor who lived outside the jurisdiction of any state had two great disadvantages. One was that each state gave preference to the local creditors and the other was that many exemptions were allowed the bankrupt. The latter was not removed by the National Bankruptcy Act of 1898 nor its amendments of 1910, for the debtor whose estate is administered in bankruptcy is permitted to avail himself of such exemptions as are allowed in the state where he has had "his domicile for six months or the greater portion thereof immediately preceding the filing of the petition."

61. *Advantages of the present law.*—The following list of advantages which are claimed for the present Bankruptcy Act may show more fully by the contrast what the disadvantages were:

1. The prevention of preferences.
2. The excellent influence of the law in enforcing concert of action and mutual terms of settlement without recourse to legal proceedings.
3. The expeditious adjudication of bankrupts, as distinguished from the tedious and expensive processes common to state courts.
4. The election of the trustee by the creditors.
5. The examination of the bankrupt by creditors.
6. The adjustment of bankruptcies through compositions with the knowledge and under the direction of the court.

7. The prompt administration of estates and an avoidance of the usual delays in litigation.

8. The use of contempt proceedings to effect the recovery of property.

9. The institution of auxiliary proceedings to reach property lying in different states.

10. The sale of real estate clear of liens.

11. The settlement of the affairs of corporations in bankruptcy in the interests of creditors and stockholders.

12. The reduction in expenses incident to failed accounts, notably in the case of attorney's fees.

13. The acquirement of increased dividends from insolvent estates.

14. The punishment of fraudulent bankrupts.

15. The administration of insolvent estates wholly in charge of creditors interested.

62. *Meaning of recent amendments.*—Practically every trade organization in the country, wholesale, retail, board of trade, chamber of commerce, travellers' association and the like, was represented in the fight of June, 1910, to amend the Bankruptcy Law. One faction wished to repeal the law, the other wished to amend it. The amendments that were finally passed were suggested by defects in the law growing out of experience in the practice under it and the decisions of the courts bearing upon the administrative features that could not have been anticipated when the law was first made.

The amendments passed were as follows:

(1) Regulation of receivers' fees.

(2) Ancillary jurisdiction.

(3) Broadening of the law as it affects bankrupt corporations.

(4) Opportunity for composition before adjudication.

(5) Authority given a trustee with the consent of creditors to oppose a bankrupt's discharge.

(6) Making the obtaining of property on credit upon a false statement in writing given to a third person, a bar to discharge.

(7) Widening of the definition of preference.

(8) Compulsory notice to creditors before a bankruptcy proceeding can be dismissed, or bankrupt discharged.

(9) Giving to the trustee the rights of a levying creditor as against unrecorded chattel mortgages and other instruments of transfer.

The amendments bear strongest upon the subject of compensation of receivers and trustees. Previous to this time, men who were custodians in a way, received what was subject only to conditions surrounding the case and the disposition of the court. The first amendment therefore provides for an exact regulation of the fees of trustees and receivers.

Another amendment of importance allows corporations to become voluntary bankrupts. This was previously prohibited. The change also allows creditors to proceed against corporations and put through involuntary bankruptcy. This will, among other things, avoid long receiverships.

The amendment standing third in importance provides an opportunity for composition either before or immediately after the adjudication of bankruptcy by the court. This composition is only possible after the court itself, as well as the creditors, is fully satisfied that good faith has been exercised by all parties concerned, and that statements that have been made by the debtor to the court are honest and complete.

Another amendment also makes it possible for the

trustee in bankruptcy to oppose the final discharge of the bankrupt, if he is able to show proof that a false statement has been made, or that fraud has been practiced in any way. Before this amendment was passed it was generally conceded that the trustee often was in possession of evidence pertaining to the bankrupt which was not obtainable by the creditors.

The amendment in reference to "preference in bankruptcy" is also worthy of special mention. This refers more particularly to chattel mortgages, trust deeds, etc., which have been in existence but have not been filed. This amendment defines at what period of time this preference shall become operative, and then gives the creditor an opportunity to exercise the common law as well as the law of bankruptcy in dealing with the preferences.

63. *Future of the Bankruptcy Law.*—The future development of legislation pertaining to bankruptcy will be along lines of bringing the present law into harmony with administrative conditions. Many large trade organizations such as the National Association of Manufacturers and the National Association of Credit Men have adopted resolutions which show the opinions of those most interested and which direct the way for future legislation. In these resolutions it is declared that the working of the bankruptcy law as amended by Congress in 1910 is highly satisfactory and that they (the organization) pledge themselves to strive to keep the law in force and to assist in further amending the law as may be required and as it becomes necessary under changed commercial conditions.

The opposition to the law is chiefly due to the bad administration in carrying out its provisions rather than to any objection to the provisions themselves. Realizing

the justice of this objection, the credit men's associations of the country are giving special attention to the proper administration of the bankruptcy law in their own localities. For example, the associations of New York State are trying to cooperate with trade organizations with reference to forming a list of bona fide credit men who would be willing to act as receivers or trustees in bankruptcy when chosen by the judges of the court in their respective districts. Furthermore, the national association is striving by every means in its power to gain the cooperation of trade organizations throughout the country in watching the administration of the law as it now stands. The national office has established a special bureau, the Bankruptcy Law Department, which is prepared to answer all questions pertaining to the act. Through this bureau, members can investigate any matters of seeming irregularity, and learn authoritatively their rights under the law.

The greater uniformity in dealing with debtors brought about by the National Bankruptcy Act was a decided aid to the credit men of the nation. It removed in part, at least, many of the differences and burdens which the separate state legislations had imposed upon the credit departments. This lessening of the legal difficulties has given the credit men more opportunity to apply their energies to the solving of those economic problems which are inherent in the very nature of trade and which are so directly connected with the credit department of every business house.

64. *Credit men's associations.*—The first thing we must recognize in the beginning of a new movement is the disadvantage in carrying on any form of activity without adequate organization and cooperation. While cooperation has been more or less evident in the various

divisions of economic activity, such as is seen in coöperative production and distributive societies, and in the corporate management of large financial undertakings, yet in the field of exchange there has been very little progress in this direction. It is due perhaps to the fact that effective coöperation could not be introduced here until business men were willing to trust their competitors with trade knowledge, the secrecy of which had been considered the one absolutely essential requisite of every business. To trust a competitor with information which disclosed the standing of a customer might mean that you were surrendering to an enemy a knowledge of that customer's strong and weak points which had taken one year to acquire. But experience showed that the great selling houses had much in common. The creditors were natural allies. The opponents of the National Bankruptcy Law were the debtor communities and not the creditors, and it is now being more and more clearly seen that the safety of all creditors may be more firmly secured if each creditor will add his experience to that of the others, and in this way create a cumulative fund of credit information—a fund that may be drawn upon by all and used as a preventive against bad debts. The Bankruptcy Law helps in the more equitable distribution after the failure, while coöperation among credit men helps to prevent the failures.

65. *National association.*—The organization which stands sponsor for this newest form of coöperation is the National Association of Credit Men. This association was organized in 1896 at Toledo, Ohio. It was an outgrowth of the discussions at the World's Mercantile Congress in June, 1893, which was held under the auspices of the Chicago Exposition.

There had been various associations prior to this, such

as credit companies or bureaus for the exchange of information, but the scope of operations was limited. Still these formed the basis for the national organization and are to-day branches of the national organization, and many of them yet carry on the functions of a credit clearing house, while the national organization of credit men confines itself to the broader field of formulating and directing the principles of credit in general. The objects of this association are summed up as follows:

1. The organization of individual credit men and of associations of credit men into one central body.

2. They purpose to render a more uniform and firm basis for granting credit in every branch of commercial enterprise.

3. They seek to reform the laws which are unfavorable to honest debtors and creditors.

4. They demand new laws beneficial to commerce.

5. They seek to improve the methods of gathering and disseminating data in relation to credits.

6. They wish to amend business customs to the benefit of all commercial interests.

7. They wish to provide "a fund for the protection of members against injustice and fraud."

These objects have been worked for with zeal. There has been considerable success in the spreading of information and the creation of a more friendly feeling between the various commercial interests. Through the efforts of the association the attacks against the National Bankruptcy Law were thwarted, while the efforts toward constructive legislation have been rewarded by many advanced national and state laws.

The growth of the Association has been phenomenal. Its membership in 1911 was over 14,400, and some of the local branches had over 1,000 members. The

annual meetings are marked by the number of discussions and papers pertaining to the education of business men in this department of commercial activity. As an educational center for credit men the Association performs its most useful function. The business literature is made up of valuable articles, pamphlets and addresses published by a department established for this purpose. These publications embrace many subjects outside of credits. We find among them the following: Accounting and bookkeeping, banks, bank credits, bankruptcy law, business abuses, business principles and customs, trade conditions, terms, datings, and discounts, elements of credit, and fire insurance and its relation to credit.

The credit departments of all branches of commerce are trying to strengthen themselves in other directions by organization. The heavy risks attached to the extension of credit under a broad and extensive commerce have called into existence the institution of credit insurance. Although the benefits of this protection are not generally acknowledged by credit men, many of those against it base their objection upon the practical and incomplete workings of the institution rather than upon the principle of credit insurance.

