HOW TO OVERCOME COMPETITION

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By

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PREFACE

THE units in any trade or industry tend to become standardized. Take the butcher shops in any town. With possibly a couple of exceptions, they are all alike. They are as similar as two peas in a pod. The jewellery shops, too, and the outfitters' shops, are as much alike as if one man owned them all. In every trade and industry there are the standardized, rank-and-file firms. They are not even TRYING to overcome competition. But they have reached a certain level of efficiency. They do all the ordinary things in the ordinary way.

Probably half of the businesses of this country are below the level of the standardized businesses. They are not really businesses at all. They are only attempts of incompetent people to create businesses. They are to real businesses what a corrugated iron shack is to a brick house. Probably half of them make just enough profit to keep going, and the other half come to an end.

Making a rough guess, I would say that 50 per cent of our businesses are unstandardized —crude attempts at business-building. About

40 per cent are standardized. They are well-managed up to a point. They do the ordinary things. They do make profits. They are real businesses.

Then there are 10 per cent that are above the standardized level. They do the ordinary things more efficiently. Also, they do EXTRA things. Every one of these superior businesses is in some way distinctive. It has become one of the leaders in its trade or industry. By means of greater efficiency and better equipment and original methods and the superior skill and knowledge of its people, it has OVERCOME COMPETITION.

So, I have written this book for the owners and managers of the standardized businesses, and the 10 per cent of efficient businesses. It is not at all for the owners and managers of the unstandardized businesses. It is above their heads. Its aim is to point out how a firm can overcome competition by rising above the standardized level.

We might say that a man is overcoming competition when he increases his percentage of net profit. This proves that in spite of all that his competitors can do, he is making headway. Some of his competitors may have beaten him in volume of sales, but we do not measure success by that. The one best test of efficiency

in any firm is the percentage of net. When that is increasing, then all is well.

By "overcoming" competition I do not mean that a man must drive his competitors out of business and secure a monopoly in his line. The word "overcoming" does not mean destroying. But it does mean this—that in spite of competition a man shall make a fair profit on his time and capital.

To give a simple instance—if there are ten bakers in a town, and one of them is doing only 5 per cent of the business, then he is being overcome by competition. If he is doing 10 per cent of the business, then he is only holding his own. But if he is doing 20 per cent of the business, then he is "overcoming" competition. No man should consider that he is "overcoming" competition until he is doing better than the average.

A man should strive to overcome competition not only for the purpose of being richer. There are other higher motives. The effort to rise to the top rank in his trade or industry develops a man's mental powers, and gives him higher standing and greater influence in the town where he lives. No man can develop his business on right lines without at the same time developing himself. He becomes one of the Creative Thinkers of his town.

The phrase that Darwin gave us—"the survival of the fittest"—has never been a popular one. We have never really forgiven him for discovering that nature is inexorable and ruthless—indifferent to prayers and excuses. He told us that some plants and animals, in their struggle for life, developed new qualities that enabled them to survive, when others of their sort were destroyed. Only those plants and animals survived that developed above the standardized level. Those that were all alike died out.

The plants and animals were not competing, as men do in the business world. They were in need of food and they were endangered by storms, floods, droughts, etc. Those plants and animals survived, said Darwin, that adapted themselves to their environment, that had within themselves what we might call an instinct of improvement.

So, in this book I have tried to point out that the laws of nature are still in operation. They are in operation among the men of the business world. We have created the new danger of Competition. To overcome this new danger, we must use the same methods whereby plants and animals overcame their dangers of storms, floods, droughts and lack of food.

We, too, must have the instinct of improve-

ment. We must become in some way superior to those who compete with us. We must adapt ourselves to changing conditions. We must do something better and different. We must rise above the standardized level in our trades and industries. We MUST do this, in order to OVERCOME COMPETITION.

HERBERT N. CASSON.

Chapter One

THE VALUE OF COMPETITION

COMPETITION is a purely human activity. There is no competition, as far as we know, among the lower animals. There is none among the clever ants and bees. One swarm of bees does not compete with another swarm. Rabbits run about in a field, but they do not have races. Horses race only when they are made to race by their jockeys. Whenever the lower animals compete, it is because men have trained them to do so.

Among all the lower forms of animal life, there is not what can be called competition, but there is a cruel and ceaseless warfare. There is a struggle for existence. A German scientist —Dr. George Roemmert, formerly of Munich and now in America—has found a way to show the life in a drop of stagnant water. He shows it on a screen three feet in diameter. In every such drop of water there is war between various kinds of infinitesimal creatures. He has found that there is a constant struggle for existence in these water-drops.

We were all trained at school to be competi-

tive. One pupil was at the head of the class and one was at the foot. There were examinations. Marks were awarded. One pupil might get a 90 per cent rating while another got only 30 per cent. None of us thought at the time that the competitions were unfair. Why, then, when we leave school and enter business life, should we object to competition and think that it should be abolished?

Competition is not a harmful thing, as most weaklings think. It is one of the most effective stimulants to thought and action. It has never received the praise it deserves, partly because we see its abuses more clearly than we see its good effects. It prevents apathy and stagnation. It offers rewards to the competent. It creates ambition. It keeps prices from rising too high. It is beneficent, not destructive.

The dream of most business men is a dream of monopoly. A manufacturer thinks: "If I were the only maker of my products." A retailer thinks: "If I were the only retailer in my line in my town." Give almost any business man one wish and he will say: "I wish I had no competitors." There is no more universal feeling in the minds of business men than a dislike of competition.

On one occasion, two men came to see me on the same day to ask my advice about starting

two quite different businesses. One man wanted to start a grocery shop and the other wanted to give an entirely new service to business men. As you can see, the first man had to contend against COMPETITION and the second man had to contend against OBLIVION.

The first man was going to sell goods that everybody wanted, but there were plenty of other people selling these goods. The second man was going to have a monopoly—no competitors. But his new service was unknown. He would have to create a demand for it.

The conditions in the business world are very much like our British weather in November. We have either gales or fog. Almost every day, in November, we have either a gale or a fog. We never have both on the same day.

A gale is like competition. A fog is like oblivion. Every business has to contend against one of these two. So, if you are suffering from the gale of competition, you may be bucked up by remembering that it is better to have a gale than a fog.

Sometimes a whole industry carries competition too far and lowers its net profits to the danger point. Any single unit in the industry can, by superior efficiency, make itself safe and prosperous. But all the evils of over-competi-

tion can be overcome only by co-operative action. Such an industry needs most a strong and well-supported National Association.

Take, for instance, our young Radio Industry. Its manufacturers and retailers need co-operative action in order to raise its percentage of net profits. It is facing the hard problems caused by OVER-PRODUCTION. It is producing more radio sets than can be sold in the home market.

In the whole industry there is at the moment very little team-play—very little of the spirit of co-operation. The Leaders are not leading. Every Leader is on his own. It is a case of "every man for himself". A point has been reached where something must be done. So, here are three suggestions:

(1) To help the industry as a whole, five of the leading manufacturers should sit around a table and look at one another with friendly eyes. Then they should agree upon at least three points of policy, to curb the over-production and to maintain profit-yielding prices.

What the radio industry needs most is a little nucleus of Thinkers, who will make plans to benefit the industry as a whole. To call a Conference of all the manufacturers would do more harm than good. Five men are enough to draw up a practical policy.

(2) What any manufacturer can do is to make a special effort to cut down the costs of production. He should turn the floodlight of investigation upon his whole process. Very likely, he should call in a skilled Efficiency Engineer. If prices must be cut, they should be cut without lowering the percentage of net profit.

(3) What any radio retailer can do is to study salesmanship and window display and improve the service he gives to his customers. He can curb his hire-purchase sales, as hire-purchase, in the radio trade, has now become a "racket". He should not over-trade. He should not aim at volume of sales, but at net profit. If these three suggestions are adopted, they will go far, I believe, to solve most of the problems that are now being faced by our radio industry.

The keenest competition to-day is not between firms in the same industry, but between industries. The reason for this is that only about 10 per cent of the families in Great Britain have enough money to buy the things they want. About 20 per cent have only enough money to buy the barest necessities of life. About 70 per cent, when they have bought the necessities, have a bit of money left for the extra things of life.

The personal problem of the 70 per cent is: "What shall we buy with the money we have

saved?" These people, plus the 10 per cent of very rich people, make the market for our industries. Most families have to decide what they will buy. They cannot afford to buy ALL that they want.

They have family discussions on: "Shall we buy a house or a motor car or a radio set or a new suite of furniture or a piano or a refrigerator or go on a cruise?" In most families there is a discussion every now and then on what to buy. They can afford at the time to buy from one industry only. As you can see, this is an unanswerable reason why an industry, acting as a whole, should advertise its products.

Here is a bed-rock fact that we cannot ignore —monopoly acts as an OPIATE and competition acts as a STIMULANT. If a man had no competitors, he would slow down and drift towards a state of apathy. There would soon be as little initiative in his business as there is in a Government Department. It would sag downwards into routine and little else. It is the prick of competition that keeps most of us thinking, learning and taking action.

The most inefficient and apathetic retailers are those who have the only shops in their line in a small village. When a grocer is the only grocer in a village, he invariably gives low-grade service to his customers. He has a monopoly

and it acts on him like an opiate. He does not bestir himself to please his people. And usually, a competitor will eventually come in and either liven him up or take away his trade.

The ancient Egyptians, who were for a time the cleverest people in the world, made the fatal mistake of totally destroying competition. Every young man was compelled to follow the trade or profession of his father. No initiative was allowed. Ambition was treated as a crime. As a result, the Egyptians stopped thinking. They created a cast-iron routine. And nothing remains of their civilization to-day except the Pyramids and the relics in the world's museums.

Modern Russia, too, made the same mistake. In fanatical allegiance to its Marxian creed, it abolished private enterprise and competition. It cut down the people to the same low level and made success a crime. As a result, the people became apathetic. In all lines of work the output fell off. This sag in productivity became so serious that the Soviet was compelled to introduce the piece-work system and graded salaries. In a word, it began to restore as many competitive methods as it dared and to remove, to a more or less extent, its ban on success. Its non-competitive system would not work.

HOW TO OVERCOME COMPETITION

A business man should have a correct idea as to competition. He should understand that competition is a good thing in any trade or industry, but it should not be carried too far. When competition runs wild, it is destructive. It leads to suicidal price-cutting and profit-smashing. The whole trade or industry then gets a bad name. Investors will not put their money into it. This is a serious matter.

The fact is that competitors have much in common. One trade or industry competes with another for the money of the public. Any group of competitors can go in for co-operative advertising. Perhaps they can combine to secure the repeal of a restrictive law. Certainly they can build up a stronger Association. They can put an end to certain destructive habits that have sprung up.

Unless a trade or industry sets out to govern itself, then the Government is likely to step in; and no sensible man is in favour of that. In a word, competition should not be pushed too far. In a well-balanced trade or industry there is both competition and co-operation. Either one alone leads to worse results.

Chapter Two

THE STANDARDIZED LEVEL

WHENEVER a man sits down on his experience and stops learning, you may be sure that he knows only the ORDINARY things about his business. He knows only what all his competitors know—that is the vital point to remember. And the central idea in this book is this—TO KNOW AND DO THE ORDINARY THINGS IS NOT ENOUGH. Any distinctive success is created by distinctive methods and ideas.

It was Aristotle, I believe, who said that a man can become either a good flute-player or a bad flute-player by playing the flute. My father played the flute, off and on, for over sixty years, but he never became a good player. He could play only a few tunes.

This is as true of jobs as it is of flutes. Many a man works at the same job all his life and never does it as well as it could be done. Most people, in fact, acquire a certain small degree of skill and then stop learning. All their lives they remain "bad flute-players". I have found that most

men, from stokers to managing directors, under-value the profit possibilities in their jobs.

The most common delusion in the business world is the belief: "I know my job." Most of us learn just enough about our jobs to escape blame, and then we stop. We do not realize that it takes time and study and practice to really acquire skill. In every business you will find only a small percentage of people who are doing their work as well as it might be done.

In a fair-sized town there may be fifteen jewellery shops. Probably two or three of them may be making satisfactory profits, not so much because they are well managed, but because they are old-established businesses. The windows and fixtures of these shops are all alike. Not more than one out of ten of the shop assistants has been taught the art of salesmanship. And in only one of these shops, probably, will you find even one book or magazine on salesmanship or efficiency.

It would not be very difficult for one jeweller in such a town to overcome competition. In the land of the blind, the one-eyed man is King. To make his shop different—distinctive—attractive, that would be fairly easy. The jeweller would need only to adopt some of the

methods of display and advertising that have made the big stores so successful.

Jewellers have the most beautiful goods, but most jewellers wholly neglect the art of window display. Quite a few jewellers still have naked electric lights in their windows, dazzling the eyes of passers-by. Also, many a jeweller fogs his windows by having backgrounds of light-coloured cloth. Fancy showing diamonds and silverware against a light grey background! Why this is ever done is a mystery.

The shops that sell artificial jewellery have much finer displays than the shops that sell real jewellery. And there seems to be no good reason why this should be so. One fact is certain—that the first jeweller in every town who learns the art of window display will have a profitable advantage over his competitors.

A skilled business expert, who has made improvements in at least twenty or thirty different businesses, learns these two useful facts:

(1) All businesses are fundamentally alike.

(2) A few small alterations will often make a remarkable increase in the net profits.

A business is like a used motor car. If it breaks down, it does not break down all over. Perhaps only one part of it is broken. The driver

of the car may not know what to do. In that case he calls in a mechanic who is a motor car expert. And this mechanic may restore the car to good condition in half an hour.

Suppose there were a race between six eight-year-old motor cars! The car that would win, very likely, would be the one that had been most carefully overhauled before the race.

This is true, too, of business companies that are competing. Most companies, if I may say so, are very much like eight-year-old cars. Most are the worse for wear. They are sure to need overhauling in at least some departments.

Therefore, when competition is keen between a number of companies, the one that will forge to the front will be the one that has had the most complete overhauling. Whenever competition becomes strenuous, the wise policy of anyone of the competing companies is to have itself put in good order—made fit for the race.

This fact is certain—no firm can overcome competition without making an EFFORT. No firm ever yet drifted to the top of its trade or industry. To adopt that weak and apathetic slogan: "Business as Usual", will not enable any firm to have a better Balance Sheet.

There is many a firm that never makes an

effort. It makes no net progress. Here and there it may make a few little improvements, but it is in exactly the same position it was in ten years ago. I was reminded of such a firm when I heard a comedian on the wireless. He was making a comic political speech. He said: "And so, my fellow-citizens, we can go forward to the place from which we started."

It would seem as though a firm, like a salesman, should have a Quota—a Profit Target to aim at. Suppose it made £7,000 last year. Should it not aim to make £10,000 this year? Of what use is its experience, if it cannot do a bit better each year? If its own experience cannot help it to make progress, should it not call in a skilled outsider—one who could point out how to make profitable improvements?

When every Balance Sheet is no better than the last one, there is sure to be a lack of initiative and specialized knowledge. When a firm goes "forward" through the year to the place from which it started, the time has come for it to make a Big Effort. It may be stuck in the bog of complacency or apathy.

One comparatively small EXTRA thing may enable a man to win his race against his competitors. As we know, a horse sometimes wins a race "by a nose". One little last effort has brought many a horse in as the winner. This is

as true of business as it is of horse racing. It is the extra effort or the extra equipment or the extra knowledge that sends a firm to the top. No firm ever yet became a leader by being equal to its competitors.

Make your business different in some way that creates favourable attention. If a small shopkeeper can think of nothing else to do, he can have his shopfront painted white or yellow or red. He can make it the most easily seen shop in his street. If a manufacturer can think of no way to improve his goods, he can put them into more attractive and expensive containers than any of his competitors are using.

In one of the huge department stores, there are about three hundred thousand different articles for sale. Almost all of these articles can be bought in every big department store. Consequently, every well-managed big store tries to have something distinctive in every department. It may offer the most complete assortment in any one line. Or it may secure the sole agency for certain articles. As far as it can, it tries to be distinctive.

Practically every business man has at least one Strong Point, either in his own nature or in his business. In order to overcome competition, he must make the most of his Strong

Point. If he has no Strong Point at all, he must develop one. In some one thing he must be superior to those who compete with him. Even in the smallest business there may be something superior and distinctive.

A business is not like a mechanism. It is not at all like a new motor car that has been finished at the factory. The average business is much more like an unfinished house, which still lacks a few doors, windows and partitions. Never yet have I found a business in which nothing was lacking. But most men, when their businesses reach the standardized level, regard them as complete and fall into the stupor of complacency. Every business can be constantly improved.

No man can overcome competition without facing difficulties and more or less opposition. When a man moves ahead of the crowd he is in, he will always have a few jeers thrown at him. Jonathan Swift once said: "When a genius appears in the world you may know him by this sign—the dunces are all in confederacy against him." There will even be opposition inside his own organization, when a man sets out to make improvements. But he should not allow this to slow him down.

Chapter Three

THE STRUGGLE TO MAKE PROFITS

THE wreckage of ships on the high seas is very slight as compared with the wreckage of businesses on land. And there are two good reasons for this:

(1) Every sea captain has been trained for his job. He has been trained by books and experience.

(2) Every sea captain obeys the rules of safety and knows the signals of protection that have been provided for him on the coasts.

Also, a third reason might be that he is provided with scientific instruments, so that he knows the facts and does not depend upon opinions.

No amateur nor any incompetent captain is given control of a ship. The shipping companies and Lloyd's make sure of that. When a captain loses his ship he must go to the "Captains' Room" in Lloyd's, where he undergoes the most searching examination. To prevent

shipwrecks we have a world-wide system of lighthouses, lightships, buoys, etc. No sea captain ever dares to ignore these signals.

So, though nature made the sea more dangerous than the land, it has now become much safer. There is now practically no place on land that is safer than a great ocean liner.

But the wreckage of businesses is still appalling. Every year in Great Britain we have from 5,000 to 6,000 bankruptcies. And a large number of other businesses voluntarily come to an end. In America the wreckage is much greater than in Britain. It is said that one business out of five drops out of sight every year.

Every business crash is a tragedy. It means that some man has lost all his capital, and has no longer any means of providing for his family. It means that he has become impoverished and discouraged. He may never have the pluck or the money to start again.

In my opinion most of this wreckage on land is preventable. It could be cut down by at least one-half if business men would appreciate preparation and knowledge and training as much as sea captains do.

Perhaps, some day, we may have a system of inspection and protection for business firms. We may develop a Lloyd's for businesses. Who

knows? The Trade Associations may provide such a system for their members, when the members become wise enough to pay sufficient dues.

But nothing at all can be done until the mass of business men become more teachable than they are to-day. As long as they think they can run shops and mills and factories without learning how, the present wreckage will continue. There is just as much knowledge and technique needed to run a business as there is to run a ship—that is the vital point to remember.

During 1937 two of the most up-to-date retail shops in London had to close their doors. They sold attractive goods. They had competent sales people and fine window displays. Yet both lost their capital and fell into bankruptcy. It is not easy to say why these shops failed. As far as anyone could see, they were well managed. By all the rules they should have succeeded. But they went down. One of them, during the year, lost an average of £100 a day.

It seems clear that in both cases the expenses were too high. Too much was paid for rent and probably too much for wages. The landlords and employees were paid out of capital, not out of profits. And for some reason that cannot be explained, not enough customers came in. Such are the tragedies of retailing.

They should make any man pause before he dashes to invest all his money in starting a new shop.

Generally, in retailing, it is safer to start in a small way than to make a splash. It is better to make £1,000 in a year than to lose £12,000. Only a man or firm with large reserves can afford to make a splash and to ignore expenses.

After all, every new shop is more or less of an experiment. It is a try-out. Perhaps customers may flock to it. Perhaps not. A new shop should be under-staffed rather than over-staffed. It must watch every item of expense. There are limits to the service it can give to customers. Whatever it does must be profitable.

The first thing it must think of is not prestige, but the making of net profit. It must do only what it can afford to do. The delusion still exists that retailing is an easy way to make money. It is not. Often, it is a quick way to make a big loss. To start a shop and keep it going requires a great deal of specialized knowledge and the most careful expenditure of capital. This ought to be widely known.

To open a small shop—that is not a sure way of making a good living. Only the efficient shopkeepers survive. The others fade out. A

friend of mine took a day off one summer and went on an old journey that he had made as a salesman twenty years ago. He found that three-fifths of the shops had either changed owners or been closed down. Only two out of five shopkeepers had survived.

As long as a business keeps going, the value of its assets remains, but as soon as it falls into bankruptcy, the value of its assets fades away. This is one of the tragedies of business life. A firm may have furniture, fittings, etc., for which it paid £10,000. At a forced sale they will probably be sold for £2,500. It may have stock for which it paid £7,000. At a forced sale this stock will be sold for £2,000. Efficiency may be a bit costly, but it never costs as much as bankruptcy does.

Publishers and booksellers have one of the most difficult jobs in the business world. They have to sell books against the competition of free libraries and lending libraries. Suppose there were public depots that lent bicycles for a penny or two a ride and gave free rides. Would it not be hard to sell bicycles? People would come to think only of borrowing bicycles, not of buying them. The greater pleasure of ownership would be forgotten.

That is what has happened to books. They are regarded as things that can be borrowed

or used free of charge. This may, or may not, have been a good thing for the public, but it has made business hard for publishers and booksellers. It has made the prices of books far too low and it has made books hard to sell. It has prevented the public, too, from appreciating the value of good books. There ought to be a big advertising campaign, in fact, to teach people to "BUY MORE BOOKS".

Sometimes a writer in the daily Press attacks publishers because of the high prices of books. He forgets the terrific losses of publishers. He should go to a publisher's warehouse and see the vast number of books that have been left on his hands.

No manufacturer nor retailer has as heavy a loss by dead stock as a publisher. A publisher cannot produce 100 copies of a book as a try-out. He is compelled to print at least 2,000 copies and the book may prove to be a non-seller. Roughly speaking, the prices of books should be about 20 per cent higher than they are.

If anyone asked me: "Who does the most work for the lowest percentage of profit?" I would say: "The Newsagent." He is at work about three hours before most of us have our breakfast. He makes the most penny sales. He has to deliver penny papers. He has to arrange

his stock every day and keep track of the whole of it.

He has to send back what he does not sell. He does more handling of goods than any other retailer. He has to be a salesman and a clerk and a display man and an errand-boy. He does more for a farthing than anyone else does.

A study was made of a group of multiple shop companies, on the one hand, and federated department stores, on the other. Both groups are in the United States. The figures for 1934 were taken and compared. They proved that the expenses of multiple shops are far below those of department stores in America.

Each of the two groups had reached the same figure in sales—about £80,000,000. But the multiple shops made a net profit of $4\frac{1}{2}$ per cent, while the department stores lost more than 1 per cent.

The total overhead expense of the multiple shops was 24 per cent, while for the department stores it was $37\frac{1}{2}$ per cent—a striking difference. Salaries and wages cost the multiple shops less than 12 per cent, while they cost the department stores 18 per cent.

No doubt, centralized buying helped the multiple shop companies, but this one reason

would not account for their good showing. There must have been other reasons; and all competing retailers will find it profitable to find out what these reasons are. A difference of 13½ per cent in costs is well worth looking into.

If the total costs of a grocer are 23 per cent, he cannot compete successfully with a grocer whose costs are only 15 per cent. If the total costs of a department store are 32 per cent, it cannot compete successfully with a department store whose costs are only 22 per cent. In order to overcome competition, costs must be hammered down. Every penny of cost is a penny less net.

There has been a revolution in the making of ladies' shoes. Retailers are now handling hazardous style merchandise. There is as much style in boots and shoes to-day as there is in millinery. Consequently, there must be a higher mark-up. There must be some sort of style insurance. If the public is now compelling the shoe merchant to run more risk, the public will have to pay for it. Goods sold for style must always have a higher mark-up than goods sold for use.

An American authority says that a well-managed shoe shop doing a business of £12,000 a year, should have a net profit of 7 per cent. It

should have a turnover of from 2½ to 3 per year. The cost of shop assistants should range from 8 to 9 per cent. Rent should be 6 per cent and the pay-roll 14 per cent. No shoe shop can make a fair profit unless it gets 35 per cent gross profit on total sales.

On the same day I met three motor car dealers in London. They had various opinions on many things, but all three were "fed up" with the "used car" problem. The used cars pile up, they said. They come in faster than they go out. And they wipe out most of the net profit. It seems clear that at least two methods can be adopted to stop a part of this loss.

(1) Motor car salesmen can be trained to sell on service rather than by giving too much for used cars. Not many motor car salesmen have been well trained. Usually, the customer who comes to trade in a car is a better salesman than the motor car salesman is. He wangles a profit-smashing price for his used car.

(2) There should be special methods for getting rid of used cars. There should be a used car sales manager. When a used car comes in, it should be reconditioned at once and sold within thirty days, if possible. It is better to take a quick loss than to allow used cars to pile up. "Used brains will sell used cars," says Bill

Holler, Sales Manager of the American Chevrolet Company.

The "star" salesman of a company is not necessarily the one who is at the top in volume of sales. He is the one who makes the most net profit for his company. Some salesmen concentrate on the goods that are easiest to sell—on the cheaper lines and the "bargains". They may be at the top in volume of sales, but they are not at the top in net profit. Every Sales Manager should know his real "stars" and give them a word of praise and a bit extra at the end of the year.

Competition may be partly overcome by SIZE. The largest store in any town has a great advantage over its competitors. The largest grocery shop has a useful advantage over the other grocery shops. A woman enjoys telling other women that she has bought goods in the largest store. She mentions the name of the store. If she has bought in a small shop, she is less likely to mention the name. The size of the largest store is its own best advertisement. The prestige of a huge store gives more or less of a glamour to its goods. There can be no doubt about that.

But size is not the main thing in business. Initiative is quite as important, and in an amalgamation there is usually very little initiative.

Economy of management is good, but personal interest is better.

In most cases, an amalgamation turns managers into bureaucrats. It changes business into a sort of Civil Service. There is less courtesy, enthusiasm and energy when you tie twenty firms together. There need not be. But there is.

Size, you see, has its dangers as well as its advantages. These dangers can be prevented. It is possible to keep a big company human. A large amount of freedom must be allowed to managers, and rewards must be offered for new ideas and improvements and personal efficiency.

Size has its drawbacks as well as its advantages, in the matter of buildings. There are many unprofitable big buildings in the world. Many a retailer has doubled the size of his shop and increased his sales only 20 per cent.

The huge skyscrapers of New York—many of them are only two-thirds full. For profit purposes, they are much bigger than they should have been. The immense "Merchandise Mart" in Chicago, which is claimed to be the world's largest commercial building, was half empty for years. In 1937 it was only 85 per cent full. It was designed to be "a department store for wholesalers". As yet, it is too big.

Whenever any big building is built, there must also be a scheme to keep it full. It must be launched selling end first. A small shop with a steady throng of customers is more profitable than a big shop that cannot attract enough customers to keep it busy.

Prestige and Profit are both desirable, but Profit should come first. Quite a few firms slip down towards a crash because they do not think of this. Often, a new business starts in a small way, on a back street. It prospers. Then the owner gets a swelled head and starts out to get prestige.

He moves to a larger building in a good street. He takes on more people. He makes a splash. Then he finds out in the first year that his net profits have fallen off. He has doubled his expenses but he has not doubled his sales. He moved too soon. He should have waited until he had enough reserves to warrant the expansion of his business.

Prestige is one of the last things to aim for, not the first. It will come naturally to any well-managed, dependable business. It is better to make £1,000 a year in an old barn than to lose £500 a year in a spick-and-span business building. It is wiser to think of profit than of swank

All through the year, until he sees his Balance

Sheet, the average business man believes that his net profit is more than it is. He knows his gross profit. He knows what his mark-up is. But he does not know how much of his gross is net.

Roughly speaking, I have found that a retailer's net profit is usually about one-seventh of his gross profit. Only ONE-SEVENTH! A jeweller's net profit is sometimes only one-tenth, while a grocer's is sometimes as high as one-fifth.

The fact is that few of us are aware of all the leaks, wastes, breakages, theft, etc., that cut down the net profit. Almost always, a man's expenses are more than he thinks they are. And so he goes on dreaming of a higher percentage of net until his Balance Sheet wakes him up.

Surely it ought to be laid down as a rule that every business man is an amateur until he has learned how to make satisfactory profits. He may know much about the routine work of his business, but if he does not know how to make his business pay, he must regard himself as an amateur.

General Foch once said, speaking of a group of French Generals: "They were superb Generals in peace time. They knew everything

except war." The same thing may be said of many business men. They know all manner of things about their businesses, but they don't know how to build up a business and make it profitable.

Even a Professor of Economics could keep a business going as long as its capital lasted. But it requires skill and specialized knowledge and driving force to make a business profitable and to pile up reserves. Those who can do this have a right to call themselves "professionals"

Chapter Four

TRICKSTERS AND PRICE-CUTTERS

THERE is nothing else that so develops a man's self-respect as the giving of good value to other people for the money he receives. The man who gives good value is sure to value himself. He sets himself high above the slackers and parasites and dishonest people.

One of the English buccaneers of the Middle Ages had this family motto: "All that cowards have is mine." As you can see, it was a motto better suited to wolves than men. It would develop a wolf-nature in a man. It meant a career of piracy. It meant that the weak were to be robbed by the strong. But in business life today only a few low-grade, foolish men follow the methods of piracy. And usually their careers are short.

The question we try to answer in business is: "How can I serve people so well that they will be willing to pay me a fair price for my service?" No matter what a man's job is, he must ask himself this question. No man is too

big to escape it. In order to get, we must give. If any man—employee, retailer or manufacturer, aims to give as little as possible, he will soon find himself on the outside of the business world. He will be overcome by his competitors.

To take a tricky advantage of one's competitors is regarded in some immature countries as an evidence of cleverness. This is not so in Great Britain. Here we regard a tricky man as one of low-grade intelligence. He is more or less shunned and ostracized. We regard a trick in business as being the same as a foul in sport. And both in business and sport, in this country, a man can lose on a foul.

Trying to fool people is a mug's game. It does sometimes succeed for a time, but sooner or later it brings more losses than gains. We are now coming to believe this—nothing that is ethically wrong can be commercially right.

People who play tricks on customers are found out. They may gain a shilling or two, but they lose customers. To do that is stupid as well as wrong. The mass of people cannot be fooled as easily to-day as could the people of forty years ago. There is no longer a gang of sharpers travelling with a circus. Business has now been lifted to a higher plane, and in general we have the big companies to thank for this. That is a fact we should not forget.

In every trade or industry there are people who are as destructive as Arabs. They are pulling down quality and profits. They are destroying goodwill. They are giving a bad name to their trades or industries. Some of these people are tricky and even dishonest. But most of them are only weak and inefficient. What the Arabs have done to the land they live in, these people would do to their trades and industries if they had their way.

When we think about the Arabs we are prone to pity them for living in the barren desert. The fact is that they do not deserve any pity. The Arabs created the desert. That is a fact usually forgotten.

In what we now call the African Desert, there were fine cities, roads, orchards and gardens several thousands of years ago. The ruins of Roman cities can still be seen in the African Desert. They are now almost buried in sand. There was once the great city of Carthage, so powerful that it threatened the Roman Empire.

The African Desert has been created by the Arab and his camels and goats. Major C. S. Jarvis calls attention to this fact in his book, *Three Deserts*. "The sight of a tree appears to incense an Arab," he says, "and he is not happy until he has destroyed it utterly by

snapping off its branches and burning its trunk through to the core."

If England, even, were given over to the Arabs, they would turn it into a wilderness in a few centuries. As far as I can learn, this seems to be the truth about the Arabs—they pull down every country they live in into ruin and decay.

In every trade and industry there are the people whom we might truly call the "Arabs of Business". They are the weak, unfair or dishonest competitors. The way to overcome them is not to imitate their methods. Whatever is bad for the trade or the industry must be bad for the individual in the long run. The way to overcome the "Arabs of Business" is to become still more efficient—still more creative.

In the matter of world trade, the only way to overcome the competition of a low-wage country is to levy a tariff on its goods. Whenever a country with a low standard of living goes in for industrialism and buys machinery, it seriously cuts into the trade of the countries with a high standard of living. To prevent the competition from being unfair, its goods must be taxed.

Mr. Guenther Stein, in his book, *Made in Japan*, has made known the facts with regard to wages in that country. He says that Japan

has set out to sell the cheapest goods in the world. It makes a better grade of goods for its home market than it does for its foreign trade.

Japanese workers work in homes or factories. There is a vast amount of what we call "sweat-shop work". A Japanese family, working at home, begins work at 6 a.m. Three times a day they rest, once for half an hour, twice for fifteen minutes. They stop at 6 p.m. A man and his wife, making cotton cloth, will earn only £6 12s. per month, and electric power costs them 18s. a month.

In the making of pencils, a family of five will earn only £3 10s. per month. Such wages, as you can see, have not been known in England for 200 years.

Most cotton mills work in two shifts of eight and a half hours a day. A girl worker receives 1s. a day, with 2d. deducted for food. One girl will operate from 400 to 800 spindles.

A highly skilled workman, making fountain pens, will earn £8 8s. per month, but the average pay in a fountain-pen factory is £4 10s. per month. The rent of a four-roomed house is only £1 5s. per month. The clothing for a family of eight costs only £6 a year. And food is cheap.

Japan has not been benefited by her exports,

except that jobs have been given to industrial workers. "Japan has not accumulated reserves," says Mr. Stein. On the whole Japan buys more from the British Empire than she sells, because of her lack of raw materials. But Mr. Stein points out that if Japanese goods were not restricted by tariffs, they would flood the world. No other country can compete on price with a country that pays its workers 1s. a day.

If a manufacturer or retailer must, or thinks he must, cut his prices, then he must go to work at once to reduce his costs. If he reduces his prices 5 per cent, then he must reduce his costs 5 per cent, so that he will have the same percentage of net profit. In my opinion, no action is ever wise if it reduces the percentage of net. If the costs cannot be reduced, then the prices should not be reduced. This seems to be self-evident, but the mass of inefficient men never give it a thought.

Usually, the reason that is given when a shop fails, is "Lack of Capital". And this is seldom true. The three main reasons why shops fail are:

(1) Price-cutting.
(2) Uninteresting window displays.
(3) Careless, unfriendly service.

When a shop gives away a third or a half

of its profits, it will probably put its sales up, but it will not last long. It will harm all its competitors, but it will harm itself the most. Sooner or later the time will come when it cannot pay its bills.

If it has poor window displays, it will not attract the attention of passers-by. It will not get enough new customers to make up for the customers that it loses. If it gives careless, unfriendly service, then its customers are not likely to go back. And the time will come when it will put up its shutters.

No shop is likely to fail if it sells goods at regular prices, has eye-catching window displays and treats customers like guests. It will pay its rent, rates and taxes and have enough profit left to fairly reward the owner or the shareholders. Make customers notice and like the shop and don't sell on price only—that policy will prevent any shop from closing down.

When a retailer's shop assistants have been allowed to sell mainly on price, then that retailer is practically compelled to remain a price-cutter. His sales people are too weak to maintain right prices or to sell better-quality goods. They sell goods at lower prices than most customers would be willing to pay. And

doing this is the cause of one of the heaviest losses in retailing.

Many a man thinks he has a business, when the truth is that all he has got is a headache. To manufacture or sell goods at a loss—that is not business. The distinguishing mark of business is that there must be a net profit.

People who make or sell goods at a loss are not building a business. They are destroying it. They are not only putting an end to themselves. They are injuring others as well. They are more or less weakening the whole structure of profit-making that we call business.

When a man finds that he has only a headache and not a business, that is a sign that he does not know as much as he needs to know. He should blame himself, not his competitors. Others in his trade or industry are prospering —making plenty of money. If he does not know how to make net profits, he must learn. He needs specialized knowledge, not aspirins.

The right way to overcome competition is not to reduce your margin of profit. To start price-cutting when costs remain the same—that is not the right solution. It is like the system that is said to prevail in parts of China—a man takes revenge by hanging himself on his enemy's doorstep. Price-cutting is self-punishment. The

percentage of net profit should not be reduced unless the percentage of cost has been cut down.

May I venture to give this opinion, which may not at all please any women readers—bread and milk, delivered at the home, are sold at too low a price. Bread and milk would be cheap enough at present prices if they were not delivered.

When we remember that it takes thirty-five machines for the production of a loaf of bread—when we remember the cost of cows and land and transport and bottles and pasteurization of milk—we are compelled to believe that the prices of bread and milk are too low.

The cost of delivery is what does most to knock the profits out of the bread and milk business. A horse and van, at the very lowest estimate, must cost 2s. an hour. That is 2d. every five minutes.

What net profit can there be when a delivery man walks down a long drive to make a 5d. sale? Of course there is none. There is a loss. A delivery man has to deliver about 100 loaves of bread a day, or about 50 bottles of milk, just to make the expenses of himself and his van.

When a line of goods does not move—sticks in a shop for months—the easiest and stupidest

thing to say is: "Mark them down." Surely something else can be done instead of sacrificing all the net profit on the stickers.

There are several possible reasons why goods fail to sell. There are other reasons besides price. Perhaps the goods are "wrong" for the customers of the store. The buyer has made a mistake. In that case it is likely that there must be a mark-down.

But perhaps the goods have not been well displayed. Perhaps the advertising was ineffective. Perhaps nothing was done to make the sales people interested in the slow-moving goods. They may not have been told the quality-points of the goods.

Perhaps for some reason the goods have not had a fair chance to be sold. Certainly the matter should be looked into before the prices are slashed. In a word, a mark-down should be the last thing suggested instead of the first. The head of every selling department should think first of net profits, not of volume of sales.

To incessantly shout about low prices does not help a retailer. One retail firm that persistently advertised "Lowest prices in London", came to end. If a retailer announces "astounding bargains, amazing values", etc., once or perhaps twice a year, he may be

believed. But if he makes such announcements every month, his shouts are likely to fall on deaf ears.

The buyers of department stores should not insist on cruel price-reductions. Their suppliers must be allowed to make a fair profit. In the long run it does not pay to switch from one supplier to another every month or two, just because of a few pennies difference in the price. Surely, a buyer should not become price-mad. He must not chase the lowest price like a greyhound chasing an electric hare.

In 1932 there were several distinct changes made by the big multiple shop companies in America that sell variety goods. All told, these companies spent £7,000,000 in modernizing their stores. Many of them now have restrooms, lounges, telephone booths, etc. They are accepting orders by telephone and delivering goods. They are becoming more like department stores. Also, they are selling better quality and higher-priced goods. The old policy of "Nothing over 25 cents" is being abandoned.

You have often heard this said of the best retailer in a town: "His prices are higher, but his goods are always reliable." That is a fine testimonial for any retailer. It will help to give him more customers and better-class customers. It is much better than if people were to say:

"His prices are lower, but his goods are not always reliable." The "but" makes a great difference.

There was once a big manufacturing firm in England that was tumbled into bankruptcy by these seven words: "You have to make a competitive price." These words were used constantly by the Sales Manager of the firm. He had an obsession that the best way to secure a big order was to cut the prices. He cut them below the net-profit level. He kept the factory busy, but the firm stopped paying dividends. Finally, he cut them so low that the firm made heavy losses, and in walked a Receiver.

This is a foolish, business-smashing slogan: "You have to make a competitive price." The duty of a Sales Manager is not to sell goods. It is to sell goods at prices that yield a net profit. Any Sales Manager who makes a POLICY of price-cutting does not know even the ABC of salesmanship. He is pulling down his firm and his trade.

A big Mail Order House in America sold £160,000,000 worth of goods in four years of depression, and made a loss of over £4,000,000. That was an object-lesson to prove that the main thing in business is not volume of sales, but net profit. It is possible to have sales of

£40,000,000 a year and yet lose £1,000,000. That sort of thing is not business at all.

In America there has been an epidemic of "Gift Stunts" among retailers. People are being taught to expect something for nothing. For instance, an American draper advertises: "A pair of stockings free." Every customer who buys a pair of stockings receives a card. The amount of the sale is marked on it. And when a woman has bought eleven pairs, she receives a 4s. 11d. pair free.

How can such a scheme possibly increase that draper's net profits? Roughly speaking, he has to sell ten pairs of stockings out of every dozen to pay the manufacturer and to pay rent, wages, rates, taxes, overhead costs, etc. The money for the last two pairs is his own net profit. By this scheme he is giving away HALF of his net. He may attract new customers, but he will not hold them very likely, unless he keeps on giving them something for nothing.

A humorous incident happened in New York in 1934. There was a war between the price-cutting retailers and the other retailers who were trying to maintain prices. Two New York newspapers came out strongly on the side of the price-cutters. So the price-maintainers thought they would teach these two newspapers a lesson.

A large number of retail shops began to sell these two papers at a halfpenny less than the usual price. They put big placards in their windows. At once the newsdealers set up an outcry. They bombarded the two newspapers with protests. In a word, the retailers gave the two newspapers a dose of their own medicine, and compelled them to take the side of the price-maintainers.

Trade Associations might do a great deal to make competition fair and to increase the sales of their members. The fact is that they cannot do much at present for the reason that they have no money except for bare expenses. The dues are too low. In most cases they are absurdly low. The Balance Sheet of many a Trade Association should make that trade feel ashamed of itself. A Trade Association can do a vast amount of good to its members if they take it seriously and give it decent support. But if it is poverty-stricken, it cannot do much.

A man pays no more to belong to his Federation, usually, than one of his small children does to belong to a Band of Hope. He pays the price of two or three theatre tickets or the price of a fountain pen. The Balance Sheet of many a Federation looks like the Balance Sheet of a coal-miners' club.

What can the poor Secretary of a Federation

do, when he has only enough money to pay his salary and the rent and postage? If any Federation is to be made stronger, the first thing to do is to raise the dues. In most cases, they ought at least to be doubled.

Chapter Five

THE INSIDE OBSTACLES

A MAN'S worst troubles are not his competitors. They are INSIDE his own organization. They are the people who are letting him down and the stale traditional methods that ceased being profitable years ago. His most serious troubles are not outside matters over which he has no control. They are matters that he can deal with. They can be overcome by the expenditure of money or the expenditure of energy and thought. He must not accept them as inevitable.

Now and then, when your handicaps discourage you, you might remember the men who had worse handicaps than yours and who carried out their purposes. Beethoven, one of the greatest of all musical composers, became deaf at thirty, yet he continued to compose music that has never been forgotten. Prescott, the famous historian, became blind, yet he went on with his work. He had a contrivance of wires set apart the distance of a line. He found that he could write when this was placed over his paper. When you and I think of

Beethoven and Prescott, our handicaps do not seem to be very serious.

As soon as a man decides that he WILL overcome competition, he will find that he has several problems to solve. Like all problems, they will seem to be impossible at first. That is the reason why his competitors have not solved these problems. He must believe that they CAN be solved. And very likely he will need to acquire some specialized knowledge before he can master them.

In trying to solve any business problem you will find that part of it is easy and part of it is hard. The right method is to do the easy part first. In solving a jig-saw puzzle there are always some distinctive pieces that can be easily matched. There is the head of a horse, for instance, or the trunk of a tree, or a bright-coloured dress. The bits of sky or grass or background should be fitted in last of all.

In solving a cross-word puzzle, the quickest way is to begin with the three-letter words. Then tackle the four-letter words. Leave the long words until the end. Most business problems can be solved the same way. There is always some easy thing that can be done at once. And as you push forward, the hard part of the problem will become easier.

To be economical—that is all very well—but many people carry economy too far. They are like the Scotsman who learned to read Braille to save light. To hold tight to pennies, and to be keen on saving scraps and odds and ends of things—that is the wrong sort of economy.

The person who picks up pins and bits of string is likely to be a waster of time. The person who scolds an employee because of a threepenny waste is likely to lose more than threepennyworth of goodwill.

Time and goodwill—they are worth as much as money or materials. Whenever we economize, we must do so wisely, with a bit of sense, or we may lose more than we save.

Speaking of a London publisher, a man said to me: "All he thinks of is how to cut expenses." Also, he said: "In my opinion that is the surest way to put a business on the rocks." And there is a great deal of truth in that.

It goes without saying that a man must watch his expenses. In every big firm, especially, the expenses will run wild unless the managing director has a keen eye on them.

There are scores of expenses to-day that were unknown thirty years ago. The Government seems to have set us all a bad example in the

matter of careless spending. The old Gladstone days of economy have been quite forgotten. But to treat all expenses alike and to try to hammer them all down to the lowest point, is a serious mistake.

The right point of view on expenses is this —always distinguish between the profitable and the unprofitable expenses. When a man is looking at his expenses, he should have a black pencil and a red pencil.

He should mark his profitable expenses with a black pencil and his unprofitable expenses with a red pencil. Usually, we use red to show losses. Then he should put a stop to his unprofitable expenses. He should not make the same mistake twice.

No business man should have an obsession against spending money. He MUST spend, in order to make his business grow. The question that should concern him is: "How can I spend money in such a way that I will get my money back and a net profit as well?"

The main thing in business is not to save pennies. It is to increase the net profits. A business man should ask himself every now and then: "How can I spend £50 and make a net profit of £25?" A man can save £50 a year by buying an addressing machine, or an Edi-

phone, or an adding machine, or a lathe.

Tens of thousands of businesses are losing money every year by not spending. The retailer who will not spend £100 to train his shop assistants is losing far more than he knows because of his economy obsession. The main thing is neither to save nor to spend. It is to make more profits. As soon as we have that fact in our minds, then we will act wisely with regard to expenses.

This advice is often given: "Don't imitate your competitors." This advice should not be taken without modifications. Certainly a man must learn what he can from his competitors. Sometimes he MUST become an imitator. If a nearby competitor buys a neon-sign, then he must follow suit. But of course he should try to be first with at least some of the new improvements.

On one occasion I happened to meet an old-fashioned, unteachable retailer at a social gathering. His business had been steadily decreasing. His progressive competitors were taking his customers away from him.

He spoke to me in a pessimistic way about business conditions, so I said to him: "Of course, your net profits are down because you have been paying for your competitors' im-

provements. They are really sending their bills to you." He replied: "I don't know what you mean."

Then I explained to him, as simply as possible, that some of his competitors had been spending money on invisible windows, neon-signs, window display, staff training, interior display, selling events and so on.

"These competitors have taken away a large number of your customers," I told him. "There has been a loss to you and a gain to them. So, it is quite true to say that you have paid the bills for their improvements." Perhaps he understood. Perhaps not. But it gave me a bit of satisfaction to tell him.

Suppose a small grocer has been running a level business for four or five years, barely holding his own and making an average income of £6 a week, what should he do, in order to reach an average of £10 a week?

In my opinion, the best thing he can do is to study his business, reconstruct it and have a NEW START. He has fallen into a rut and he must climb out of it.

(1) First, he must reconstruct himself. At present he does not know what to do. He must learn. Before taking any steps, he must study at least three or four books on retailing. And

he must go and take note of the best-managed grocery shops in his town. He must become a learner.

(2) He may have a couple of shop assistants and a boy. He must notice them. Perhaps they are customer-losers. He must have keen, friendly, likeable assistants. And he may have to spend an afternoon looking for the one best boy.

(3) When he has improved himself and his employees, then the next step is to improve his shop. The window displays and inside displays must be made more attractive. Very likely the shop-front needs to be painted. Very likely he needs twice as much electric light.

(4) Then, when all is ready, he can have a "Restart Week". He can call it "Birthday Week" if he wishes. The shop should be decorated, outside and inside. This "Week" will make a break between the old system of management and the new system. Also, it will attract many new customers.

This plan can be adopted by any shopkeeper whose net profits have remained at the same low figure for several years. If he has the pluck to make a three months' effort, he can reconstruct his business and raise it up to a higher level as a profit-maker.

In these days, the spirit of youth is so strong that a firm must appreciate the value of its young men. They are in touch with the coming generation. A man over sixty is likely to be in touch only with the going generation. He should not over-value seniority. Sometimes, when a firm does not promote its ablest young men, a couple of them may resign and start a competing business of their own. This is a danger that should be avoided.

Almost every firm has its "drags". These "drags" may be incompetent people or obsolete equipment or outgrown methods. They make a firm slow down. They do not help the firm. They help its competitors. Many a firm is like a man who enters a race with a ball and chain on one leg. It is hopelessly handicapped by its "drags". And sometimes the man who is at the head of the firm is the worst "drag" of all.

Once I saw a waterlogged boat adrift, floating down a river. It was nearly submerged. I noticed that the river was moving faster than the boat was. Even as a drifter, the boat was inefficient. So, there are in the business world quite a few waterlogged firms. They make just a little headway, when they drift along in a prosperous year. But the tide of general business is moving faster than they are; and the

first bad year will put an end to them. They will be sunk.

A "trailer" is a poor vehicle that has no engine. It is dragged behind a superior vehicle. Many people in the business world are "trailers". They have no initiative. They never make suggestions. They only do what they are told and as little as possible, usually. They are never paid much. They are seldom promoted. They only drag along. And when a depression comes, they are the first to be laid off. The poor "trailers".

Often, I have had to give the same advice to a managing director that the crowd at a football game gives to a dribbling player: "Get rid of it." It is amazing how most of us hold fast to old equipment and unprofitable people and methods. There are some firms in which it seems impossible to get rid of anything. No old thing can be got out and no new thing can be got in.

Business is like Bridge—a lot depends on what you discard. The iron rule is that you must discard whatever slows the business down and reduces its profits. There are some employees who are actively hostile to the firm they work for. They are as indigestible as bits of broken glass. They are better out than in. There are some lines of goods on which no

net profit has been made for three years. Perhaps they should be continued. Perhaps not.

In a word, no business should be run as a habit. It should be trimmed of whatever wastes time and money. The health of our bodies depends upon ELIMINATION. And so does the health of a business.

One reason why many a factory is losing more and more orders to its competitors is because so much of its equipment is out of date. A great many obsolete machines are staggering along in our factories. They are seriously increasing the number of breakdowns and stoppages. Certainly no profit is made by running machines that are doddering along in their dotage.

A firm or even a whole trade or industry that has slipped to the rear—been beaten by its competitors—can by a strong effort restore itself. Before the war, there was much ado about our "beaten industries". Certainly, we had quite a few of them. But to-day most of these industries have become efficient. And they are holding their own against their foreign competitors.

Before the war the glass industry was one of our "beaten" industries. It had fallen behind. Much of our glass was bought abroad. To-day

the whole situation is changed. I dare say that no other industry has made more technical progress than the glass industry. It is being well organized, too. The new "Glass Manufacturers' Federation" is very efficient.

There are now automatic machines that take the place of the old obsolete hand methods. Most of the British factories are now well equipped with the latest machinery. An old Victorian glass-blower would be amazed to see how bottles and scores of other things are now being made by automatic machines.

We have developed new methods for making plate-glass, having taken a tip from Henry Ford. And we have invented better ways of grinding and polishing the glass. We have some huge machines, 650 feet long.

We are now making a new kind of safety glass, which crumbles when broken. It does not break into sharp splinters. As to bottles, we are now making more than 1200 tons a day. There is no longer any good reason why we should import 12 per cent of our bottles. As to cut-crystal glass, much more is now being made at Stourbridge, which has been making it for 250 years. As to optical glass, we have now climbed up to a position where we do not need to import it. We can now sell it to the world.

Chapter Six

WHAT A MANUFACTURER CAN DO

THERE are many small manufacturers, and a few large ones, who are doing badly because they have no fixed policy. They need, of course, a policy that suits their factories. They must give their factories a fair chance to make net profits.

Often a manufacturer turns his factory into a job-shop. He accepts small orders or orders for goods that his factory is not suited to make. He has an obsession that he must not say "No" to an order. He thinks that every order will help to reduce his overhead. Naturally, when a manufacturer accepts "freak" orders, he will soon have more and more of them. And eventually his factory will be in a mess.

Sometimes a small factory tries to make articles in competition with a big mass-production factory. It cannot do this successfully unless its articles are of much higher quality and higher priced. In general, it is a wise policy for any manufacturer to stick to his own line—to what he can make efficiently and sell at a profit.

The sales manager should have instructions to this effect, so that he will not dump all manner of orders on the unfortunate foremen. It pays to have a fixed policy, with as few exceptions as possible.

Manufacturers who give an extra discount for large orders often deceive themselves as to what the effect of this is on their net profits. Suppose a manufacturer is making an article that costs him, overheads and all, 8s. Suppose he is selling this article for 10s.

A department-store buyer says to him: "I'll double my order if you'll give me an extra 10 per cent." The manufacturer agrees and has a more or less hazy idea that he has increased his net profit. He has not. He has only doubled his volume of sales to that store. The net profit he makes out of that store is precisely the same. The point is that 10 per cent off his selling price means 50 per cent off his net.

If the department-store buyer says to him: "I'll buy THREE times as much if you will give me an extra 10 per cent", then the manufacturer WILL make more net profit. But he does not make a penny more if the sales to that store are only doubled. He only does more work for a smaller percentage of net. So, this goes to show that no one should ever give an

extra discount without a bit of clear thinking and a complete knowledge of his costs.

Many a small factory has no chance to survive competition because it is too small. In every industry there is a minimum unit. A man in Birmingham started a small factory to make a certain article. The output of this factory was 3000 articles a week. Then, after he had invested his capital, he discovered that in order to make a fair net profit he would have to make 5000 articles a week.

There was another similar instance recently in Toronto. A young man acquired a recipe for a certain product. He bought enough machinery to make 100 cases a week. Then he discovered that he would make no profit unless he produced 500 cases a week.

These two men did not think beforehand about the required output. In any industry, a unit needs to be a of a certain size. A too-small unit cannot compete with a huge unit unless it has a distinct advantage in the quality of its product. Many small factories are started and run for a year or two and come to an end. They were not big enough to make a net profit.

A new factory should be started selling end first. It must first make sure of customers. If

all its goods are bought by one firm only, it is in danger. It will not be allowed to make as much net profit as it needs. It should have not less than three customers.

At least one of the directors should have a knowledge of salesmanship. If all the directors are production men, then a skilled sales manager should be engaged. Making goods is not a business. Business begins when the goods are sold at a profit. And the first step in a manufacturing business is customer-finding. As to the factory itself, the first step is to have the stores, materials, tools, etc. kept properly. If this is neglected, there will soon be waste, litter and confusion. Order is not only "Heaven's first law", it is a manufacturer's first law as well.

There must be a costing clerk. Most new manufacturing businesses do not know their costs. They accept prices that are too low. And this soon causes financial trouble. A new factory should not make too many varieties. If it makes one thing only, it will probably make more money than if it made twenty. From the first, the PROCESS must be studied. As far as possible, there should be flow-work.

A factory is not like a workshop. Much depends upon the first foreman. He can make or mar the new business. He must be a teachable

man who instructs his people. If he is a Mr. Know-it-all and a mere driver, he will slow down the factory and put up the costs. In a small factory there must be the "personal touch". There must be a bit of friendliness and enthusiasm. The man at the top should know his people by name. If they like him, they will need less supervision. It is quite possible for a small factory to have a lower percentage of costs than a big factory, if there is kindly and efficient management.

Wages must be a certain percentage of output. The way to raise wages is to raise output. Suppose, for instance, that a factory worker, aided by machinery, produces an output worth £10 in a week. He would probably receive £3 in wages. The overhead expenses, cost of transportation, distribution, etc. would probably be £6. There would be £1 net profit to his firm. If his wages were raised to £4 a week, his firm would make no net profit at all, and the factory would close down.

But if he could raise his output to £13 7s. a week, his wages would rise to £4 a week, and his firm would make £1 7s. net profit. Few workers realize how many other costs there are besides wages. They do not know the magnitude of overhead costs and the cost of advertising and selling. And they should be told.

Some firms overcome competition by developing the quality of their goods to the highest point. They create a monopoly of high quality. When anyone in England is speaking of high quality motor cars, he will mention "Rolls-Royce." When he is speaking of high quality woollen goods, he will say "Jaeger." When he is speaking of high quality linen goods, he will say "Old Bleach." When he is speaking of high quality cotton goods, he will mention "Tootal, Broadhurst Lee," and so on. Whenever a firm makes its name the trade-mark for the best goods in its line, it rises above competition.

At the beginning of this century, Frank Hornby came to the rescue of the British toy trade. England was then playing second fiddle to Germany in the production of toys. The foreign toys were not only cheaper. They were more varied and ingenious. The supreme toy centre was Nuremberg.

Frank Hornby was not at first in the toy business at all. He was a clerk in a Liverpool office. He had two children and his hobby was making toys. First, he invented Meccano and followed it up with the Hornby model trains. He built up a business which now covers five acres and employs fifteen hundred people. He overcame the competition of German toy-

makers by producing toys that were different and superior. It was he who put England in first place in the manufacturing of toys.

Sometimes a large-size man goes into a business of small units and shows what efficiency and up-to-date equipment will do. An instance of this was the success of Frederick A. B. Peters —the "Ice-Cream King" of Australia. When he was forty-one, after a successful career as a sales agent, he decided to make ice-cream. All the other makers of ice-cream were content to make it in a small way, but Peters set out to make it in a large way, with huge machinery. Twenty years later he was at the head of five ice-cream companies, with assets of £2,000,000. And his factory in Sydney was the largest ice-cream factory in the British Empire.

There is the keenest of competition among printers. When big presses are bought, they must be kept busy. That is the main reason why so many absurdly low estimates are made on printing work. Most printers reach out for almost all varieties of work, and this is in my opinion, a mistake. In the long run, a printer will make more money by becoming a specialist.

One firm that has made a brilliant success by specialization is J. & J. Murdoch, Ltd., owning the Caledonian Printing Works, Glasgow. This firm concentrated upon the smallest

and apparently the most insignificant of printed products—LABELS. Its output of Mineral Water labels alone is 25,000,000 a week. Many of its presses and label-punching machines are running day and night.

This firm is the largest employer of lithographic craftsmen in Scotland. It does all manner of lithographic work, from big posters to stamps, but it has done more than any other firm to show the infinite possibilities that lie in the LABEL. Its immense "Labeldom Calendar" shows a great variety of labels that are now in use. It shows to what a height of excellence labels have now been brought. It is an object-lesson showing the wisdom of the policy of specialization.

Sometimes, but not often, a manufacturer has the rare chance of escaping competition altogether. There is, for instance, only one firm in America that makes Ferris Wheels—the Eli Bridge Company of Jacksonville, Illinois. Until 1900 this company built bridges, but the head of it, Mr. W. E. Sullivan, became disgusted with the methods of his competitors. He decided to start a new business in which he would have no competition. He decided to make Ferris Wheels.

As might be expected, he found that monopoly, as well as competition, has its disadvan-

tages. A Ferris Wheel is difficult to sell. He alone has to create the demand for it. He averages one sale every two weeks.

As to whether it is better for a manufacturing firm to have as many dealers as possible, or to give one dealer the sole agency in each town or district, there is a wide difference of opinion. The fact is that some firms have increased sales by having more dealers, and other firms have increased sales by cutting down the number of dealers. Much depends upon the nature of the product and whether it is branded and advertised or not. If a nation-wide demand has been created for it, then the more dealers who sell it, the better.

Quite a few manufacturers and a few wholesalers are now paying more attention to helping their retailers to sell. There is a vast difference between retailers. A few are very competent. They are the ones who appreciate help most and need it least. There are plenty of them who do not know the A B C of retailing, and a certain number of these, not all, are teachable and can be helped.

It was found recently that in the selling of electrical goods in America, less than 4 per cent of the retailers made 50 per cent of the sales. In the selling of refrigerators, it was found that 5600 retailers sold four times as many as the

other 52,300 retailers. Such facts show plainly that something should be done to make more good retailers.

One manufacturing company decided to spend £2 a year per retailer on an educational campaign. It must have found this policy profitable, as it has decided to continue to do this. It is showing its retailers how to sell more goods.

The Brown Shoe Company, of St. Louis, U.S.A., has developed what it calls the "Brown Plan of Shoe Retailing". The Brown Company makes shoes in seventeen factories. It is able to supply a retailer with a complete line.

To any retailer who sells Brown shoes only, a great deal of service is given, as follows:

(1) The support of national advertising.

(2) A stock control system.

(3) A special delivery service.

(4) An independent audit of the retailer's books once a year.

(5) A weekly accounting and reporting system.

(6) Window displays and sales plans.

(7) Advance style information.

(8) An annual conference of retailers who have adopted the "Brown Plan".

Already hundreds of retailers have adopted this plan. They are said to be turning over their stock thirteen times a year and making 8 per cent profit on sales.

It is a strange fact that almost every manufacturer neglects his home-town market. He takes no special steps to sell his goods to his own employees and fellow-citizens. Naturally, it must be easier and less costly to sell to one's fellow-citizens than it is to sell in a town a hundred miles away. Surely a manufacturer should not take it lying down when his competitors sell their goods in his town, right under his nose.

On one occasion, I paid a visit to a fair-sized town where there is a large food factory. But I did not see the home-produced foods in any grocer's window. Retailers as a rule do not favour the manufacturers of their own town. Certainly, if they were awake to their own interests, they would give a preference to home-produced goods.

Every large manufacturing firm should make sure that it has a wide-awake, courteous girl at its telephone switchboard. A London business man told me: "Last week I wanted to buy some equipment. I phoned a large manufacturing firm to send me some advertising booklets. The girl at the other end of the phone

answered me curtly and treated my request as being bothersome. So I phoned a competing manufacturer. I received a pleasant reply. The booklets were sent at once. The girl gave me an invitation to visit the factory. As a result, I sent in a rather large order and will continue to buy from this firm."

Chapter Seven

WHAT A FARMER CAN DO

FARMERS are manufacturers, using soil instead of machinery. They are producers. Both the output and the quality of their goods depend upon their efficiency as well as upon their soil. As yet, they do not class themselves as manufacturers. They do not even know that they are business men. Not one farmer in hundreds ever buys a business book. Their chief trouble is competition. Consequently, I am obliged to have a short chapter about farmers. They, too, by using the same methods that other business men use, can a certain to extent overcome competition.

In any county, most of the farmers are farming in the same way. This is almost as true of England as of China. There is a common opinion in a county as to what right farming means. This common opinion is seldom correct, but if a farmer sets out to disregard it, then the public opinion of his county is against him. His success would mean that the others are wrong. Hence, they give him no approval.

Farmers suffer, perhaps most of all, from

competition, and this is partly because they have a fixed delusion that it cannot be overcome. As their products are seasonal, they all sell at the same time and break the prices. But many groups of farmers, and many individual farmers as well, have found ways of maintaining prices and increasing the demand for their products.

If a farm is to be made to pay it must be run on business lines. It is not enough for a farmer to know his soil and his crops. He must learn salesmanship and management as well.

A farmer must begin with marketing and work back. He must first find his customers. If he does not do this he is at the mercy of a buyers' market and he must take what he is offered.

"Impossible," says the average farmer. "How can I sell my product before it is produced? How can I have any control over prices?" The answer is that quite a few farmers are now doing this either singly or in groups. They have solved their problem of marketing.

One group of men, farming 6,500 acres of land in America, have a business manager. He sells the produce in advance. He prevents it from being dumped on the market when prices are lowest. He plans and supervises. He does

his best to keep the farm machines busier. He concentrates his attention on net profits. And this group of farmers is prospering.

Mr. Michael Home, in his novel *The Harvest is Past*, tells the story of a competent farmer who made money in the good years after the war and lost most of it in the bad years. Finally, he gave up his old ideas about farming and concentrated on making net profits. He developed into a business man. He began to grow asparagus and sugar-beets and sprouts and cabbages and so on. He began to use motor-trucks and farm machinery. And in the end he employed more people and made more money than he had ever done in the old days.

A most useful book has been written by Mr. A. G. Street—*Farmer's Glory*. Mr. Street is a farmer. He has 700 acres and he has grassed the whole of it. He produces meat and milk. As I have always opposed letting land go back to grass, I must in fairness give his opinions. Perhaps he is right.

He says that English farmers should not grow wheat. He has lived in Canada and he has seen the great wheatfields there. He says that they should produce meat, dairy produce and eggs. He does not mention apples, fruit and vegetables or glass-houses, but no doubt he would agree that farmers should branch out in these lines as well.

Old-time farming in England is gone for ever, he says. Farmers must now become business men and learn how to make profits. "English farming has never been solely a business proposition until the present time," he says. The war changed everything. The farmer of to-day who has determined to overcome competition must study efficiency.

Here is one very good reason why farmers should study efficiency—more than 100,000 workers in England, Wales and Ireland have left the land and gone into the towns. No doubt, most of them have found work in factories or in the building trades. Always, in times of industrial prosperity, there is a flow of workers from farms to towns; but this flow of 100,000 is an especially large one. We have still many registered unemployed, but most of them are not suitable for farm work. A large percentage of them are unemployable.

What does it mean to our farmers that there are fewer farm workers? It means that they must make more use of farm machinery. They must use fewer horses and more tractors. They must buy as much labour-saving equipment as they need and can afford to buy.

I would say that there should be more intensive farming, too. Farmers should make a better use of their land, not only by the planning of

crops, but by study of the soils and by fertilization. An efficient farmer, with up-to-date methods and equipment, can now make more money on 100 acres than his father made on 200 acres.

The farm of the future will be a horseless farm, very likely. In 1937 there were about 3500 horseless farms in America. That will mean a boom in the fertilizer business. To-day nitrates are not only imported from Chile. They are being made from the air as well. On the farm of the future, there will be many power-machines. And twice as much fertilizer will be used.

Practically every county in Great Britain has some product of soil or sea for which it is noted. Would it not, then, be profitable for a county to advertise its specialty? Why should not Devonshire advertise its butter and cream? Or Lincolnshire its potatoes? Or Norfolk its turkeys? And so on.

The State of Maine, in America, is carrying on an advertising campaign to increase the sale of its farm and sea products. It is noted mainly for potatoes and lobsters and sweet-corn and it has begun to advertise these. Later, it will advertise other products.

The State has provided the money, but it

will pay itself back by levying a small tax on the products. All its barrels, bags and other containers will be marked—"State of Maine." So here is a tip to any British county—"Why not make your special products more widely known? You fertilize your soil. Why not FERTILIZE YOUR MARKET?"

Apparently, our farmers need organizers who will do for their other products what the big dairy farms have done for milk. They should not be opposed to middlemen. What they need most is a few competent middlemen who will show them how to grade and pack their products, and act as selling agents to the big grocery companies.

Foreign products are not sold on price only. They are sold on quality as well. Some day a master distributor will spring up and solve this problem for our English farmers. Then money will begin to flow towards English farms.

Chapter Eight

WHAT A WHOLESALER CAN DO

FOR years many people in this country and more in America have had the foolish idea that "Wholesalers have had their day". They have pointed out that wholesalers have been hit hard by department stores, multiple shop companies, co-operative societies, mail-order firms, etc. No doubt they have, but the fact is that there is no sign, as yet, of wholesalers becoming extinct. The wholesaler is not a mere middleman. He is a useful link in the chain of distribution. And he operates with the lowest known margin of net profit.

"The waste in distribution without wholesalers would be enormous," said Mr. W. A. Cooke, Managing Director of Faudels, Ltd., in a lecture given at the Drapers' Summer School, Oxford. "I look to see a considerable movement in the future back to the wholesale by manufacturers who cannot possibly distribute direct to the retail in small quantities," he said. He estimated that more than two-thirds of all goods sold in Great Britain under the

heading of drapery passes through the "Wholesale".

Quite a few manufacturers have tried to overcome competition by cutting out the wholesalers. Some have established their own shops. Some have adopted the policy of selling direct to retailers, and some have gone in for direct selling, either by sales people or by post. I have known a number of such experiments. Sometimes they have been successful and sometimes they have been disastrous. They have seldom been as profitable as they were expected to be.

As far back as I can remember, there was always someone saying that wholesalers were only middlemen and would eventually be abolished. It was predicted that the number of wholesalers would be cut down by the big department stores. And by the multiple shop companies. And by the co-operative societies. And by manufacturers who sell direct to retailers.

It has been said, over and over again, by the "Planned Economy" theorists, that wholesalers add to the costs of distribution—make the selling costs higher. Consequently, they must become fewer and fewer.

What are the facts? There are more wholesalers to-day than there have ever been. There

are said to be about 82,000 in the United States. This is 3000 MORE than there were in 1929. And there are more, too, in Great Britain than there were five years ago.

The truth is that the wholesaler gives a specialized service at a very low cost. He is almost as necessary for the circulation of goods as an artery is for the circulation of blood in the human body. Any substitute we have tried for wholesalers has usually cost more.

Sometimes a big manufacturer says: "I will have my own retail shops. That will increase my sales." Sometimes a big retailer says: "I will have some factories of my own. That will give me lower costs for my goods."

Sometimes they are right and sometimes they are wrong. There have been successes and failures. But they always find out that manufacturing and retailing are two very different things.

As a writer in *American Business* says: "Many a manufacturer has backed out of retailing with fingers burned almost to charcoal." Also, he might have said, many a big retail firm has bought a factory, run it for several years, and sold it again at a loss.

When any company goes outside of its sphere, there are always repercussions. There

is generally a loss of goodwill. And sometimes there is retaliation. This should be thought of. It may be laid down as a general rule that when a manufacturer goes into retailing, he should engage a competent retailer; and when a retail firm goes into manufacturing, it should engage a competent manufacturer. Each job has its own skill and technique.

In some parts of Britain and Ireland, business has been troubled by the springing up of small wholesalers, who run "one-man shows". They have low overhead expenses, cut prices, and collect their money quickly. Most of these interlopers into the wholesale are little better than bandits. They wreck prices, give bad service, and in a few years go into bankruptcy. A few of them learn from their mistakes and eventually maintain prices and become legitimate business men.

All that established wholesalers can do is to keep on selling on quality and service. Also, they can do something to educate their retailers to buy only from reliable firms. They may need, too, to retrain many of their salesmen, especially those who know only how to sell on price.

There is a great deal of retail and wholesale confusion that should be straightened out. Wholesalers are jumping over the fence into

the retail field. And in the long run they lose more than they gain by doing this. It is not a wise policy to take away trade from one's own customers.

After the war, many retailers started the habit of "hand-to-mouth" buying. They did this because they learned that net profits are increased by the quick turnover of goods. Also, they did it because they found out how much they were losing by dead stock. They became afraid of over-buying. They began to give wholesalers small orders—one-twelfth of a dozen and so on. They began to buy as though wholesalers were retailers.

Then what happened? A wholesaler said to himself: "If I am being compelled to sell in such small quantities, I might as well do a retail business on my own account." He began to sell direct to the public at wholesale prices. He did it secretly and quietly. And to-day a vast amount of merchandise is being sold by wholesalers and even by manufacturers, direct to the public.

There is far more of this being done in America than in Great Britain. It is said that "practically everything—a lawn-mower or motor car or refrigerator or diamond ring—may be purchased by anybody at the wholesale price."

The retailers in America are up in arms about it. They are holding conferences and sending out booklets. They say that the buyers of large manufacturing companies are now buying goods for the employees at wholesale prices. And they demand that this habit shall be stopped.

There is no doubt that there is a great deal of selling direct to the public by wholesalers in this country. It is a case of retaliation on the part of wholesalers. They were forced into retail selling by "hand-to-mouth" buying on the part of retailers.

There was a chain of cause and effect. First, the wholesalers over-sold the retailers and caused them to lose money on dead stock. Then the retailers began to UNDER-BUY—to buy like consumers. This started the wholesalers selling direct to consumers.

What will be the next step? Probably the retailers, in a certain trade, will start a wholesale buying department of their own. And so the retaliation movement will go on. Certainly it would be better if retailers would buy like retailers, not like consumers. And certainly it would be better if wholesalers would sell to retailers only.

A wholesaler has a definite job and he should

stick to it. In the long run, nothing is gained by breaking down the fences that separate manufacturers, wholesalers, retailers and consumers.

The *Drapers' Record* suggests the following definition of the word "wholesaler": "A wholesaler is one who buys for his own account, and carries stock which is supplied to retailers for resale by them." A wholesaler should sell for resale only—that is the point to notice in this definition. There are some retailers who claim to sell at wholesale prices. They cannot do this and make a satisfactory profit.

One wholesaler in London overcame competition by having the quickest delivery system. One retailer in Kingston overcame competition by making his store a showplace. One garage owner in Nottingham overcame competition by giving the quickest and most courteous service. One manufacturer in America overcame competition by organizing a Junior Board of Directors. And so on.

Take a wholesaler who is sharing the trade of his territory with four competitors. If all five wholesalers are carrying practically the same goods, what can he do to increase his sales? He can do several things. He can overhaul and reorganize his delivery system, so that he can make quicker deliveries. He can fight competi-

tion with speed. He can make sure that all outgoing letters are more conversational and courteous. And perhaps he can offer more liberal terms of credit.

In order to open up more new accounts, a wholesaler can have at least one or more specialties. He can become sole selling agent for some British-made or foreign products. This will give him the advantage of a monopoly and he should make the most of this advantage. If he is the sole distributor of a product, he should advertise this product—use it as a customer-finder. He should not be a mere stockist.

A wholesaler would be likely to increase his net profits if he would find out the answer to this question:

"How much must one of my customers purchase from me in a year in order to become a profitable customer?"

Then, when he knows the answer to this question, he can find out the number of his unprofitable customers. He will be surprised to find out how many there are. Also, he can decide what to do about it. Certainly some action should be taken. He and his sales manager can decide on a policy.

No doubt quite a few of these customers

who cause losses should be dropped. As to the others, their names can be given to the salesmen and a special effort can be made to bring them up to the profit mark. It seems clear that the salesmen should not waste their time on customers who are unprofitable and hopeless.

Salesmen seldom think of net profits. They think only of volume of sales. They are likely to say: "Every little bit helps." But sometimes the little bit helps to make a loss. The managing director himself is the one who is likely to deal with this matter.

There are two classes of wholesalers—the obsolete and the up-to-date. The obsolete are fading out, but the up-to-date are having satisfactory Balance Sheets.

The fact is that all wholesalers have much to contend against. There is the 'Direct Mail' business and there are big retail companies that buy direct. Also, there is the habit of retailers of buying "from hand to mouth" which makes a wholesaler feel like a retailer. These new troubles make wholesaling so difficult that only the up-to-date and competent can make fair profits.

An obsolete wholesaler is one who regards himself as a distributor, pure and simple. He

is a stockist—a keeper of a big warehouse. He buys big lots and sell in smaller lots. And that is all he does.

An up-to-date wholesaler is one who has specialties, or who helps his retailers to resell. He either helps his business by becoming sole agent for certain goods, or he offers his retailers window displays, advertisements, interior displays and business books.

He gives a SERVICE to his retailers. He becomes their "Silent Partner". Some wholesalers now give advice on fashion or on book-keeping or on salesmanship and advertising. No manufacturer can afford to sell over the head of a wholesaler who gives this sort of service to his retailers.

A new type of wholesaler, in fact, is now coming to the front. He is far more than a link in the chain of distribution. He is a TEACHER. He gives practical help to his retailers. He is aware that the more his retailers know about salesmanship and window display and advertising and so on, the better it is for him.

There is no fear of the up-to-date wholesalers fading out. They have made a safe place for themselves. They are giving a new service that all their retailers appreciate. They are making themselves indispensable to manufacturers.

Chapter Nine

WHAT A RETAILER CAN DO

WHAT can a butcher do to secure a larger share of the trade in his district? As there are far too many butcher shops, a butcher who wants to gain and hold customers must make his shop in some way distinctive. Few butchers do this. They do not learn from other retailers. Their shops are in general as much alike as peas in a pod.

Most butchers seem to aim at speed in selling. They have many rush periods in a week and consequently they try to send a customer out in a couple of minutes. And they are likely to send her out with meat that does not please her.

Judging from the adventures of my own home in search of good meat I would say that much of the meat sold is too fresh. It should have been hung longer. No doubt, many a bad cook blames the butcher, but the fact remains that whenever a butcher sells meat he must consider the remarks that will be made about him at the dinner-table.

Too often women are not given a fair chance to describe what they want. They are waited on at high speed. It seems to me that this is a mistake. The main thing in any butcher's shop is not to make twenty sales an hour. The main thing is to please the women and their families —to secure a word of praise after the meal.

Why cannot butchers, as well as other retailers, give their salesmen some training in the matter of salesmanship? Why cannot they, as well as drapers, have some showcards in their windows, instead of scrawled prices on odd bits of cardboard? Why cannot they pay special attention to their best customers, who want only the best meat?

There are plenty of things that any butcher can do to increase his trade. Whenever a woman finds a courteous, efficient, dependable butcher, she sticks to him and she talks to other women about him. There is no mistake about that.

What can tailors do to prevent themselves from losing so many customers to the huge, ready-made clothes companies? Mr. R. A. Walton, assistant editor of the *Sartorial Gazette* gave me the following suggestions:

Become authorities of men's clothes and offer free advice to all those who need it.

Dress well themselves in order to set an example to the public. Every tailor should be a walking advertisement for his own business.

Make their window displays more interesting by humanizing and dramatizing their selling methods, but without resorting to cheap stunts.

Advertise and circularize more often, using convincing and specific statements and modern "action" illustrations.

Exhibit only the latest tailored fashion plates and keep the public in touch with every change in styles.

Raise the standards of their craftsmanship rather than lower the prices of their productions.

Adopt the most modern business methods.

Deliver lectures locally and contribute articles to the local Press on the subject of clothes.

Tell the public in a hundred and one ways that the tailored suit fits better, looks better, wears longer (therefore costs less)—all of which are demonstrable truths.

Study and practise modern salesmanship of the more subtle variety.

Adopt an emblem printing block and use it on every possible occasion as a trade mark.

Also, here are a few other suggestions as to what a tailor can do:

He can stress quality and value, not price. He wastes his time if he tries to compete with the big multiple shop man. He can tell his customers the difference between hand-sewing and machine. He can show half-finished garments. He can tell customers the history of the cloth—how it is made and where it comes from.

He seems to get all the bad payers and all the awkward figures. The bad payers he should eliminate and the men with awkward figures should be made to pay for the extra trouble in fitting. He should stock one line of good branded raincoats. He should specialize on a suit at £4 4s. This is a popular price. He should insist on a deposit with order. If credit is desired ask for an extra 10 per cent. He should start a Valet Service—clean and repair suits free of charge or for a very low price.

An hotel keeper can move ahead of his competitors by paying more attention to his kitchen and his front door. He must really organize his kitchen. Chefs are seldom good organizers. He must have control of food supplies and stop waste and theft. Food should be handled like money. And nobody in most hotel kitchens knows that.

As to the front door, more attention should

be paid to the arrival and departure of guests. Every guest should have a good welcome and a good send-off. The manager of an hotel should not be an invisible man, spending most of his time in an inner office. He should be among his guests and his employees. The fact is that just as much skill is required in the management of an hotel as in the management of an ocean liner.

A writer in an American magazine says: "Most of our hotel managers are as remote as the Governor of the Bank of England." This is true, too, of the hotel managers in Great Britain. Most of them are never seen by the guests. I have been a guest in about fifty British hotels, and only in four or five of them did I even see the manager.

This raises the question: What do hotel managers do? What other duties are more important than that of looking after the comfort of guests? Are they hidden in a back office, dictating letters? Are they in the kitchen? Are they seeing travelling salesmen? Or are they out in the market buying food?

The second largest hotel in the United States is the Palmer House, Chicago. The largest, I believe, is the Pennsylvania in New York. The Palmer House is always full, and it claims that 57 per cent of its business is "repeat" business.

Most of its guests come again. Out of every £100 taken in, it spends £8 on sales promotion. In one year it spent £20,000 on letters. And in another year it spent £23,000 on radio advertising.

It has the names and addresses of over 200,000 guests on cards, and sometimes sends out 500,000 letters a year. It has fourteen people in its sales promotion department. This goes to show that it is no cheap or easy matter to keep a big hotel full. But it can be done and it is very profitable to do it.

There are two restaurants, very different, in a London street. One is doing well and the other is doing badly. In the restaurant that is doing well, the owner is a quiet-mannered, smiling man. He greets customers as they come in and calls quite a few of them by name. He moves unobtrusively from table to table, has a chat with a customer here and there and helps a bit in serving them. When he speaks to his waitresses, he does so in a low tone and pleasantly. His aim seems to be to make the whole dining process run along smoothly.

In the restaurant that is doing badly, the owner dashes about with great energy. He is so busy that he has no time to speak to his customers. He constantly finds fault with his waitresses. He creates a dozen fusses an hour.

His waitresses do make mistakes, as he upsets them so often. They are plainly afraid of him. It is not at all a pleasant event to have a meal in this restaurant. So, one restaurant is always full and will eventually be enlarged. The other is fading out. There is a right way to run a restaurant so as to overcome competition.

There is a woman named Miss Grace Smith in the American city of Toledo. She had a bright and unique idea. She decided to run a restaurant and give people food that was a joy to eat—food such as she would like to have herself.

She bought the most expensive meats and vegetables and other foods. She served no stale nor re-heated stuff. She bought fresh eggs, all-meat sausages, creamery butter, high-grade milk and so on. As for mashed potatoes, she had them cooked and mashed every fifteen minutes. "If mashed potatoes stand, they are ruined," she said.

She bought the best food materials she could buy and charged enough to make a net profit. What was the result? She was soon serving more than five thousand meals a day to happy customers.

Some of the bread that is being made is inexcusably bad. It has crust almost as tough

as a crêpe rubber sole. It has no flavour. Most bakers, it appears, make bread down to a price. In my opinion, this is a mistake for all bakers, whose shops are in good neighbourhoods.

Hundreds of thousands of people would pay a penny a loaf more for bread of the highest quality. Steadily the big competent bakers are taking the trade away from the small, incompetent bakers. It will be a good thing for all of us bread-eaters when they take away the whole of it.

What with the Co-ops. and the peddlers and the church sales and the door-to-door salesmen, a retail trader has his fill of competition. But he draws the line at school shops. The National Association of Outfitters made a strong protest against these shops, run usually by the bursars in schools.

"Schools were never meant to set themselves up as retailers," says Mr. J. R. Pickering, the secretary of the Association. "You can buy all sorts of things at some of them," he says, "from school clothes to skates and wireless sets." Certainly this school trading should be stopped. If it were not for the sons of retailers, not many of these schools could carry on. For the sake of a little extra profit, the schools are losing goodwill.

A retailer who has a shop near a large school for boys, and who has these boys among his customers, hit upon a new idea that has proved profitable. He asked two of the boys to go with him to his wholesalers. He called them his "assistant buyers". He said: "I want to buy what the boys want, not what I think they want." He practically allowed the two boys to select the goods. And as a result he doubled the sales in the boys' department.

Here is a new suggestion for any keen grocer who wants to do something extra to please his customers and increase his sales. I would suggest that on every Tuesday a grocer should have a small stand in his shop, with a smiling girl giving tastes to customers of one of his foods. Every Tuesday morning he would put this sign in his window:

"TUESDAY IS TASTE DAY. COME IN AND TASTE OUR ——"

A dainty way can be found to serve tastes of most foods. In serving tastes of honey or jam, for instance, a customer would be asked to take a small biscuit out of a box, and the girl would drop a small spoonful of the honey or jam on it.

Tuesday is a good day to serve tastes, as it is not one of the busiest days of the week. It

can eventually be made a much busier day if this suggestion is adopted. Quite a few children will make their mothers go to the shop on Tuesdays. In the selling of a number of foods one taste is worth a hundred words. There is no other cheaper way to please customers and increase sales. A confectioner, too, might adopt this idea—"Tuesday is Taste Day".

Many a small shopkeeper might very well have a table near the door with an assortment of sixpenny articles on it and a sign on it: "Anything on this table for 6d." In the course of the year he might make £20 by having this table. And £20 is the interest on £400. The point is that not many people think twice about spending 6d. And if an assortment of articles is shown, almost every customer will look them over.

Maybe this is a profitable suggestion for any department store. Maybe not. Anyway, here it is—why not make a specialty of trousseaux? Never yet have I seen a trousseau window display, nor an advertisement of trousseaux, nor a trousseau department. And there are thousands of brides every week.

Would it not be a great advantage to any big store if it were known as the "Trousseau Store"? Would not the selling of the trousseau be likely to win the bride as a regular customer?

Why not provide a special "Bride's Trunk" for the honeymoon? Why not advertise trousseaux at three prices? To make a specialty of trousseaux—would it not keenly interest women of all ages, married or single? Yes, I think it would.

The sale of pianos could, in my opinion, be greatly increased. There need be no fear that people will stop buying pianos because of gramophones and radio. Making music popular and universal—that will not destroy the sale of pianos. A drawing-room without a piano looks incomplete. That is still a fact. And a young lady who cannot play a piano lacks an accomplishment that she would like to have. But retailers who sell pianos must find a way to have better window displays. To put pianos in the window—that is not enough. There should be more use of display material and good showcards.

During the American depression that followed the Wall Street crash of 1929, practically all the department stores made heavy losses. But there was one of these stores—Bonwit Teller's, of Fifth Avenue, New York, which adopted distinctive methods, and as a result, it overcame competition and actually doubled its sales in two years.

The directors of this store decided to try a

unique experiment. Mrs. Hortense M. Dominici, the wife of a rich financier, was elected President, and she took control and introduced several new ideas that are worth knowing.

A new policy was adopted—closer contact with customers. This policy was not mere talk. It was carried out in a practical way. Every month four customers were chosen to serve as a "Customers' Advisory Committee". They were invited to an informal luncheon with the President and their opinions were asked on many matters.

Shop assistants were taught not only how to sell goods but how to make customers feel comfortable as well. In a word, it seems that the "woman's touch" was felt all over the big store. And, naturally, the women customers were pleased.

If a man employs salesmen or shop assistants, he MUST have them taught the art of salesmanship. If he neglects to do this, then they will sell on price, or they will sell people only what they need and ask for. And this is not salesmanship at all. Salesmanship is not order-taking or parcel-wrapping. It is persuasion. It is exerting an influence on a customer.

Few things are easier to sell than sweepstake tickets, and few things are harder to sell than

life insurance policies. There is a strange fact of human nature. The man who buys a sweepstake ticket buys only a chance, perhaps only one chance out of a hundred thousand, to win a big prize. But he forgets the odds and seizes the ticket.

The man who buys a life insurance policy buys security. He makes his family safe against the danger of poverty. Yet it is often said that "if a man can sell insurance, he can sell anything".

What we learn from this is that most people do not buy what they need. They are not wise in considering their own interests. When a lad has an extra 10s., he is more likely to put it on a horse than to put it in the Post Office Savings Bank.

A life insurance salesman or a specialty salesman has a hard job because he has to persuade people to buy what they need and don't want. He has to create a want for his goods. He has to become more or less of a teacher. His work is educational. Any dumb girl can sell fish and chips on a Friday, but it takes skill and the power of persuasion to sell shop-fronts and office equipment and new machines and efficiency books and life insurance.

All the higher grades of sales people must

study the needs of people. Much more money can be made by selling people what they need than by selling them what they want. Selling them what they want is an easy job and consequently not a well-paid job. This is a tip to all ambitious sales people who want to know how to earn more.

Anyone on the selling side of a business should appreciate the needs and the buying power of the customer to whom he is talking. Sometimes a sale is lost because the price is too low, or because too small a quantity is offered.

Here are two instances where lack of appreciation resulted in failure:

A London writer was asked his fee to write a special booklet for a big manufacturing firm. He said he would write the booklet for five guineas. He was not given the job. His fee was thought to be too low. Another writer was asked to write the booklet. His fee was twenty guineas.

A salesman went in to see the buyer of a big multiple shop company. He did not appreciate the needs and buying-power of that company. He quoted a price for 1000 articles. And he did not get the order. Later, he learned that the buyer bought these articles in 50,000

lots. He was annoyed at being given a price on 1000.

In a word, a big buyer does not like being talked to as though he were a small buyer. And a wealthy person does not like to be treated like a poor person. This is a matter of courtesy as well as of efficient salesmanship. It is a point that salesmen and shop assistants should not forget.

A great deal of extra courtesy is shown to a paying guest in a home. He is served first at the dinner-table. And if there is only one tomato, he gets it. A good idea to put into the heads of shop assistants is that the customers who come into the store are paying guests.

They must be received with hospitality. They must be given a welcome. And some little extra courtesy should be shown to every customer. If a sales girl can be taught that she is, in a way, a hostess, she will begin to look at her job from the right point of view.

There are few things that the average man or woman likes more than a little personal attention. Many a man walks past three tobacconists to buy a packet of cigarettes from a fourth. He does this because in the fourth shop he is known and called by name. He does not go for cigarettes only. He goes for recognition and a

few minutes of conversation. The man in the fourth shop has overcome the competition of the other three shops.

Suppose a retailer spends £10 on an advertisement to push an article on which his net profit is only 1s.! If he attracts two hundred new customers who buy, he has made nothing. He has only got his advertising money back. But if fifty of these new customers come back and become more or less regular customers, then he will make a good profit on his advertising.

So, the profit of a retailer's advertising depends upon the service and courtesy of his shop assistants. That is a fact that all shop assistants ought to know. Many of them have never given it a thought.

All retailers are talked about in the homes of their customers. Few retailers realize the effect of this conversation, for good or ill, on their businesses. Taken as a whole, this conversation is public opinion. It puts one retailer up and another down. When it is favourable, it means goodwill—a more desirable asset than capital. Any firm stands or falls by the conversation of its customers, after they have bought goods.

Popularity is a great help in overcoming

competition. The best-liked and most widely known retailer in a town is sure to have a busy shop. Many things go by favour. Just this one quality of LIKEABILITY—if a retailer and his assistants possess it—their shop will have no lack of customers. It is more effective in keeping customers than advertising or window display or any sales promotion stunts.

It has been said that bus services cause great damage to shopkeepers in small towns and villages—take customers away to the shops in larger towns. There is no doubt that this is true, but the bus services will not be stopped to please the shopkeepers. Everybody else, except the shopkeepers, wants the bus services. And it will do the shopkeepers no good to make a protest.

The fact is that bus service helps the well-managed shops and hurts the badly managed ones. A bus can either bring customers from a distance, or take them away to a distant shop. So bus services will act as a stimulant to many shopkeepers in small towns and villages. And many of the apathetic ones, who are in a state of coma already, will be brought more quickly to an end.

Even in a small town, a shopkeeper can become a Class A Business-Builder. He can reach far outside of his town for customers. Since the

advent of the motor car, many customers can be attracted from a distance. There are quite a few instances, in Britain and other countries, of large retail businesses in small towns.

There is the firm of Garver Brothers, for instance, in Strasburg, Ohio, U.S.A. Strasburg has a population of only 1305 people, yet this firm sells £100,000 worth of goods in a year. Some of the methods by which Garver Brothers have made their shop so successful are as follows:

(1) All the directors and executives sell on the floor, with their sales people.

(2) Every employee has a secondary job, such as addressing envelopes, folding circulars or packaging goods.

(3) There are two big "Sales" a year, the third week in April and the last week in October.

(4) During the Sales Week there are shows, contests, races, entertainments, etc.

(5) Eleven times a year big circulars are sent to the 18,000 regular customers.

(6) Every Thursday is "Farmer's Day". The store pays farmers a penny a dozen more for eggs than any other store pays.

(7) Many special events attract customers,

such as a flower and plant show, a hooked-rug show, quilt show, handiwork show, etc.

(8) Once a month the executives of the store go on a shopping trip to nearby cities to notice prices and gather new ideas and methods.

(9) Usually the store carries a stock of goods worth £25,000. This figure rises to £40,000 just before a "Sale".

(10) The President of the firm prepares a Daily Bulletin, showing total sales for the day, loss or gain, etc. This bulletin is posted up in the office.

(11) There are four delivery vans and several outside salesmen who canvass for furnaces, farm implements, refrigerators, etc.

(12) Any customers in the store at noon are given a free lunch.

(13) As the store was founded in 1866, prizes were offered for relics of the store in its earlier years. Then a window display was made of these relics.

So here is a store in a small town of only 260 families and its sales are £100,000 a year —sometimes nearly £3000 a week. This story should be a stimulant and an inspiration to any keen retailer in a small town.

The late Mr. Edward A. Filene, one of the

ablest and best-known retailers in America, wrote a book which was published a short time before his death in 1937. He called it *Next Steps Forward in Retailing*. He was more than a retailer. He was a student of retailing. He travelled from country to country and noticed trends and changes. In the Preface of his book, he said:

"It is the purpose of this book to make every merchant familiar with the new developments in retail distribution. He will find some policies and methods in this book which his successful competitor has used to take business and profits away from him. He will find others which even his most alert competitor has not yet applied and which, if he will adapt them to his business, will enable him to assume leadership, attract new customers, and increase his total profits."

He said that "a store is a machine for selling. It must be organized around selling. This means that the key-job in distribution—that of the department manager—must be given to a buyer promoted to be a department sales manager, or must be taken away from the buyer and given to a seller."

The key-word of the future, he believed, is Co-operation. There will be chains of department stores. There will be "voluntary chains"

of small, independent shops. The small retailer who stands alone will have to be like a small manufacturer—he will have to be a specialist. There will be much more fact-finding research, which can only be carried on by large organizations.

Department sales managers will spend at least 90 per cent of their time on the floor, where they will supervise the sales people, improve their selling technique, instruct them on new merchandise and keep in close personal touch with customers.

The non-selling activities of retail organizations will be simplified, so as to reduce overhead expenses. "The stores, large and small," said Filene, "that insist on keeping their old traditional policies and methods, are almost surely doomed and will sooner or later fail to be profitable."

Chapter Ten

WHAT "INDEPENDENTS" CAN DO

SMALL shopkeepers, as everyone knows, have one great disadvantage—they cannot buy as cheaply as the big retail companies. There is no use worrying over this. It can never be changed by legislation.

There will always be quantity discounts. There ought to be. If anyone buys a hundred of my books, he can have them at a lower price. If he buys a thousand, he can have a still lower price. There is nothing more fair and reasonable than a quantity discount. It means justice to buyer and seller.

This disadvantage can be partly overcome if a small shopkeeper buys for cash. At a guess, I would say that for most lines of goods a small shopkeeper, paying cash, need not pay more than 10 per cent more than the big retail companies. A 10 per cent handicap is not so bad. A small shopkeeper's expenses can be more than 10 per cent lower than the expenses of a big company.

To pay cash—that helps a small shopkeeper

in more ways than one. Not only does he get his discounts, which are all net profit. He is prevented from the common habit of over-buying. He is less likely to pile up dead stock. When a man buys for cash, he buys more carefully than when he buys on credit. He is prevented from over-trading. He buys only what he believes he can sell quickly.

Too often, when a traveller says, "Payment in three months, if you like," a shopkeeper buys a dozen articles and takes two years to sell them. Plainly, he should have bought three and paid cash. This trailing behind with payments is, in my opinion, a wretched habit, and it is the usual thing. It causes at least half of a shopkeeper's losses and more than half of his worries. By the strictest self-denial and the most careful buying, a shopkeeper can improve his cash position. And he can add a nice amount in discounts to his net profits.

Any small shopkeeper can meet the opposition of department stores and multiple shops on equal terms if he is efficient and friendly. If he is neither, then the sooner he sells out the better. He was not meant to be a small shopkeeper. He must keep his expenses and stock losses down, and he must give a friendly, courteous service to his customers. Then his small shop will grow and make plenty of profits.

In the United States there has been a strong attack upon multiple shop companies—"chain stores". In 18 out of the 48 American States there are now special taxes and regulations on multiple shops.

However, during 1937 there was a swing in the opposite direction. The farmers have sprung up in the support of multiple shop companies. During the year a tax of £100 per shop was repealed in California, and a tax of £10 per shop was repealed in Maine.

It has been found that quite a few independent shops operate with lower costs than branch shops. The independent shops have found that it does not pay to lose the goodwill of the farmers. Consequently, the crusade against "chain stores" has now subsided.

It is possible for non-competitive shops, especially if they are side by side, to co-operate, in window display and advertising. A gown and millinery shop, for instance, could help each other. The gown shop could show a hat in the window and the millinery shop could show a gown. Suitable cards could tell where the hat and the gown came from.

Four times a year there could be an advertisement of gowns and millinery, with the names of the two firms at the bottom. There

could be co-operation between shops that sell baby linen and shops that sell prams, or between bakers and grocers, or florists and jewellers, and so on. In a word, two shopkeepers who do not compete might become friendly and lend each other a hand.

In quite a few countries, independent shopkeepers are finding ways to co-operate, and to obtain some of the advantages that multiple shop companies possess. In Adelaide, Australia, for instance, there is a group of more than fifty grocery shops that are co-operating successfully.

These shops are known as the "Home Service Stores" and are all painted red. But they are privately owned. Each of the shopkeepers has a certain number of shares in a buying company known as Buyers, Ltd. This company makes all purchases on a large scale and distributes the goods among the shopkeepers as required.

Advertisements are placed in the newspapers, usually at the week-end, and the co-operating shopkeepers pay the cost. There is no mention of the individual proprietor's names in the advertisements—just "Home Service Stores". A "Home Service Bulletin", giving newsy items, household hints and price announcements, is given to customers every month.

Prices are the same at all the stores in the chain. The slogan of the chain is—"Home Service Satisfies".

There is another similar group of co-operating grocers in Brooklyn, U.S.A. There is a chain of ninety independent shops. The shops remain independent. No shares have been sold. They are managed by a General Manager who has had experience in the multiple shop business. And there is an advisory committee of three elected owners of shops. The ninety shops are called "Municipal Stores". All have the same kind of shop-fronts, painted orange. The name of the owner does not appear on the front. It is shown on a card inside.

These grocers co-operate in buying and in advertising. There are six "Service Men" employed who help with window displays and in the teaching of new and better methods. They are giving less credit and pushing towards a cash business. Every shopkeeper decides for himself as to delivery service. In a word, these ninety shops are still independent, but they are getting the benefit of co-operation.

An important new movement in several countries is the organizing of these "VOLUNTARY CHAINS" by independent retailers. A "Voluntary Chain" is a group of retailers, each of whom owns and operates his own shop,

associated with a wholesaler, or acting together without a wholesaler, in order to gain the advantages possessed by the big multiple shop companies.

These "Voluntary Chains" began to be organized in America soon after the crash of 1929. Most of them are in the food field, but there are "Chains" of chemists and ironmongers. All told, there were in 1937 more than a hundred thousand grocery shops that are co-operating in these "Voluntary Chains". This represents about 40 per cent of the grocery business in America. Two independent grocers out of five have pooled their buying and are co-operating in other ways as well.

One of the most striking new developments in the grocery trade in any country is the "Independent Grocers' Alliance" in America. The I.G.A. was started in 1926. It has become one of the largest food-distributing organizations in the world. It claims to be the second largest. It has,as its members, about a hundred wholesale grocers and more than five thousand retailers. The head of it is Mr. J. Frank Grimes.

Grimes had a rare opportunity for digging into the inside facts of the grocery business. He was a partner in a firm of accountants, who specialized in auditing the accounts of whole-

sale grocers. Also, he had previously been a successful sales manager.

He studied the grocery business and he found waste and inefficiency right down the line, from manufacturer to retailer. He found that wholesalers' costs were too high. He found that the average wholesaler's salesmen called on a hundred retailers a month to sell £880 worth of goods. Not much net profit in that.

He found wholesalers battling with manufacturers to get lower prices and paying little attention to their own costs or to the welfare of their own customers. Also, he found retailers carrying far too much stock—far too many brands—and having heavy losses because of bad debts. He found that most of them knew little about window display and salesmanship.

So he worked out what is now known as the GRIMES PLAN. The main features of this plan are as follows:

(1) Smaller stocks.

(2) Faster turnover.

(3) Greater volume per sales person, both wholesale and retail.

(4) Drastic reduction in both wholesale and retail overhead costs.

(5) Bigger sales volume per retailer by wholesalers.

(6) Fewer accounts for wholesale salesmen.

(7) Definite merchandising plan for retailers, supervised by the salesmen of the wholesalers and by service employees.

Grimes advises his retailers to sell for cash. He advises them to have many special "Drives" to sell food products that have been bought in large quantities at a low price.

The I.G.A. now has about six hundred products sold under its own label. Naturally, it pushes these products. But it also co-operates with manufacturers to push nationally advertised brands, and charges the manufacturers a "service fee" for doing this.

The I.G.A. is very powerful, with its five thousand all-alive, successful retailers, but no charge has been made that it misuses this power by depriving manufacturers of their fair profit. It is making one hundred wholesalers and five thousand retailers prosperous, without interfering with the independent control of businesses. It has introduced an element of co-operation which has been found very helpful.

Chapter Eleven

DISPLAY AND ADVERTISING

THERE was a time when the main purpose of a big advertiser was to make the name of his product known. He aimed at publicity. He put the name of his product in big letters in the daily Press and in magazines and on posters. Then he called in artists to make pretty pictures and decorative art-work to attract people's eyes to the name of his product.

All this was effective until it became too common to be noticed. There came to be so many advertisers that some new way had to be found to make an advertisement effective. It was found that advertisements could sell as well as shout—that they could make sales as effectively as salesmen do. They can do more than prepare the way by making the name of the product known. They can change possible customers into buyers.

It is now being realized that no one can write effective advertisements unless he has learned the art of salesmanship. Quite a few

large advertisers are now consulting their salesmen about their future advertising. This is a move in the right direction.

It may be laid down as a general rule whenever a sales plan is being made for any article bought by women, that a woman should be called in to the conference. Certainly this should be done in an advertising agency, whenever advertisements are being prepared to appeal to women. The selling talk or the advertisements should be tried out on at least one woman. This simple rule would have saved a vast amount of money. There is no doubt about that.

Mr. Kenneth Collins, Publicity Manager of Gimbel's, New York, says:

"Nearly every retail store in America is spending far too much money on advertising. They use too many full pages. They habitually advertise the wrong items. They should advertise the good sellers, not the bad sellers. The purpose of advertising is to bring people to the store. There is no better way of saving money in advertising, in the long run, than by persistent presentations of lines of merchandise that are frequently bought by the mass of customers."

It is possible for a man to spend less on

advertising and at the same time have more effective advertisements than his competitors. He can do this by taking smaller space and by making his advertisements distinctive. It is not necessary to take a full page in a daily paper to gain attention. There are too many other full pages. If an advertiser were to take a small space—two columns wide and four or five inches in length—and if he used only the lower half of this space, and if he had interesting topical copy, his small advertisement would secure more readers than any full-page advertisement in the paper. That idea will not be welcomed by publishers and advertising men, but it is true. The keenest advertisers of the future will use smaller and more distinctive advertisements.

Several years ago a mirror manufacturer increased his sales by the slogan: "A mirror in every room." Then a clock manufacturer adopted this idea and advertised the suggestion: "A clock in every room." A tooth-brush manufacturer then adapted the idea. He increased his sales by advertising: "Two tooth-brushes —one for morning and one for night." Finally, a maker of Palm Beach suits put his sales up by advertising: "Buy two suits—one dark, one light." There are many other possible variations of this idea.

In selecting any line of goods to push by

special displays or advertising, a line should be chosen that yields a good margin of net profit. The aim should not be only to increase the volume of sales. "Never promote goods that will not bring a net profit," says the managing director of a big department store. "Why spend money on advertising to sell goods at cost or below cost?" he asks. "The people who are brought in by such advertisements are the wrong kind. They are only the bargain-hunters."

Many people have the delusion that it is easier to compete with the big Mail Order Houses than with retailers. Mail Order seems so easy to those who have had no experience in it. Many people are fascinated by the scheme of writing sales letters or advertisements, sending them out and then receiving from the postman a shoal of money-letters.

But the fact is that Mail Order has a technique of its own. Comparatively few people know this technique. To complete a sale by letter, advertisement or catalogue is not an easy matter. Whoever starts a Mail Order business is, as a rule, still competing with retailers, as well as with the big Mail Order Houses that know the technique.

The right way to start a Mail Order business is to begin with a series of small experi-

ments. The right article to start with must be:

(1) Low-priced.

(2) Good enough to give satisfaction.

(3) Not sold in most retail shops.

(4) Yielding a gross profit of at least 50 per cent.

Also it should be something that will appeal to the Mail Order adventurer himself. If he is interested in it, he will be more likely to make other people interested in it. When an article is chosen, then an advertisement should be placed in the most suitable publication.

If this advertisement brings in enough replies to be profitable, then the problem is solved. But usually there must be an experiment with five or six types of advertisements. No one should start a Mail Order business without first studying books or courses of study on it.

Sears, Roebuck & Co., of Chicago, now the largest mail-order house in the world, was started in 1884 by a young man named Richard W. Sears. Later he took in Roebuck as a partner, but Roebuck remained with him only nine years.

When young Dick Sears first had a dream of a big mail-order business, he was only a telegraph operator. He first started a little mail-

order business in his spare time. He began by selling watches. When he had saved £1600 he gave up his job and launched out into direct mail.

He believed that the public could be trusted. In his advertisements he would say: "Send no money." People thought this was a crazy policy, but it was successful. He did not believe in display and big headlines. All his advertisements were in small type. They gave a complete and accurate description of the goods.

He was the first to find out that in a mail-order advertisement there must be a complete selling talk. He guaranteed everything he sold. He took all the risks. If a customer returned the goods, he sent back the money without a quibble.

In all advertising and display to-day, there must be an element of surprise. There must be something that is not "as usual". To attract favourable attention was never before as difficult as it is to-day. The public has been trained by newspapers and cinemas to be interested in only unusual things. We can never standardize advertising and display. Always, there must be something new and different, if it is to catch the eyes of the public.

Any retailer can learn much from a CIRCUS.

Circus stunts have now become fairly common in nearly all the big stores during the Christmas season. No store, as yet, has ventured to have clowns, but there is usually a "Father Christmas", and there are all manner of special stunts for children.

To exhibit anything unique—that is a circus stunt. It is far removed from ordinary retailing. When the Wanamaker Store in New York, during the war, exhibited one Worth dress—the only one that could be bought in Paris—that was a circus stunt. When Selfridge's exhibited Jean Batten's aeroplane, that was a circus stunt. And when a dairy in Westminster Road, London, exhibited half a dozen babies in its window, that was a circus stunt.

Any business man can learn far more than he thinks he can from the achievements of Astley, Barnum, Sanger, Buffalo Bill and the other great circus organizers. He can learn much from the men who create the shows at the Coliseum, the Palladium and Drury Lane, in London. He can learn a bit from all pantomimes and spectacles and from the films that attract millions. He can learn the art of showmanship.

A retail shop is a theatre, with a difference. The goods are in the seats and the customers come on the stage. Some goods are in the front

rows of the stalls or the front rows of the dress-circle. They are easily seen. Other goods are in the back rows or high up in the gallery. They are not easily seen.

In any shop, the goods that are wrapped up in paper or in drawers or on the top shelves, are not seen at all. Our aim to-day is to have ALL the goods in the front stalls. There are now quite a few all-stall shops. This is a new way of looking at this matter of interior display.

At an American exhibition of furniture, one of the displays that attracted most attention was a huge chair, 14 feet high. It weighed more than half a ton. It stopped all passers-by. For purposes of display, any ordinary thing can be made attractive if a huge model is made of it. No one would glance at an ordinary chair, but everyone would notice a half-ton chair.

A Copenhagen store—Wessel & Vett—claims to have the largest show-window in the world. It is 27 feet wide and 27 feet high. It has had some superb displays that have been the talk of the town. It has shown the Eiffel Tower, London Bridge, the Brandenburg Gate in Berlin, the loading of an ocean liner and scenes in India and Morocco.

How to attract more women to the dress materials department—that problem was solved

by the Marshall Field store in Chicago. It put an advertisement in the daily Press with this headline: "Have you ever seen a dress made in 50 minutes?" Then it had a raised platform built in the dress materials department and put a highly skilled dressmaker on it.

This dressmaker was able to cut, sew and complete a simple dress in 50 minutes. A throng of women surrounded the platform. A couple of mannequins posed and exhibited dresses on the platform, to make the display more interesting. Also, a number of dress fabrics were displayed.

A manufacturer or retailer should consider what a right use of COLOUR will do to increase the sale of his goods. Bright colours attract the eye. Black is not a colour at all. A white article looks larger than a black article of the same size. In the making of containers and in the making of window displays, a man must have an eye for the right colours. Also, he must know the law of visibility—that every colour needs a contrasting background.

There is no doubt that, as a nation, we are getting away from the old-time black, brown and grey, and using more bright colours. Coronation Week proved that. I am sure if all the bunting, flags and decorations used in Britain during the Coronation were stacked up

in one pile, they would make a pyramid 1000 feet high. Every shopping street was bespangled with red, white, blue, yellow and green. Practically every house had a splash of bright colours.

The people of this generation are not at all like the people of the Victorian Age, who regarded bright colours as being too showy and gaudy. To-day, nothing can be too showy, and as for gaudiness, we delight in it. We are drawn towards coloured lights and bright bunting as moths are to a flame.

This is a big fact for manufacturers and retailers. Manufacturers can add a touch of colour to goods that have hitherto been plain. They can make hammers with red handles, for instance. They can pack goods in gay, showy cartons and so on. Retailers can have red, yellow and green shop-fronts. They can dare to have the brightest possible interior decorations. All along the line we must now use more bright colours. They do much to attract the favourable attention of the people.

Any retailer, large or small, would do well to make a greater use of booths, tables and trays. We are getting away, more and more, from the use of counters. The wonderful success of the low-price novelty shops cannot be disregarded, and they use trays only. And the success of department stores with their booths

and tables is another fact that points in the same direction.

The fact is that women like to buy from booths, tables and trays. They like to have the goods within arm's reach, not put away on shelves on the far side of a counter. Almost all women enjoy buying from the stalls in a market. