

Exclusive Agencies in the Retail Trade

Everywhere New Plans are Being Perfected and Methods Devised
Whereby the Manufacturer Comes More Intimately
in Touch With Retail Trade

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The nature of retail trading has been altered materially within the last generation, and particularly within the last decade. In days gone by the jobber and wholesaler stood between the manufacturer and the retailer and linked the two together. It is true that the functions of the wholesaler will always be important, especially in staple products, but he is no longer indispensable within the field of distribution, especially in the marketing of specialties. In truth, traditional methods of distribution through the jobber and thence through the retailer are no longer vital to modern merchandising. Everywhere new plans are being perfected, and methods devised whereby the manufacturer comes more intimately in touch with the retail trade. Especially is this true in the manufacturing of special commodities, and in marketing these in particular communities. Methods that are found most useful for one line of goods will not do for another, and in this respect the various districts in which the wares are marketed differ also. In fact, the retail business, which had become crystallized a generation ago, is now in a state of flux. Perhaps in no direction are these changes so much in evidence as in marketing under the exclusive agency plan.

It is patent that manufacturers may come into touch with consumers through the retail dealer in one of three ways: They may make use of one agency only, in a town or city; or they may follow the limited agency plan and permit their goods to be sold by only a selected list of retailers within the one community; or they may sell to all dealers who are willing to handle their wares. It goes without saying that the third is the only method that will prove workable for the necessities of life, or for distributing other commodities in very large cities. In these cases manufacturers will find it profitable to work through the wholesaler to achieve the most effective result. It may be said here also in passing, that the wholesaler occupies a more important place in the community, under modern conditions, than he has ever done before. It is foolish and futile to imagine that the wholesaler who ransacks the entire earth, in order most effectively to bring producers and consumers together, will, in our day and generation, be displaced. It is recognized that the functions of the wholesaler are essential to the welfare of society—it is merely for the time being, and in this particular instance, that his place in the field of distribution is ignored.

DEFECTS.

Under the exclusive agency plan both the manufacturer and the retailer must benefit, or it will not last. That it occupies such a comparatively important place in merchandising proves that it has considerable merits as a method of distributing commodities to the final consumer. Nevertheless both the manufacturer and the retailer have criticised the exclusive agency feature of merchandising, and it is well to recognize that the plan has serious defects as well as something to commend it.

Under the exclusive agency contract the retailer must promise to devote his best services to pushing that particular line of goods, and in return the manufacturer is bound to give the dealer every advantage that lies within his power; and notably in the furnishing him with adequate advertising material as well as conducting a national advertising campaign in the public press. In the United States there are some instances on record wherein the manufacturer has attempted to tie up the retailer with that one line of goods included in the contract, and that alone. In fact, in some contracts, the retailer has been compelled to promise not to handle competing products at all. Under the Clayton anti-trust act, such agreements are declared illegal if they "substantially restrict trade and reduce competition." As, however, there have been no stated cases decided under the act, bearing on this particular point, it is not at all clear that exclusive contracts of the kind mentioned are outside the law. It is quite otherwise in Canada, however. It will be recalled that when certain tobacco companies attempted to force retailers, who stocked their shelves with the brands of these companies, to sign contracts

to handle their brands alone, the Federal Government stepped in and declared the practice illegal. In fact, the Government went further and threatened to withdraw the license necessary to manufacture and distribute tobacco in Canada, if the concerns in question should attempt to continue this kind of exclusive agency plan. It is therefore quite clear that, within the Dominion at least, no manufacturer, in granting an exclusive contract for the selling of his commodities, can impose such conditions as will prevent the retailer from handling the goods of competing firms. It is evident that the policy pursued in this respect must be left entirely to the judgment of the retailer.

POINT OF VIEW.

If the exclusive agency is to prove valuable to the retailer, the manufacturer must take the latter's point of view, and keep the retailer's interests in sight as well as his own. This he too often neglects to do; and, in pursuing a selfish policy, loses the fruits of his advertising and of the exclusive agency plan. Under these conditions the exclusive agency method of distributing commodities breaks down. The retailer is attracted to this marketing plan because he sees in it, or thinks he does, manifest advantages. The most important of these are price maintenance, securing the benefit of national advertising, and attracting new trade. It goes without saying that price maintenance is most important in successful retail merchandising; for once price-cutting is begun, especially with nationally advertised goods, their distribution becomes wholly chaotic in nature. A case in point is the marketing of druggists' specialties, the market for which has been established by countrywide advertising. If, however, a cut-rate druggist begins to offer these goods, as baits, to the purchasing public, the retail store carrying on an honest business stands to lose prestige in the community. It matters little to tell a customer that the preparation in question can, because of the policy of the manufacturer, be sold only at a fixed rate, when the customer knows that he can purchase it at a cut-rate somewhere else in the city. It is therefore well worth while for the manufacturer in this case to market his products under the exclusive agency plan, or the limited agency plan, for self-protection as well as to safeguard the interests of retailers. In fact, we may say that the press is concerned almost equally as much as the manufacturer and retailer in this problem, for readers tend to lose confidence in journals and magazines whose advertising pages carry material that does not square with the facts. A few years ago, a Montreal daily newspaper, having a wide circulation in Ontario, Quebec and the Maritime Provinces, cancelled a contract with a cut-rate drug store that wished to advertise cut prices for a nationally advertised line of preparations that are sold at a fixed price. This it did to protect the manufacturer in question, and its readers as well.