In securing national bankruptcy legislation great advancement in the establishment of uniformity in the legal relations of both creditors and debtors has been made. In some respects this has proved to be the greatest gain which the commercial world has received from any quarter. It marks a distinct advancement in commercial development. Much credit, however, for this must go to the third factor as represented by the National Credit Men's Association. By persistent efforts the credit men have organized into a body whose influence is national in character and which serves as a rally-

ing point for all movements which make for commercial security and stability of credit.

66. *Importance of credit men's associations.*—Every department in a system or organization pertaining to business has two important relationships. One has to do with the outside or allied interests and the other with the various departments of the organization itself. The credit department is no exception. It is indirectly connected with the whole field of exchange from the outside, and it is closely associated with the selling departments, the collection, and accounting departments of its own business. It has already been shown how closely the credit departments of every line of business are being drawn together. The greatest achievement along the lines of cheapening the costs of production has been accomplished in the great industrial divisions of the making and the transporting of goods. The principles of combination and coöperation have given the modern industrial system a great advantage over all preceding systems. It now remains for the business world to apply these same principles to the field of exchange, and it appears that the points of nearest approach at present between the various business units lie in the credit departments of each individual concern. The losses due to "bad debts," and the great expense necessary to provide credit protection even in ordinary transactions puts upon the business concerns of the nation a burden and an expense similar to that borne by transportation when the mail coach was the chief means of sending goods across the frontiers. The credit men's associations are doing much both by precept and example to draw the commercial interests together in the field of exchange. They are "weaving a mesh of tough fibre, confidence, which permeates the entire crystallized structure of our

commercial body, giving strength and cohesion to withstand a strain."

67. *Relation of the credit man to the firm.*—The man who organizes a business, raises the capital and takes the initial risks in any venture, is generally called the entrepreneur, or undertaker of the enterprise. One of his chief concerns in deciding upon the undertaking is the nature and extent of the demand for his product. Having once decided upon this in a general way and having established the business, it then devolves upon the various officers of the concern to carry out the details of the operations. The market still remains a determining element in operating the firm as it was the determining factor in establishing the business. If the enterprise succeeds, this will be due in great part to the departments which deal with the people who demand the goods. In this respect the sales department is very important. The salesman has been called the firm's "other image"—the selling force of a house being its sole outside representation. In the same way a good collection department is a source of strength in determining the success of a business. But the latter must meet the public in the guise of an adjuster rather than as a promoter, and as a consequence the success of a collection department often depends upon the amount of salvage that can be rescued rather than the "profit on account" to be accorded him. The salesman gets the trade, the collector must get the money. The department which stands between these two is the credit department. Its manager must supply the judgment necessary to keep the sales at a maximum and the losses at a minimum. This relation to the public is of very great importance.

In adopting a system for handling the data of a credit department these fundamental considerations must be

the guiding lines. In applying the principles in practice, the character of the business, its size and the many local conditions must determine the details. It may be said in general, however, that the system should take care of the routine of the department mechanically and leave the credit manager free for the weightier affairs of his position. The outlines of the system will connect the bookkeeping, the selling, the order and collection department with the credit department.

The system must care for data of two kinds: (1) Outside information, such as agency reports and so on, and (2) inside information as gathered from the correspondence, the ledgers and the records of the collection departments. The purpose of any system is to provide in the shortest time possible the necessary information and to ward against carelessness on the part of the credit man himself by warning him automatically of dangerous accounts or doubtful customers. How this is done in the case of a wholesale house may be suggestive, but it is not given for all kinds and conditions of businesses.

68. *An illustrative method—the mail, index cards, etc.*—Most credit men desire to begin their business day by learning the contents of the morning's mail. The method of opening and sorting the mail will depend upon its size. In a large department store, for instance, it may be necessary to bring only one class of mail before the credit man—the letters or orders—of new or doubtful customers. In other lines of business the credit man deems it his duty to open and classify every letter himself. There seems to be a happy medium between these two methods, which saves the credit man the burden of routine and at the same time keeps him in touch with the changes and movements of the business. From the

incoming mail he gets information regarding the state of collections without consulting the ledgers every day; he can see what customers are taking advantage of discounts, and which ones are not accepting the drafts drawn on them; he also sees what new orders are sent in without considering the many reports from the sales and other departments; while in general, the latest news affecting business conditions, complaints, etc., are gathered from the incoming mail.

One system which has proven successful provides for the opening of the mail by a clerk whose duty it is simply to write upon the letter the index number assigned to the writer. An index number is given to every customer of the house upon receipt of a first order. The numbers are consecutive and each state of the Union has a series of its own. Thus John Brown of Minneapolis, Minnesota, will be indexed as Minnesota 125; Fred Smith of St. Louis, Missouri, will be Missouri 420. The same number is used throughout the whole filing system. Correspondence, orders, sales, ledger accounts, mercantile and other reports are all classified according to it, and all the forms necessary, such as index and ledger cards and report folders are made out before the new name comes before the credit man. As soon as a number is assigned to a customer, his name is entered into a book and the index number is written opposite it. This serves as a book of reference in case the number is forgotten.

If the credit department is at the head of the whole office and can control the policy and methods of the accounting force, the credit man can carry out his system most effectively. When this is true the card ledger system seems to be the choice of the credit department. It does away with the friction which was common when books were called for under the old bound book ledger

system. In a large business these books must be in constant use in the accounting department. A card can be taken out without interfering with the work of the bookkeeping department, while at the same time the account is in a form to be easily handled. On this ledger card are the usual debit and credit entries with a column where the balance is indicated. It shows the condition of the customer's account at a glance. Other items show the terms on which the goods were sold to him and his rating. A third division of the card will prominently display in brief form the data abstracted from all the various sources which may have been used regarding the man's character, capacity and capital. The brief is revised or added to as new information comes in.

Some firms use differently colored cards so that at a glance some information of vital and constant importance may be conveyed to the credit man. For example, the regular ledger cards are white, but two other colors are used to indicate special data. A blue card containing the same data replaces the white card in the file when for any reason credit has been refused a customer. This card is never changed back to a white card again. Either a white or blue card may, however, be substituted by a red one. This is only done when a customer's account is placed in the hands of an attorney for collection. The color of the card is never changed again even though a new account be opened with the former delinquent. It stands as a perpetual warning to the credit department that at one time a fatal weakness was displayed by the firm.

That there may be as little delay as possible in filling new orders, many are turned over to the sales department upon the high rating given in the mercantile agency books, and the more detailed information is

looked up as soon as possible. Inasmuch as a large percentage of orders is taken by traveling salesmen several months before shipment is necessary, the credit department has ample time in which to make a thorough investigation before the date of shipment. To avoid the expense of filling orders that may be held up by the credit department, a memorandum of the estimated amount of all orders for future shipment is sent to the credit department just prior to the filling of such orders.

The close connection between the credit department and the other departments is best shown in the filling and shipping of an order and the collecting of payment. After the order has been passed by the credit man it goes to the invoice clerk, who makes four copies. Two copies are sent to the billing clerk, who holds them until the goods are ready for shipment. The third and fourth copies are sent directly to the warehouse. One is retained by the warehouse as a receipt and the other is sent back to the accounting department to serve as a source from which to post the ledger. When the goods are shipped, the billing clerk disposes of the two copies in his hands by sending one to the collection department and the other to the customer as a bill. The one sent to the collection department is divided into two parts by a perforated line. The information on the two parts is so arranged that one section can be filed away according to its numerical order number for future reference, while the other section, which contains information suited particularly to the collection department, is filed away in such manner that it will make its appearance "automatically"¹ on the date and day of the

¹ According to Mr. Montgomery Rollins a "tickler" is "a book in which all debts due to a banking institution (or anyone) are entered, together with dates of maturity, so that failure to present for payment at the proper time may not occur. It is a reminder."

dating. It is the "tickler"¹ of the collection department.

69. *Collection methods.*—The policy of a collection department must be in harmony with the credit department. This is often brought about by putting the credit man in charge of both. The methods pursued in making collections must be as varied as those pertaining to the granting of credits. Retail customers differ from customers of wholesale houses. The "business-like" methods practiced in the collection departments of wholesale houses would not be applicable, as a rule, in dealing with debtors in the retail trade. The latter must be carried on with a due understanding and consideration of human nature.

But there is one policy which is universally applicable to all collection departments. No matter whether it is in the retail or wholesale trade, customers should be trained to make prompt payments. Especially does this apply to the installment house where the collection department forms the backbone of the system.

There may be three or four steps in the collection of a debt. The usual procedure is first to send a statement on the day on which the debt falls due. If this does not meet with an acknowledgment, a letter is generally written asking for payment. This is a critical point in the procedure and all the tact in the possession of the department is needed. The object of the letter is of course to bring about a settlement without losing a cus-

¹ Suppose the order was shipped July 1, and the terms are thirty days net. This slip will be filed in the "tickler" thirty days ahead. Accordingly on the first of August the attention of the clerk in charge will be called to this account. He then consults the ledger and ascertains whether the bill has been paid or not. If not, a statement is made out in duplicate and one is sent to the customer; the other is filed ahead again for a period of ten days. The account is now definitely on its way through the collection department.

tomers. The correspondence should at least encourage customers to be frank and open with the house and let it know where he stands regarding the account. Circumstances must govern the procedure from now on, but at no time should a firm depart from a dignified attitude. A common practice is to send the customer a draft expecting him to accept it. This was a very efficacious method at one time, but the awe which the method inspired in the country merchant has somewhat disappeared. When the unhonored draft is returned, some collectors use the telegram to good advantage. A sharply worded message expressing surprise and demanding immediate settlement is sent to the delinquent. The chief virtue in all of these methods is that they impress the customer with the fact that the creditor is actively vigilant and desires to do things in a business-like way.

Before the final appeal to the law is taken many houses make it a practice to send the credit man to the debtor to seek by a personal interview the true condition of affairs. Often such visits prove of the utmost value not only to the house, but to the customer. The larger experience of a broad-minded credit man is brought to bear upon a situation that may have proved to be too complex for the local tradesman and by kindly advice and helpful suggestions a falling trade is put upon its feet again.

If no satisfaction can be secured by pacific means, the account is put into the hands of an attorney for collection. It is at this point that the red card supplants the white card in the ledger file and stands as a "red flag of warning" to the credit man whenever this account is approached in the future.

70. *Suspended accounts.*—When accounts have assumed such a character that their worth is questionable,

they are separated from the regular accounts and put in a class by themselves. They are known as "suspended accounts." The name indicates their nature. They are held in suspense awaiting developments that will warrant some definite disposal of them.

When an account is given to a lawyer for collection the value of it is diminished as an asset. Conservative business policy dictates that such an account should not be reckoned at its face value. Before charging the account to profit and loss it is segregated from the good accounts in order that its character may not be misunderstood, and put into a suspense account where an approximate value is put upon it until the outcome of the attorney's action definitely decides its true value.

In large firms suspended accounts are given a separate and special treatment by the credit department. The card system is recommended by many as the best method for tabulating data in an orderly and convenient manner. In conjunction with this the correspondence is cared for by a folder system.

Not only does it pay to give adequate attention and care to debtors who have failed to meet their obligations because much more is realized from them, but the information gained under the pressure of the collection department becomes a valuable guide in granting future credit to any such firm as may again apply for it. If the credit man does not sufficiently investigate his bad debts, he will always be in doubt as to the real cause of the debtor's failure. Was it an honorable failure from which the man emerged with an unstained character, or was it a failure due to lack of moral stamina? The files of the suspended accounts should disclose the answer.

71. *Analysis of credit information.*—The supreme

test of a credit department's efficiency comes when it must analyze the information that has been laid before it. It is then that the credit man must bring into play all of his natural ability and experience. The broader his knowledge of human nature and the more constant his contact with the men in the trade, the easier it will be for him to detect pitfalls into which untruthfulness, carelessness or incapacity might lead him. But even after he has decided the character and capacity of the customer asking for credit, there is still the necessity of clearly comprehending the financial statement which he presents to the credit man. The latter's knowledge of the trade and its tricks will be of special aid to him in this connection. He can the more surely estimate the merchant's paying power because he knows the quality and permanency of the demand and the rate of turnover pertaining to this particular line of goods. The relation of the assets to the liabilities assumes, therefore, an imposing place in directing the decision of the credit man. In order to analyze a statement critically with this point in view or to examine a customer's books for this purpose, the credit man could bring to his assistance no greater aid than a thorough knowledge of accounting. Each particular trade has its peculiarities, and a credit man in sending out statements to be filled in by prospective customers shows his suspicions by the questions he asks. A knowledge of accounting enables him to pick out the weak and hidden places in the report when it is filled out and returned. It is a common thing in business circles to speak of the exaggerations and misrepresentations presented in the balance sheet. According to Professor Bolles, the man unfamiliar with the science of higher accounting should ask the following questions when analyzing a statement:

(a) Is the capital sufficient and has it been contributed in cash; if not, what does it represent?

(b) Who constitute the firm, and do the partners understand the business?

(c) Has the stock been taken in at a fair figure and has due allowance been made for depreciation? This is very necessary to ascertain in large manufacturing concerns.

(d) What about accounts and bills receivable? Has due allowance been made for doubtful credits and have bad debts been written off or provided for?

(e) The liabilities of the firm should be carefully examined; are they heavy; are they continuously large; to whom and what for?

To this list, Mr. Thorne, in his paper on "What the Statement Means to a Credit Man," would add:

(f) Is the buying legitimate in amount?

(g) Do they carry other lines beside their principal business? If so, where does the capital come from?

If the credit man can induce the customer to give him such a detailed statement of his financial affairs, he has something tangible to work upon. He asks what property has the applicant which is unincumbered and in good shape; what is the cost of his merchandise; how much has he owing him in outstanding accounts; how much cash has he on hand and in the bank? What is a conservative estimate of his plant and machinery? The sum of all of these items will give him his active business assets. Then the credit man examines the other side of the statement and searches it with the following questions in mind: How much does he owe for merchandise? What is the amount of borrowed money, either from the bank or from individuals? What is the

amount and nature of other obligations? When these items are added together the liabilities are exposed.

In order to determine the basis on which to lend to this customer the credit man must deduct the sum of the liabilities from the sum of the assets. The surplus represents his active capital. It is very essential to make a careful comparison of a firm's debts or liabilities with its assets.

Mr. Marshall, president of the New York Credit Men's Association, in his excellent paper on "The Credit Man" gives the following illustration in which are compared the statements of three business men having the same capital in their businesses:

<i>Assets.</i>	A	B	C
Machinery .....	.....	.....	\$10,000
Merchandise	\$10,000	\$20,000	10,000
Accounts	5,000	15,000	10,000
Cash	5,000	1,000	10,000
	<u>\$20,000</u>	<u>\$36,000</u>	<u>\$40,000</u>
Liabilities .....	.....	16,000	20,000
Capital	\$20,000	\$20,000	\$20,000

Apparently these three men are in the same financial position. Each has \$20,000 capital. It is only when the nature of the assets is examined that the true position of each is revealed. A, who has no liabilities, but has \$5,000 in the bank, is unquestionably much stronger than either of the other two in so far as this one item is concerned. When in comparing the accounts, it was discovered that A's accounts could easily be collected when due, but that B's and C's contained a large proportion of bad debts, many of them having been carried long beyond the period of "reasonable doubt," the

credit man would again decide that A's statement is the stronger one on which to give credit.

The same test might be applied to the item of merchandise. If A had on hand a commodity for which there is a constant and large demand, that is, goods which might easily be turned into cash on short notice and at a price very close to the appraisal in the statement, there would be no need to hesitate on the part of the credit department in extending a liberal credit to this man. On the other hand, if B's merchandise statement is a valuation upon a novelty of doubtful demand or if it includes a good deal of old stock, the \$20,000 would need to be much reduced before a reasonable credit basis is reached. For it is quite evident that the cash on hand would not go far in liquidating the liabilities while the nature of the accounts would not warrant their acceptance at the stated value. Therefore, to meet the liabilities on short notice, at least part of the merchandise must be disposed of. B. is in a better condition than C. He is at least solvent.

With C, the relation of the liabilities to the assets and the nature of these items discloses a very unsafe basis for the giving of credit. He has \$20,000 of liabilities that must be paid. He cannot pay it out of real estate unless he sells it. He would be compelled to dismantle his plant and hence disrupt the whole business should he attempt to realize on his machinery. If the general experience is to be relied upon he could not collect all of the outstanding accounts. But even if the machinery, merchandise, real estate, and accounts were disposed of at a forced sale, the amount they would bring in would be far below the book value as represented in the statement. In reality, C is practically bankrupt.

Therefore it is seen that although these men may be rated the same, it is the credit man's duty to ascertain the nature of the capital. As a general proposition, says Mr. Marshall, a man whose liabilities exceed 50 per cent of his assets is not in a healthy business condition.

QUIZ QUESTIONS

PART I ADVERTISING

(The numbers refer to the numbered sections in the text.)

CHAPTER I

HISTORY OF ADVERTISING

1. What effect did the increased production of goods have on advertising?
2. Define advertising. Why did not the cobbler of the 17th century need to advertise?
3. What was the most primitive form of advertising?
4. How did the mediæval trader announce his wares?
5. Give some early examples of the use of "sign-boards."
6. Why was handwriting used so long as a means of advertising?
7. Name some forms which advertising signs take to-day.
8. What country produced the first advertisement of a commercial nature? What products were the subjects of early advertising?
9. What products were advertised during the earlier periods of American history?

10. How did Franklin meet the competition of an old established magazine?

11. Why was advertising backward in its development after the making of goods became cheaper and great quantities were easily turned out?

12. What great force helped to raise the standard of living during the 19th century?

13. What effect has the extension of markets and the scattering of population had on the development of advertising?

14. Has the attitude of the newspapers toward advertising changed since 1666?

15. What was the attitude of the early magazines toward advertising?

16. How does the advertising space given to advertisements by magazines to-day compare with the issues of 1860?

17. How do the magazine publishers answer the government's claims that the postal deficit is due to the carrying of magazines filled with advertising?

CHAPTER II

PSYCHOLOGY OF ADVERTISING

18. Why do business men often have a prejudice against the study of psychology?

19. How would it help the advertiser to know that the mind was quite mechanical in its actions?

20. Is the advertiser interested in individual characteristics or in the general standards, ideals, etc., of a community?

21. Which of the five senses is the most important from an advertiser's point of view?

22. Give an illustration showing how the images produced by the sight may call other images into being.

23. Show how the imagination is connected with the motor impulses to buy an article.

24. What two points are to be remembered in connection with imagination?

25. Give illustrations of the points mentioned under Question 24.

26. What does Mr. Deland's story of the rug illustrate?

27. Why should the advertiser appeal to more than one sense?

28. Why is the Victor talking machine advertisement a good illustration of the appeal to emotions?

29. Why should exaggeration be avoided in an ad.?

30. What is meant by rhythm? What connection have our likes and dislikes with the subject of rhythm?

31. Of what practical importance is rhythm to the advertiser?

32. Why should the color tone of an advertisement produce a pleasant feeling?

33. Why should form and proportion be observed in an advertisement?

34. When is our attention employed to best advantage? How is sentence structure connected with rhythm?

35. Criticize from the point of view of an advertisement the sentence structure of the Angelus and Bell Telephone ads. as given in the text.

36. Why should the advertiser cater to the eye's desire for ease?

37. When is the movement of the eye most easily facilitated?

38. Describe Professor Huey's experiment to determine the movement of the eye.
39. What principle is violated in the advertisement of "No. 6"?
40. Why are the more familiar arrangements of words more easily remembered?
41. Which part of a printed letter contains the most characteristics by which it is recognized?
42. Show the psychological point involved in Professor Muensterberg's story.
43. What common fault is found in many ads. which emphasize two or more ideas?
44. When is the power of suggestion most successfully used? What four cardinal points are to be kept in mind? What part does confidence play in a trade mark? What important suggestion is used by patent medicine men?
45. What is gained by repeating an ad. continually?
46. Illustrate suggestion by inference.
47. Name other emotions or instincts which may be worked upon successfully by the advertiser.
48. What help may be obtained from psychological studies in deciding the question of commercial imitation?

CHAPTER III

ADVERTISING TECHNIQUE

49. What relation has typography to advertising?
50. What is the Point system used by printers? What advantage has come from standardization of type sizes?
51. What is meant by the term "type high"? What

is the standard height? Name the chief type sizes under the point system.

52. How is the width of type measured?

53. Why was the letter m adopted as a standard? How would you indicate the length of a line of type? A line of type $2\frac{1}{2}$ inches long contains how many picas? What is the width of a column of an ordinary newspaper? Of the popular magazines?

54. What spaces should be observed in printing? How do the spaces vary in size?

55. Why should the ad. writer at first not try to indicate the sizes of type in which each part of the entire ad. is to be set?

56. What practical means may be used by an advertiser to judge the number of letters for a given space and to select a desirable style or size for the advertisement?

57. What suggestions may be helpful in selecting a proper style of type, etc.?

58. What practical way is open to the advertiser to gain ideas regarding borders?

59. On what basis does an advertiser pay for his advertising space? What is the difference between the regular agate type and the newspaper agate type?

60. What is a "cut"? Name the various kinds.

61. What are the essential instruments and materials necessary for producing a zinc etching? Describe the process.

62. Describe the process of zinc etching.

63. Describe the procedure of making a half tone.

64. What is the best kind of "copy" for a half tone cut?

65. What is the basis of charging for making a zinc cut? a half tone?

66. Of what importance is the "screen"? What are some of the popular screens?

67. How are wood cuts made?

68. What are impression cuts?

69. How long does it take to make a good electrotype? How many impressions should a good one make?

70. What is the difference between the "shells" of an electrotype made of copper and one made of nickel? How is the "lead-mold" produced? What advantages has it over the copper electrotype?

71. If cheapness rather than fine work is desired what process may be employed by the advertiser?

72. What features should be considered from a printing point of view in preparing copy for a magazine? For a newspaper? Describe the Ben Day process.

73. What bad conditions in newspaper printing has Mr. George Hunter tried to overcome?

74. Why should an advertiser know something as to the costs of producing cuts, half tones, etc.?

75. What are some of the important facts about paper which an advertiser should know?

76. What quality of paper should be used for fine half tones? Give some of the common sizes of book paper. What paper is commonly used for colored poster work for out-of-door advertising? What are the usual sizes?

77. To what uses may the advertiser put cover paper, bristol board and manila papers? What advantage may be gained if a proper tint is selected in color work printing? What are the regular sizes of cover paper? What is meant by the word "ply"?

78. What effect has temperature on paper? Which way is paper most likely to stretch? Why? By knowing these things what advantage does the adver-

tiser gain when dealing with the paper merchant? What caution should be observed in buying paper made of wood pulp? What effect does heat and light have on colored papers? Why should bond and linen papers be thoroughly seasoned? What press room conditions should be kept in mind? Name two other precautions that should be heeded by the advertiser in printing upon paper.

79. To properly test paper what apparatus is it necessary to possess?

80. In figuring stock for a booklet what fact should be kept in mind regarding the number of pages a leaf will carry?

81. What bearing has the amount of waste to the size of paper selected?

CHAPTER IV

CONSTRUCTING AN ADVERTISEMENT

82. What strong motives often induce advertisers to violate the rules of harmony?

83. Are illustrations always effective?

84. What considerations are to be noted in determining the amount of space to be used?

85. Which consideration would you place first? How would you use the appropriation upon the space?

86. Compare the relative importance of size of space and expense.

87. Can a goods be over advertised?

88. What kind of goods need the larger space because of their nature?

89. Discuss the relation of space to the character of the publication.

90. How did Mr. Gillam of Wanamaker's store solve

the question of relating the appropriation to the amount of space necessary?

91. Why should an advertising writer be ready to sacrifice cleverness for the sake of brevity? How may forcefulness be gained? How may the sales story be ruined? Why will care in making a lay out save the advertiser expense?

92. What is the chief purpose of making a lay out in mass for an ad.? Describe the method of procedure. Describe a method of testing for type harmony.

93. How should engravings which must be used in a cut, but which do not match, be handled? How are small cuts generally best disposed of in an ad.? How can the white space about a cut be regulated? How should the title placed under an engraving be set?

94. What details should be given to the compositor when a lay out is made for him?

95. How may costly mistakes in the composing room be avoided by the advertiser?

96. What two things are important in determining the form of an ad.?

97. What is a "proof"? What is the cheapest kind? What points should be looked for in correcting proof? What is a blue print and in what class of work is it economical to use it?

98. What are the characters for the following changes in proof: "No paragraph;" "put in lower case;" "take out type or matter with a line drawn through it;" "transpose;" "insert period;" "insert comma;" "two-em dash;" "straighten lines"?

99. What is a "closing day" as used by magazine and newspaper?

CHAPTER V

ADVERTISING MEDIUMS

100. Define the term medium. What is a periodical? What is a magazine?

101. State the chief differences between a magazine and a newspaper from an advertiser's point of view.

102. What influence should the character of the advertiser's goods have on the selection of a medium?

103. How would you set about to find out the character of a newspaper?

104. What qualities are considered of first magnitude in estimating the character of a newspaper or a magazine?

105. Why should a careful study of local habits and customs precede a choice of the evening or morning newspaper?

106. How far should "general impressions" guide one in the selection of a newspaper?

107. How far should personal prejudice govern in the choice? How may a business, a bank for instance, keep in touch with the public's opinion of a newspaper?

108. What is the prime element in the character of a trade journal?

109. What advantages has a trade journal over a magazine?

110. What influences have tended to keep down the standards of trade paper advertising?

111. How are the trade papers attempting to overcome their handicaps?

112. Why do trade papers emphasize "quality" and not size of circulation?

113. Give an illustration of a paper which analyzes the quality of its circulation for its advertisers.

114. Show how it might be more costly to use a high priced magazine with big general circulation than it would be to use a trade journal with small circulation, even though the same amount of money was spent upon it.

115. What influence does the editorial policy have on the character of a medium?

116. What advantage is gained by using concrete illustrations in technical advertisements?

117. Of what is the general nature of "free advertising"? How are "personals" looked upon by the trade?

118. Why is it not considered good business policy to sign an advertising contract for two years or more?

119. According to statistics, how many magazines are furnished per 1,000 of population?

120. How could a population map aid the advertiser? What would such a map contain?

121. What two factors largely determine the advertising rates?

122. Why are the *Ladies' Home Journal* and the *Delineator* considered women's papers? What makes them valuable advertising mediums?

123. What differences can be easily made between the various publications known as general monthlies?

124. Does the editorial point of view indicate a mental state of the readers? How is this important to the advertiser?

125. What important contribution has *Collier's Weekly* made to the advertising practice of the day?

CHAPTER VI

ADVERTISING MEDIUMS (*Continued*)

126. What distinction do advertising men make regarding newspapers as to place of publication?

127. What does the United States census say regarding newspaper co-operative printing?

128. In what section of the United States is the largest percentage of co-operative printing done?

129. Name the chief ready print lists of the United States. Why is the county newspaper important to advertisers?

130. Should the advertiser form a definite plan as to this apportionment of his appropriation before approaching a publication?

131. What three questions arise in deciding upon space?

132. Name in order the positions in a newspaper which the publisher considers important. How are the positions ranked in a magazine? Why is a higher rate asked for a position on the right hand pages than on the left?

133. If an advertiser has a good position, is it necessary for him to use as much space as he would use in a poor position? Would you place an ad. for bonds next to a patent medicine ad.? Why? How does the *Saturday Evening Post* relate its advertising to the reading matter?

134. What is the argument from an economic point of view for the one price policy in advertising rates?

135. What argument does the rate cutter use? Give an illustration of the relation of advertising to the cost of publication.

136. Show how rates are varied by adopting a business policy which allows rebates, etc.

137. How is newspaper space frequently sold? Why is an advertising expert almost a necessity when the question of newspaper rates comes up?

CHAPTER VII

SUPPLEMENTARY ADVERTISING AIDS

138. What is meant by supplementary advertising?

139. How does street car advertising compare with other forms as to systematization? How many cards would be required for a street car campaign covering the United States and Canada? What would be the cost of such a campaign?

140. What comparisons should be made before adopting street cars in preference to the local papers? What general impressions may help one to decide? What characteristic stands first in a street car ad.? What does the cigarette add to the picture of the glove ad.?

141. How is direct appeal obtained?

142. What limitations are connected with street car advertising?

143. What three methods are employed in outdoor advertising?

144. What objections have been interposed by way of protest against bill boards?

145. What are Mr. Samuel Dobbs' arguments supporting the commercial point of view?

146. Compare the nature of a bill board ad. with the street car ad. What is the size of a standard sheet? Its cost? What fact should be kept in mind when using bill boards in different cities?

147. How is the bill board advertising business controlled? How would you place your business?

148. How are painted signs classified?

149. What risks are taken when an advertiser uses either a bill board or a painted sign?

CHAPTER VIII

SUPPLEMENTARY ADVERTISING AIDS (*Continued*)

150. When did electric sign advertisements begin?

151. Are electric signs popular to-day?

152. How do the prices run for electric advertising?

153. What trade influences often decide the location of an electric sign?

154. Has the advertising agency interested itself yet with this branch of the business?

155. How may electricity be used for advertising purposes indoors?

156. What practices gave house to house distribution a bad name?

157. What risks do the advertisers take who employ this method?

158. What means are being employed to give advertisers good service under the distributing method?

159. Why should the maker of advertising specialties keep in touch with the user of them?

160. What two tendencies should be guarded against by the advertiser when he decides to use novelties?

161. Why has the calendar become so popular as an advertising specialty? What evidences are there of the growth and strength of this means of advertising by using the calendar?

162. What firms find the calendar especially useful?

163. What cumulative effect is referred to as being the prime argument in favor of the calendar?

164. What danger is there in using blotters as advertisements?

165. How did the use of the house organ originate? How many house organs of the better class are published to-day in the United States?

166. Into what divisions may house organs be divided? What field was left unexploited until the house organ appeared?

167. Why should sales ideas, profit making schemes, etc., be emphasized in the house organ which goes to dealers? Is this publication's best objects attained if it is nothing more than a collection of clippings? What qualifications should the editor have?

168. Has the house organ proved itself a valuable advertising medium in the opinion of sales managers? How may a small concern reduce the cost of publishing? If a concern is engaged in two different lines of trade, what should its policy be in publishing a house organ?

169. In publishing a booklet what mistake is often made in regard to size?

170. Why should odd or fanciful shapes be avoided? How should an advertiser appeal to his customers through a booklet?

171. What lesson may be learned from the method employed by the National Cash Register Company?

CHAPTER IX

PROBLEM OF THE RETAILER

172. Why is the retailer a middleman as well as the jobber?

173. Why did the manufacturer grow suspicious of the wholesaler and jobber? Why did he go to the retailer? Has the function of the middleman disappeared where the jobber and wholesaler have been displaced?

174. Why is the consumer looking to the manufacturer more and more as a source of his goods and not the retailer?

175. Why do the retail houses object to the mail order houses? Do they object to other firms which sell directly to the consumer?

176. When the manufacturers tried to standardize the price of goods how did the retail dealers take advantage of it?

177. How has the manufacturer attempted to deal with price cutting?

178. What are the requirements in dealing with the customer through the personal appeal? What two conditions determine the effectiveness with which the contract method can be enforced?

179. How does a legal monopoly help a firm to hold up prices? How does a company keep a jobber from dealing with sub-jobbers who re-sell at cut prices?

180. How is price cutting met by some firms which do not have a monopoly but have advertised widely?

181. How does Richard Hudnut deal with a case of price cutting?

182. Does the middleman make the price?

183. Of what importance is it that the price of goods tends to equal the cost of production?

184. What evil effects follow a continued policy of substitution by a retailer?

185. What is gained by selling goods below cost when advertised as "leaders"?

186. What element is common to all price maintenance methods used by manufacturers?

187. Should a concern be firm in its demand that one price be maintained? Should it withdraw its goods if cutting is persisted in?

188. What are some of the schemes for getting around the price maintenance agreement? How may the demonstrator be useful in educating the dealer to the advantage of price standards?

189. How may the co-operation of the dealer be obtained while the manufacturer is creating a consumer demand?

190. How may free samples to consumers be distributed so as to help the local dealer?

191. When the sample method proves too costly, how may the coupon scheme be substituted for it?

192. How is the dealer's co-operation gained by use of his name in the manufacturer's advertisement?

193. How does the dealer profit by this method?

194. What is the advertising gain in the use of a guarantee?

195. What is the attitude of many retailers toward advertising matter left in their hands for distribution?

CHAPTER X

PREVENTION OF ADVERTISING WASTE

196. Why do the retailers look with suspicion upon the attempts of the advertiser to distribute his literature, etc., through them?

197. What are the fundamental points in gaining the good will of the dealer?

198. How do certain firms give dealers a temporary competing advantage?

199. What are the arguments for the "free deal"?

200. How is the protected price policy carried out by certain breakfast food concerns? How does the retail trade look at it?

201. Is price cutting in harmony with the trade mark policy of the manufacturer-advertiser?

202. What reasons can you give for advertising out of season?

203. What problems arise in connection with the advertising of expensive specialties? How did Richard Hudnut meet this question?

204. Why should the financial interest of the dealer never be lost sight of?

205. Why should the conditions surrounding the dealer be investigated before his co-operation is asked? How may a firm be shown that high-grade advertising is expensive?

206. Is it advisable to charge the dealer for advertising matter? How does the Patent Paint Company keep track of the advertising leaflets, enameled signs, etc., which are sent to dealers?

207. Give some ways by which a dealer may be induced to use space on his own account.

208. How did the Palmolive Soap Company interest the local dealers?

209. Give an illustration of how the local paper may be brought to work in harmony with the advertising in a national medium.

210. Why should the advertiser not lose sight of the local clerk in a store?

211. How does the commission plan work in connection with substitution? What must be the logical end of all these schemes to tempt the clerks to sell your goods?

212. How may the dealer be made enthusiastic over the establishment of a brand?

213. In what direction does the manufacturer think that the dealer ought to be educated?

CHAPTER XI

METHODS AND FUNCTIONS OF THE ADVERTISING MAN- AGER AND OF THE AGENCY

214. What are the duties of the advertising manager? What is his relation to the sales manager?

215. How does the advertising expenditure compare with other commercial expenditures?

216. When was the first American advertising agency established? When was the Morse International Agency established?

217. What percentage of the money spent on general publicity goes through the advertising agencies?

218. Describe the workings of an advertising agency.

219. How has the solicitor aided in the development of advertising business?

220. From whom does the agent receive his remuneration? On what basis is he paid? Does the agent represent the newspaper or the advertiser?

221. What qualifications should an agent possess?

222. In what respect does an agency become a commercial adviser?

223. How does the special representative differ from the general agent? By whom is he paid? How does the special representative work?

CHAPTER XII

A TYPICAL ADVERTISING CAMPAIGN

224. In what form is an advertising campaign sent to the advertiser? In gaining the manufacturer's interest what points are emphasized first? What advertising features are suggested? What unique feature is suggested? What plans are suggested for handling the local dealer? What class of articles is to be treated of in the booklets? What part is the advertising to play in the campaign? What is to be function of the "Agent"? What part is the street car service to play in the campaign? Why is New York considered the sales center of the country? Why is it important to have a sales room here? How does the advertising plan attempt to gain the co-operation of the salesman in the campaign? What instructions are the salesmen to receive? How can the salesman be made a great advocate of advertising everywhere?

PART II

SELLING AND BUYING

CHAPTER I

FACTORS IN DISTRIBUTION

1. Discuss the importance of selling methods in a factory. Why is the problem becoming more difficult of solution? What influence has modern competition and advertising on the question of distribution?

2. Name the six factors in the former distribution methods. Which have lost their distinctive functions?

3. Define consumer. What difficulties may arise in deciding who is a consumer?

4. Define retailer. How is he different from the distributor?

5. What is a jobber? What was the early distinction between a jobber and a wholesaler? What is the difference to-day? Is this distinction generally recognized?

6. What does the term "manufacturer" include? Are the following manufacturers: Farmer, miller, baker, publisher, the one-man factory, the American Tobacco Company? How may a manufacturer have no part in the problem of distribution?

7. When may a business house be a wholesaler as well as a manufacturer? What is a semi-jobber?

8. What are the two phases of the problem of selling? With which one is the retailer most concerned? How is his market determined? What are the three ways of distributing goods at retail?

9. Explain why the early traveling merchants may be considered as the originators of the merchandising system?

10. What is the characteristic feature of the peddler's business? What is the advantage of the business and why is it limited?

11. What are the advantages and disadvantages of selling through a canvasser? When may this method be successfully employed? Must it always be on a small scale?

12. What is a specialty salesman? How is he distinguished from the canvasser? Give an example of a specialty salesman. In what lines of business, for example, are specialty salesmen necessary?

CHAPTER II

RETAIL SELLING AND MAIL ORDER BUSINESS

13. Describe the historic development of the retail store. What is meant in the text by the "typical retail store"? How is it limited?

14. State seven advantages of selling through a retail store. Discuss these in detail. How may the retail store often hold its trade? How may it be a factor in the community? Why may it be more liberal in granting credit than the larger houses?

15. State four disadvantages of selling through a retail store. Why is the growth of trade limited? Is it affected by competition with the mail-order houses?

16. Why are generalizations impossible concerning the relative advantages of the retail store and the mail-order house in respect to cost of distribution? Where, if at all, does the advantage of the latter lie?

17. Why do some manufacturers prefer to sell to jobbers? What effect does buying capacity have on the price? In what one way does a large mail-order house have more advantage than a retail store? When may the latter be quite as successful in getting prices?

18. Discuss the development of the mail-order system. What two commercial developments have fostered its growth?

19. State nine advantages of retail selling by the mail-order method. Is the field limited? Why do local business depressions not affect it? How may expenses be decreased? Is credit given by mail-order houses?

20. What part does advertising play in the mail-order business? What sort of opposition as well as

competition must be met? Would the parcels post be of advantage to mail-order houses? State four disadvantages of retail selling by mail-order method.

21. May the three methods of retail selling be combined? If so, can it be done only by the larger houses? What are the advantages of such combination?

CHAPTER III

SELLING AT WHOLESALE

22. Why is it usually inadvisable for the jobber to try to sell both to dealers and to consumers in the same locality?

23. State two methods of wholesale selling. Which is the more common?

24. What advantages does the jobber get by selling through representatives? Discuss in detail. How do the salesmen help in collections, in getting information, in gaining the confidence of the buyer and making large sales?

25. What are the advantages of wholesale selling by mail? What risks of selling through salesmen are avoided?

26. Why is the combination of the two methods particularly desirable?

CHAPTER IV

PROBLEMS OF THE MANUFACTURER

27. What particular selling problems had the manufacturer? What are the only problems of the retailer and of the jobber?

28. Why is it important for the manufacturer to

choose the class to which he sells? Why is a definite policy necessary for success?

29. What are the two chief factors in the determination of the market?

30. Give two examples of industries where it is better for the manufacturer to deal directly with the retailer.

31. Discuss the business policy of selling only through jobbers. Why have some manufacturers ceased selling to middlemen? What class of manufacturers prefer to sell to distributors and to consumers, and why? Discuss these questions in relation to the grocery, the iron and steel, and the publishing companies.

32. State and explain three advantages of selling only through jobbers.

33. State and explain three disadvantages.

34. How may the market be better determined in a direct sale to the retailer? How is the manufacturer benefited by direct relations with the retailer? Give another advantage of such direct sales.

35. What opposition is met when a manufacturer sells to the retailer? Give and explain two disadvantages of such sales.

36. When is it advantageous for the manufacturer to sell directly to the consumer? Give at least two instances.

37. What are the objections to a "direct to consumer" business?

38. Discuss the methods by which a manufacturer may reach his market when he sells to jobbers, to retailers, to the consumer.

39. Why is there a tendency to eliminate the middleman? Show that this tendency is growing. Give three reasons. Explain.

40. Is the jobber likely to disappear from the merchandising system? What effect has he on the small retail store? Discuss carefully.

41. Define agent, commission merchant and broker. Where in the line of distribution do they come? Have they any peculiar selling problems? State four reasons for a manufacturer using the agent, etc., rather than a selling organization of his own.

CHAPTER V

SALES DEPARTMENT ORGANIZATION

42. Discuss in detail the organization of the sales department. How are its characteristics determined? Is there any typical retail or wholesale selling organization? Is the market to be reached of importance?

43. What are the three methods of selling goods at retail? What two of them may be combined? Describe the organization of the department store.

44. What are the duties of the merchandise manager? What authority has he? Is he concerned with the sale of goods? Are his duties different in a factory? How are knowledge and ability best acquired?

45. Who are the buyers in a small establishment, in a department store? Have they any relations with the merchandise manager? What are their duties?

46. Are the sales people ever connected with the buying end of the business? To whom are they responsible? Who directs them? By whom is he assisted?

47. Are the floor-walkers ever responsible to the buyers? By whom are they commonly directed? What are their duties? Who is the sales manager? Discuss his duties in relation to those of the merchandise

manager. Will there ever be a definite division between the buying and the selling functions in a retail store?

48. Discuss the relations between the advertising and the sales departments. What is the ordinary custom? Where does the authority of the advertising and of the sales manager often conflict? What is the tendency to-day?

49. Describe a selling organization for a wholesale house. Is there any typical organization?

50. Where there is departmentation in a wholesale house, what official has charge over all the department heads? What is his authority, and what relations has he to the buying and to the selling functions?

51. What are the duties of a department head?

52. Why are specialty salesmen necessary? By whom are they supervised?

53. Explain in detail the duties of the general salesmen, by whom they are controlled, etc. Upon whom should the final responsibility for all directions rest? What are the usual three classes of salesmen? Explain the duties of each. If there is a mail-order department, to whom is the mail-order manager responsible? Is such a man necessary in a wholesale house?

54. What are the advertising methods of a jobber? Is an advertising manager usually employed?

55. Of what importance to a wholesale house is the credit man? Does the scheme of selling organization confine itself to the relations of functions or of individuals? Explain your answer. Name four characteristics of every largely successful house.

CHAPTER VI

MANUFACTURERS' SALES DEPARTMENT
ORGANIZATION

56. What are the three classes of customers for a manufacturer? Why can we have no typical method of selling organization? If a manufacturer reaches all three classes, what must his selling organization contain?

57. How does a manufacturer's selling organization differ from that of a wholesale and of a retail store? In a factory are the buying and selling functions closely connected? What is the basis of departmentation, if there is any?

58. In a manufacturer's organization, what are the duties of the sales manager? To whom is he responsible?

59. Who is directly responsible for the salesmen? If he has subordinates, who are they?

60. When are specialty salesmen employed by a manufacturer? Where is the place of all salesmen in the scheme of organization?

61. Describe the organization of branch-houses? What are the functions of the typical branch-house?

62. What is the agent? Is he on the manufacturer's pay-roll? Is the manufacturer further interested when goods have been taken by an agent?

63. Does a manufacturer ever operate his own retail store? If so, describe its organization.

64. What is the place of the mail-order department in a factory?

65. Discuss the relations of the sales and the advertising departments. What is the purpose of commercial

advertising? Why is it disadvantageous for the advertising manager to be subordinate to the sales manager? Is advertising selling?

66. Why are the credit and the traffic departments not essential parts of the selling organization? What is the main purpose of the credit man, of the traffic man? When do their duties begin?

67. What modifications of the organization plan given may be made when the manufacturer does not sell to consumers or to retailers?

CHAPTER VII

METHODS OF SECURING CO-OPERATION BETWEEN SELLING AND OTHER DEPARTMENTS

68. How does the efficiency of the sales department reach its highest development? How may co-operation between departments be encouraged?

69. Explain the importance of the human factor in gaining co-operation. How should the sales manager treat his subordinates? How may tact be encouraged in the business organization?

70. How may the employés be made to take a direct interest in the business as a whole? Will profit-sharing accomplish this? Discuss carefully.

71. What is the committee system? Will it induce co-operation? What does it accomplish, and how? Can it be used by manufacturers and by wholesalers as well as by retailers? Which organization has applied it most effectively?

72. What is the executive committee? Is it more important than the other committees? Of what officials is it composed? What may it do with matters brought

before it? Does it aid co-operation? To whom is it responsible? Discuss the executive committee of a corporation?

73. Who makes up the factory committee? What representative should it certainly include? Of what value is it in co-operation?

74. What is the sales committee? What departments are represented? Discuss the majority rule as applied here. What is brought before the sales committee?

75. Describe the advertising committee. What authority has it?

76. Who makes up the office committee? How is the sales department represented?

77. What is the committee of principal employés? What is its purpose? How may it be effective? Discuss the system of committee organization.

78. What objections may be urged against the committee system? What are its practical results?

CHAPTER VIII

SELLING CAMPAIGN—THE SALES MANAGER

79. Discuss the purpose of the selling campaign. How does departmental co-operation help? Why has the retailer the least difficult problem to solve?

80. What one feature is common to almost all selling campaigns? In the campaigns of mail-order houses, how important is advertising?

81. What are the four main qualifications of a sales manager? Should he be drawn from amongst the salesmen? State his general duties.

82. How is the sales manager able to choose an ef-

ficient selling force? Should he decide purely by inclination?

83. How may system aid in the selection? Give a list of questions to be asked applicants. How are references looked up? What questions are asked his former employers?

84. What may be decided by a personal interview?

85. Of what importance is the question of appearance? Do clothes matter?

86. How much importance should be given to conversational ability?

87. Should a salesman know more than just his line?

CHAPTER IX

METHOD OF TRAINING SALESMEN

88. Discuss in detail the training of salesmen. Can goods be sold to-day simply on the personality of the salesman? In what three principles should the salesman be trained?

89. Is there a science of salesmanship? If so, how may it be learned? Is selling experience all that is necessary to make a good salesman?

90. Of what importance to the salesman is a thorough knowledge of his line? How are prospective buyers approached to-day?

91. Give and explain three methods of training salesmen.

92. What are the two advantages of having salesmen employed in the factory previous to making sales? Discuss in detail.

93. How may a salesman be trained in selling methods? Of what advantage is this?

94. How are the standard selling talks prepared? Of what advantage are they?

95. How may the standard selling talks be adapted for a variety of uses? What is the "school-room"?

96. How are the retail stores training their salesmen? Why have the jobbers been slow to follow? How may the sales manager keep his men efficient?

CHAPTER X

SUPERVISION OF SALESMEN

97. How should the salesman be supervised? Explain carefully.

98. State five ways of assisting the salesman in making particular sales.

99. State several means of interesting the salesman in general activities.

100. What is the importance of personal relations between the sales manager and the salesman?

101. How may the manager keep in touch with salesmen? What care should be used in making necessary reprimands?

102. Do competitive schemes promote selling efficiency? What is the quota system? How is it used? What are the difficulties in its use by jobbers? How may these be avoided? When is the system of chief value?

103. Show how house organs may be valuable aids in the selling organization.

104. Give four purposes for having selling conferences. Explain the value of each.

105. Besides the supervision of salesmen, what are the three main duties of the sales manager?

106. How are salesmen compensated? Which method of compensation furnishes the greater incentive to the salesman? Which is usually employed?

107. How are salesmen's expenses to be treated? Discuss several methods. Should a salesman "buy business"?

108. How should territories be assigned to salesmen? What is the limitation of the population unit of assignment?

109. How may the manager keep in touch with his men? Discuss various means.

110. Why is knowledge of the business important for the sales manager? What is meant by this phrase?

CHAPTER XI

REPORTS AND DUTIES OF SALESMEN

111. What are credit reports? How are they prepared? Why are they important in selling?

112. State the five purposes of the direct reports from the salesmen. What data in the reports tends to accomplish these purposes?

113. Give the material contained in a typical report. Of what value is this to the manager?

114. To what extent must the salesman's power of observation be trained? Upon what items, outside of his particular line, should he report? Of what value to the manager is such information? What is the most important result of a careful study of the report?

115. What is a town record card? Explain its use. What information is entered upon it? Discuss an efficient statistical system.

116. What is the salesman's share in promoting the

efficiency of the sales department? What are the three things expected of the salesman? Discuss in detail.

CHAPTER XII

PRINCIPLES OF SALESMANSHIP

117. What is salesmanship? Explain its purpose, features and duties.

118. What is a salesman? May the owner of a plant be a salesman; the advertiser; the manufacturer; the promoter?

119. What are the four main steps in a sale?

120. Describe various methods of attracting the buyer's attention. Should a customer be approached on his "blind side"?

121. Having attracted the customer's attention, how may his interest be held? What is the value of specific language? Should the customer's point of view be obtained?

122. How may the customer be induced to want the goods offered? What is the best method of argument? How may suggestion be used in the salesman's argument?

123. How may the salesman close the sale? How may he retain the customer's good-will? What is the "psychological moment"?

124. What is the importance of these steps in a sale? Must the salesman be conscious of them? Why should they be studied?

CHAPTER XIII

QUALITIES OF THE SALESMAN

125. What are the three factors in a sale? Explain the relation between the factors and the steps in a sale.

126. Is the personality of the salesman important? Must a salesman be born and not made? What are the essential qualities of a successful salesman?

127. What are some false incentives towards entering the business? What is the true incentive?

128. To what extent does success depend upon the mental ability of the salesman? Is will power important?

129. What part has education in the making of a salesman? Is the best salesman always the most fluent talker?

130. Why is it necessary for the salesman to have good health? Are personal faults still excused by the manager if the salesman turns in a fair volume of sales?

131. Of what importance is the appearance of the salesman?

132. Why is honesty of especial importance in selling? Show why the salesman is especially liable to temptation.

133. Should a salesman believe in his work? Why must the salesman be sincere?

134. What is fidelity in salesmanship?

135. What is courtesy in salesmanship? Is it more than good manners?

136. Why is industry especially important in salesmanship? Has a salesman "working hours"?

137. Show that open-mindedness is a valuable asset to the salesman.

138. Why must a salesman have persistence?

139. Show that tact is especially important. How may a salesman cultivate tact?

140. Why is the salesman with initiative usually the most efficient?

141. What three subjects are included in "knowledge of the business"? Explain their importance. Why is it advisable for the salesman to be in touch with the home office? Why is it wise for him to be familiar with the methods and policies of his house? Why should he acquire knowledge of the competitive field?

142. Explain why a salesman should have confidence in himself, in his house, in the goods he sells. Show that it is the business of the salesman to be creating confidence in the mind of the customer.

143. Of what value is enthusiasm? How may it be worked up?

144. What are the opportunities for success in salesmanship?

CHAPTER XIV

THE BUYER AND HIS WORK

145. Explain why buying is the universal business activity. Show how it enters into all lines of work.

146. What is the modern tendency in respect to the duties of the buyer? What is the relation of these duties to those of other employés?

147. What are the especial problems of the buyer? Why is the small order especially hard for the buyer?

148. How is the buyer often hampered in his work? Discuss the requirements of economical buying.

149. How may he avoid the temptation to purchase

too heavily? What considerations limit the size of the purchases?

150. Why is it advisable for maximum quantity to be fixed for the buyer?

151. To what extent must depreciation be considered by the buyer?

152. Discuss the necessity imposed on the buyer to limit his purchases.

153. Is speculative buying ever permissible? How must the successful buyer treat this?

154. What are the four qualifications of the buyer?

155. What is meant by knowledge of the house by the buyer? What three things must he know in this connection?

156. What knowledge of manufacturing processes must the buyer have? Compare this knowledge to that possessed by a salesman.

157. Why is it necessary for him to be familiar with departmental needs of his house. Discuss.

158. Why should he know the important employés of the house? Give four items under the knowledge of the house which the buyer should know.

159. Explain why it is important for the buyer to know the market, the extent of the demand, possible competition, etc. In this respect why is the problem of the buyer of raw materials for the factory more simple than that of the buyer for the retail or wholesale store? Can this knowledge be systematized?

160. Discuss the especially difficult problem of the buyer for the retail or wholesale store.

161. What knowledge of values of the goods to be purchased should be possessed by the buyer? How may he purchase intelligently? How may he acquire familiarity with raw materials and productive processes?

How may he know selling costs, possible profits, etc.?

162. How may the buyer judge future prices? Why must such judgment be given with great care?

163. How may the buyer acquire knowledge of the sources of supply? What is included in this?

164. Why is the location of the houses from which he purchases of much importance to the buyer?

165. Is it necessary for the buyer to know the ability of the house from which he purchases to keep its promises?

166. Must he know the financial responsibility of the house with which he deals?

167. Show that it is important for the buyer to know productive costs before he agrees upon the price of the goods he purchases. Under what circumstances may he try to "beat down" the price?

168. Why should the buyer know the selling methods of the house with which he deals? Why do manufacturers sometimes make the list price higher than the one they would accept?

169. Show that the one price idea is gaining among buyers and manufacturers.

170. Why is tact an essential quality of the successful buyer in his relations with his own house and with others?

171. Why should the buyer cultivate friendly relations with the salesmen?

172. Besides tact and a knowledge of the business, what qualities should the buyer possess?

173. Discuss the importance of the buyer's position. Why does the owner often prefer to do the buying?

174. What two methods may be adopted by factories for their buying system? Explain the advantages and disadvantages of each.

CHAPTER XV

SYSTEM IN BUYING

175. What are two general classes of buyers? Why is a universally applicable system of buying not possible?

176. State three requirements of an adequate purchasing system. What data should be classified?

177. Define and explain the subject index. What is its purpose?

178. What is the firm index and what should it contain? What is the meaning of "firm" as here used?

179. What records of possible suppliers should be kept by the buyer? What cross references should be made between the subject and the firm indexes? State and explain carefully two reasons for having the two indexes.

180. What is the quotation file, and how is it made up? What price data is included?

181. What information contained in the indexes mentioned is put in the order record? Give a typical order record card. Of what value are this record and the others to the buyer?

182. How are orders placed? What data does the order blank contain? How many copies of the order are made and to whom do they go?

183. In what manner may the buyer keep track of orders placed? What is the "tickler" file? How may the buyer know when the supplier's acknowledgment is received? How does he know when the goods are received?

184. When partial deliveries are made, what system may be used to keep track of the orders? What is the final result of any system of checking orders?

185. What data should the buyer enter upon the invoice sent by the consignor? What is then done with the invoice? Explain in detail the method of handling the invoice after its receipt.

186. How may the buyer know when purchases are necessary? What record is kept? What data is given on this record?

187. May the purchasing system given be modified? Discuss.

188. May the system given be applied to a retail store? If modifications are necessary, what should they be? Explain why a purchasing system is advantageous even to a small retail store.

189. Why should the jobber introduce a good purchasing system? What records should he keep? How should his system differ from that used in a factory?

PART III: CREDIT AND THE CREDIT MAN

CHAPTER I

NATURE OF CREDIT

1. What is the basis of all business relations?
2. In what respect does the law of contract support confidence? Why is credit sometimes defined as a "right of action"?
3. What relation does the medium of exchange bear to credit? Why is money a sign of economic progress?
4. What is meant by "credit economy"?
5. Wherein does "money economy" differ from "credit economy"?
6. What is the relation of bank credit to general

mercantile credit? In what respect is the relation that the cash reserves of the banks hold to their outstanding credits, a guide to the commercial credit operations?

7. What relation does credit bear to panics? In what respect is a rigid credit giving standard helpful?

8. What is meant by the term "credit of limited acceptability"? What is meant by the term "credit of unlimited acceptability"? Differentiate between the former and the latter. Why is there a tendency for the demand of money to decrease when the use of credit is increasing?

9. What compels, nowadays, the business man to turn over his capital oftener? Wherein do long-time credits differ from short-time credits?

10. Define "investment credit," "banking credit" and "commercial credit." What are the advantages of credit in the various branches of economic activity of production, exchange, distribution and consumption?

CHAPTER II

DIVISIONS OF CREDIT

11. What relation does "credit economy" bear to money?

12. In order of origin, which credit holds first place? What caused banking and commercial credits to develop rapidly?

13. Can a personal credit system be as well organized as a banking credit system? Why?

14. What are the reasons that cause some lenders to neglect making proper inquiries about borrowers? What part does the "business sense" play in such cases?

What advantage does a merchant gain by a study of credit? Describe the "Indianapolis Plan." Name the three fundamental ideas that underlie the working of this system.

15. What are the effects of the extension of personal credit? How does it affect prices?

16. In what way does a "too ready credit" affect the consumer? Why is it asserted that the curtailing of credit among working classes would tend to raise them morally and economically in the scale of social betterment?

17. What connection is there between extravagance and credit? Explain the following statement: "The merchant should be more interested in the surplus which the customer can devote to the purchase of goods, than to the size of the bills for the rent of house and automobiles."

18. Why is the credit system complementary to the commercial system?

19. What were the factors that caused changes in the credit system? What effect has long-time credit on prices?

20. What is meant by the term "dating"? Why is it regarded by some as detrimental to a sound credit system?

21. Differentiate between the terms "dating" and "book account." What caused the rise of commission houses dealing in book accounts?

22. In what ways are book accounts usually assigned? Which is the most preferable method from the borrower's point of view?

CHAPTER III

DIVISIONS OF CREDIT (*Continued*)

23. Differentiate between "consumptive" and "investment" credit. Define "long-time investments."

24. Mention a few of the elements of safety in capital credits.

25. What are the principal forms of capital credit? What is the relative percentage of investments in "industrials" as compared with investments in "railroads"?

26. What are the principal sources of capital funds?

27. What relation does banking credit bear to commercial credit?

28. What are the limitations of bank credit?

29. Is the field of credit operations open to a bank dependent upon the degree of convertibility among credit instruments?

30. Define the term "business paper." What is meant by a "single-name" paper? What by a "double-name" paper? Define accommodation paper.

CHAPTER IV

FUNCTIONS OF A CREDIT DEPARTMENT

31. What elements must be emphasized regarding the nature of credit? What are consequently, the functions of a credit department? Can a general hard rule be laid down as to information that would fit all lines of business? What, in the last analysis, are the main factors forming the basis of credit?

32. Name the two most important considerations in connection with an estimate of a wholesaler's credit.

What is the practice of the Chicago wholesale house with respect to its customers? What other factor, besides the business getting quality of a customer, is to be taken into consideration?

33. Why is the manufacturer in a more favorable position in choosing his customers, than the wholesaler? How is the manufacturer handicapped in his direct trade with the consumer?

34. Upon what consideration does the retailer base his opinion of the trustworthiness of a customer? Is there any compensation for his uncertainty?

35. What are the provisions of the installment plan?

CHAPTER V

SOURCES OF CREDIT INFORMATION

36. State the three essentials of business credit; which is the most important one?

37. State the two methods of investigation open to the credit man; describe the direct way of getting information. What is the advantage of a statement presented by the applicant?

38. What are the factors making the average business look upon a financial statement with distrust? Where is the method most usual? State briefly the difference between Form I and Form II. State briefly what facts the creditor is interested in when requiring the prospective customer to fill out the Property Statement Blanks, and point out the differences between them. What principle should be applied by the credit man to the various assets appearing on a statement?

39. Illustrate the analysis of a statement by a comparison of the items with the general business situation.

Taking up rent, should we compare it with profits, general expenses or capital? Why?

40. Who takes usually the place of the credit man in out-of-town investigations? Describe the methods of inquiry by a reporter. Under what conditions is a traveling representative employed? What is the advantage of using this expensive method?

41. Why is it not a sound policy to combine the two offices of salesman and credit man in one person? What information may be easily supplied by the salesman? By whom is that information obtained in case of concerns selling through branch houses?

42. Describe the commercial agency method of getting information. What are the two other informants at the disposal of wholesale houses?

43. What is the history and present standing of the two largest commercial agencies?

44. Describe a system of collecting information by a standard commercial agency. How are reports on unexpected changes procured?

45. What are the contents of an agency's report? How is a special report obtained and transmitted?

46. How is general information about merchants and ratings distributed? What does a special report contain? Of what use to the merchant are the weekly reviews? What do they contain?

47. What privileges are extended to agency members? At what cost?

48. What are the agency's sources of information? Why is it essential that the statements obtained from firms be signed by some member that is legally responsible for the firm?

49. Into how many kinds are the reports divided?

Upon what elements are these divisions based? How does capital rating affect credit rating?

50. Explain the following: "All risk is a result of lack of knowledge." What is the purpose of agency reports? What are the usual complaints made against mercantile agencies?

51. What are the causes that brought forth co-operative credit methods? Describe the contents of the form referred to in this section. What were the rules proposed at the 1911 Convention of Credit Men? Describe briefly the plan of operation used by the Columbus association of credit men.

52. What are the advantages of the interchange system?

53. To what extent does a local bank or a local attorney serve indirectly as a medium of getting credit information?

54. To what extent do results of litigations tend to gauge the credit standing of a merchant?

CHAPTER VI

CREDIT PROTECTION

55. What serves to support the structure of the credit system from the outside and in what respects? What is the general principle underlying every form of insurance?

56. How does the general principle apply to credit insurance? How does the insurance company determine its risk in this case? Illustrate by example.

57. How does a credit underwriting company classify its applicants?

58. State the arguments in favor of credit insurance.

59. State the weak points in credit insurance.

60. Upon what fundamental principle are the laws of bankruptcy based? Upon what presumption are the bankruptcy laws of the present day formed as contrasted with early insolvency laws? What were the disadvantages of the creditor in absence of a national bankruptcy act?

61. State the advantages of the present bankruptcy law.

62. State the amendments to the bankruptcy law passed in 1910, their meaning and importance to the business world.

63. What steps have been taken by various business associations to aid the effective administration of the present national bankruptcy law? Why is the latter *satisfactory* to the business community?

64. Why was co-operation originally opposed by credit men? State the arguments for common action.

65. Which was the first national credit organization? State the objects of that association. By what means does it further its ends?

66. By what reasons do the credit departments of every line of business act as the points of nearest approach between the various business units?

67. State the relation of the sales department to the outsider; in what relation does the collection department stand to the public? In what relation does the credit department stand to the other departments of a concern? What data does a well organized credit system take care of?

68. Describe a suitable method of handling the incoming mail in a wholesale concern. Why is a card system most convenient for the credit department? What is the object of having differently colored cards?

How is delay avoided in filling orders of new customers? Describe a system showing the close connection between the credit department and the other departments. What is a "tickler"?

69. What is the universal policy every collection department should adhere to? State the successive steps in the collection of an account.

70. How should a delinquent account be treated? Why is it of importance that the credit man should pay close attention to debtors who failed to meet their obligations?

71. What helps the credit man in analyzing the financial statement of a prospective customer? What questions should, according to Prof. Bollse, the man unfamiliar with accounting ask when analyzing a statement? What additional questions would Mr. Thorne ask? Is the amount of capital the only criterion by which to determine the basis of credit? Show by example how the kind of assets, i. e., the nature of capital, and the proportion of assets to liabilities, should affect the amount of credit to be extended to a customer.

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