

Selling Problems of Manufacturers

The Wholesaler's Influence is Very Valuable in Building Up, and in Holding, Trade in Many Important Directions

By W. W. SWANSON.

The relations between manufacturers and their clients have changed greatly within the last decade, and particularly within the last few years. The retailer is, as a rule, so immersed in his own particular selling problems that he gives little attention to the manufacturer's troubles or the manufacturer's point of view. And yet it is essential that all those engaged in the retail trade should know something of the particular problem that faces the manufacturer, to the end that they may better manage their own business. It is proposed in this article, therefore, to deal briefly with salesmanship from the manufacturing standpoint.

Obviously, the manufacturer may sell to the jobber, the wholesaler, the retailer or the ultimate consumer, or to two or more of them at one and the same time. Not only must he make up his mind, however, which customer will give him the best results in his business, but he must also decide upon the right methods to be pursued. The manufacturer, first of all, however, must select the right agent or person to dispose of his products, before he can determine upon the most economical methods of handling his output.

It is evident that the small manufacturer will, as a rule, sell to jobbers and wholesalers, retailers and consumers alike. This does not necessarily show lack of a definite selling policy on his part, but, rather, that he realizes that a small output of goods will not secure adequate co-operation for their marketing on the part of middlemen. It is imperatively necessary, however, when selling a well-known article over a wide territory, to get in touch with the right class of distributors. The manufacturer, therefore, must examine closely not only the nature of the product with respect to price, bulk and keeping qualities, but the trade considerations based upon the physical properties of the object itself. It is evident that in the dressed-meat business, refrigerating facilities must be provided at strategic centres for serving the retail trade; while, on the other hand, in the case of such articles as adding machines, scales, cash registers and so forth, it may be essential to get in direct touch with customers, as these machines, ordinarily, do not furnish a sufficient business to occupy all the retailer's time. Moreover, they demand a special knowledge on the part of the seller and special ability to place them in the hands of the ultimate user. Such articles, therefore, will be usually marketed through salesmen and agents acting under the orders of branch managers of the parent concern.

To what extent the manufacturer makes use of the jobber or wholesaler will depend upon business policy and business expediency. The wholesaler's influence is very valuable in building up, and in holding, trade in many important directions. The largest laundry soap manufacturer in the United States deals with the retail trade only through jobbers; and if orders are taken directly by the manufacturer's salesmen, the usual profit goes to the wholesaler named by the retailer who buys the goods. In turn, the jobber is relied upon to push this particular line of goods, and can be depended upon to do so under these generous conditions. On the other hand, iron and steel manufacturers in the United States do not sell to any extent through middlemen, but directly to large consumers of their products. It was found necessary to adopt this policy because middlemen had got into the habit of quoting prices for future deliveries at less than manufacturers could produce the goods at a profit. Owing to the demoralization that followed in the markets for iron and steel, it was found necessary, therefore, to eliminate the middlemen. As has been said, also, the small manufacturer is equally willing to sell to the ultimate consumer, the retailer or the wholesaler, in each case making provision for a sliding scale of prices. It is quite common for publishing firms, for example, to follow this business practice. On the other hand, the jobber continues to more than hold his own in such staple lines as groceries, dry goods, hardware and drugs.

Most manufacturers are quite aware of the great benefits they derive from selling to the jobber alone. They usually secure, in return, not only the benefit of his active support in pushing particular brands of goods, but also the advantage of the jobber's very complete selling organization. In the latter case the manufacturer himself can reduce his own selling organization to a minimum, and correspondingly re-

duce his expenses. In addition, he will find the work of his credit and accounting departments very much simplified, with resultant gains through the economies effected. No doubt there are almost equally as great disadvantages tied up with this business policy. The manufacturer, obviously, knows little or nothing of the chief centres wherein his goods are distributed by the jobber; and is, therefore, not able to check closely the results of his advertising campaigns. Moreover, he cannot always be sure that the jobber will not push rival goods, on which there are larger profits. The real danger, however, arises in connection with the work of the salesmen employed by the jobbing house, who work on a commission basis for the most part, and who, therefore,—and naturally enough—will seek to sell those products that will yield them the highest return.

More and more, therefore, the manufacturer is endeavoring to get in direct touch with the retailer himself. By selling directly to retailers, he can determine accurately the growth of his business in every locality throughout the country, and can thus stimulate local demand by placing his advertising where it is most needed. Moreover, the manufacturer realizes that the retailer can create and maintain a very valuable market for him. Many large retailers in Canada and the United States attempt to dispense with the wholesaler altogether, and deal directly with the manufacturer. The latter, however, incurs certain disabilities in adopting this method; for he generally is compelled to meet the active discrimination of powerful wholesale houses against his goods; and must, in addition, establish a large and expensive selling organization of his own. Moreover, the keeping of many accounts not only with hundreds, but with thousands of retailers, imposes a heavy burden upon the manufacturer who follows this practice.