OBVIOUS.

It is obvious that the retail merchant who secures a special agency obtains the benefits accruing from the nation-wide advertising campaign inaugurated by the manufacturer. In many cases, also, the manufacturer will carry on a vigorous advertising campaign in the local press, with which the retailer's name is closely associated. In the case of drugs, hardware, clothing and so forth—such articles in fact as lend themselves readily to the exclusive agency plan of selling—the possession of an exclusive agency will not only build up trade in that particular line, but will also attract new business. It must not be forgotten, however, that the merchant must run certain risks, and also, under this arrangement, suffer sometimes serious disabilities. Very often manufacturers grant exclusive agencies only to establish a market; and when they have worked out their primary plan of distribution the limited agency takes the place of the exclusive contract. In the end, all special contracts are thrown into the discard; and all retailers in the community are given the right to handle the article in question. In the meantime the retailer with the exclusive agency has put himself and his personality,

as well as his time and money, behind the product; and the results of all his labour are lost with a stroke of the pen. It is true that not all manufacturers adopt this practice, even after a national demand for their goods has been established, but the tendency is certainly in that direction.

Where this practice is followed, it is argued by manufacturers, and in some instances by the retailers themselves, that it is justifiable. The manufacturer contends that the retailer can now work his field intensively, and secure even better results than before. The case is parallel to that wherein a traveler is given a wide territory to cover in introducing a special article, in which, in time, the demand becomes so great that one man cannot alone cope with it. The traveller may take umbrage when his employer puts another man in the field; but he may find, and usually does, that intensive work in a smaller territory will prove more profitable to himself and his company also. Cases are on record where one retailer has had an exclusive agency in a city which, when it is taken from him, and all other retailers given the right to sell the commodity also, does not result in a loss, but in an actual gain. This is merely proof of the old saying that "competition is the life of trade." And moreover, the retailer is now free to gain profits, not only through his own labour, but through the united efforts of his competitors as well. Besides, he can often increase his sales of articles of a similar nature, but which sell at a lower price, and thus retain the goodwill and the custom of different classes of purchasers.

The manufacturer favours the exclusive agency plan because through it he can best control prices, and best introduce a new line of goods to the public. Moreover—whatever may be said against the plan in general—it is the only expedient that seems to give satisfactory results in distributing certain brands, and certain styles, of products. Most motor car manufacturers follow the exclusive agency, or the limited agency, method of distribution. It is necessary to put personality and enthusiasm behind the marketing of a particular kind of automobile, or piano, or gramophone, or brand of clothing, or line of toilet preparations, or drug specialty, or hardware sundries. The Sherwin-Williams people, for example, use the exclusive agency plan in marketing their products, and the limited agency, in larger communities. It is felt that the retailer who spends his time and efforts in pushing their products should not lose the fruits thereof through the company giving others the right to sell the same goods. It is well known that Jap-a-lac and other varnishes, paints, etc., are sold according to this plan. Stove manufacturers use it almost exclusively, as well as the manufacturers of the other products before-mentioned. However much may be said against the scheme, by way of general criticism, it must have unusual merits, or it would not hold its own.

Some manufacturers oppose the exclusive agency contract because they believe that it reduces sales, once they have established a wide demand for their products. In some cases they find that the retailer, having an exclusive agency, relaxes his efforts when a market has been created for him. So far as they are able, therefore, after having made use of an exclusive selling organization to achieve their object, they cancel special contracts and permit all retailers to handle their goods. This is especially true of foods and food products, and of all those articles which come close to the class of necessities, or are not, at least, distinctly luxuries. Nevertheless, where a specialty is being marketed, or where the customer is bound to make careful comparisons before buying, the special agent is indispensable. For here, personality and knowledge count for most in effecting sales.

ENGLAND'S FLOUR CONSUMPTION DECREASED 10 PER CENT.

A decrease of ten per cent in the consumption of flour in England in June is the claim made by the National War Savings Committee as a result of the "eat less bread" campaign inaugurated to conserve food, according to a report received by Herbert C. Hoover recently. This saving, it is stated, is in excess of all expectations.

The success of the educational campaign in England, it is stated, is shown by the fact that in March the saving was but two per cent, and in April four per cent, as against ten per cent for June. The committee says that it expects an even greater increase in the future, and gives much of the credit to the intelligent co-operation of women in their homes.