In recent years retailers have been compelled to meet active competition on the part of manufacturers who sell directly to consumers by agents or by mail. Some manufacturers prefer this method of marketing their goods, since they can determine pre-

cisely in what locality the best response to their advertising is secured. Moreover, the manufacturer feels that he has thereby better control of markets and prices than if he had acted through retailers and middlemen. But selling and advertising costs make this method of carrying on business expensive. It practically means, moreover, the elimination of all credit business.

Having decided upon the question as to whom he shall sell, the manufacturer must next work out his marketing methods. He usually gets into touch with jobbers through salesmen, and rarely through the mail; but whether dealing with jobbers, retailers, or directly with consumers, he will find that personal solicitation is the most effective method of securing business. As remarked, however, the importance of the middleman—the jobber and wholesaler—is steadily declining, as manufacturers are tending more and more to link up the retailer with the factory or the distributing branch. The manufacturer finds direct connection with the retailer to be of increasing importance. This is due to the fact that he can thereby keep a check on his advertising, and can better direct the marketing of his own goods. Moreover, the rapidly increasing purchasing power of retailers tends also to bring them into closer relations with manufacturers.

It may be safely asserted, however, that the jobber will not be eliminated from the field of modern business; for without him hundreds of stores in centres, large and small, would cease to exist. It is undeniable that he performs functions that are of the utmost value in the business world. The merchant of moderate capital can, through his jobber, obtain a much wider selection of stock than if he were dealing directly with the producer. Moreover, through the jobber's help he can use what capital he has with greater efficiency; as he will not be compelled to tie it up by stocking a storehouse with purchases of large quantities of many lines of goods. The wholesaler's salesman is in many cases the retailer's guide, philosopher and friend, keeping him in close touch with changing fashions and fancies on the part of the public, as well as with up-to-date methods in business. Without the help of the jobber, indeed, the neighborhood store would soon perish from off the earth. It is obvious, therefore, that it is impossible to dogmatically state the right relations that should exist between the manufacturer on the one hand and jobbers, wholesalers and retailers, on the other.

The Submarine Campaign and our 1917 Export Trade

Canada's Exports of Domestic Produce for December Amounted to \$130,000,000, and its Imports to \$62,000,000.

By H. M. P. ECKHARDT.

For the month of December, 1916, Canada's exports of domestic produce amounted to \$130,000,000, and the imports for consumption were \$68,000,000—the excess of exports being \$62,000,000. The significance of the figures is brought out when it is remarked that maintenance of our foreign trade on this basis throughout 1917 would result in an export surplus of over \$700,000,000—an amount that would take care of our annual interest outgo of \$150,000,000 and leave a large balance available for lending to the British Government and for other purposes. However, it would not be wise for us to count upon an average monthly export surplus of \$60,000,000 during the present year—the estimates should be framed on a more conservative basis. Last year (in the twelve months ending December) the export surplus amounted to \$325,000,000, the two big items of exports—manufactures, \$440,000,000 and agricultural products, \$364,000,000,—taken together more than balanced the total of all classes of imports. And we have to remember that abnormal movement of grain during the early part of 1916 was chiefly responsible for the large figures reached by agricultural products. It is not to be expected that the agricultural exports in 1917 will be equal to the 1916 results. Although the terminal elevators at the head of Lake Superior are said to be filled, and although there is still a considerable quantity of wheat to come forward from interior points, the transportation and banking interests do not expect that the grain movement in 1917 will be sustained throughout the spring and summer as was the case last year. So it is advisable to estimate or allow for a possible falling off in shipments abroad of agricultural products.

On the other hand, there is the announcement by the Finance Minister to the effect that Canada's

munition output this year may reach \$500,000,000 as against \$350,000,000 or so in 1916; and if circumstances are favorable, it may develop that the increased value of the munition shipments will offset the anticipated decline in shipments of grain and other farm products. In this connection it is necessary to take into consideration the recently renewed German campaign of undersea frightfulness. Canada has confidence that the British naval authorities will do all that is humanly possible to safeguard the Empire's sea-borne commerce, but it is frankly recognized that the nature of the attacks makes it extremely difficult to deal with them effectively. All Allied and neutral observers have been prepared for spectacular doings by the enemy submarines during the first two or three weeks of the intensified campaign; but it is hoped that the enlarged rate of destruction cannot be maintained for a long period, and that means will be found for ensuring that the great bulk of the freight traffic from America to the United Kingdom and France may proceed as heretofore.

This bears very strongly on the question of our export surplus in 1917. For if the Germans succeed in greatly cutting down the sea traffic to England, our export trade in farm produce and munitions will inevitably be reduced, and our prospects of rolling up a big export surplus will not be so good. We have seen the shipping of American, Dutch, Norwegian and other lines held in port until the results of the new German order could be considered; and it is clear that a prolonged stoppage of neutral shipping would affect the movement of tonnage for Europe very materially. In all probability these neutral ship-owners will resume their traffic when suitable

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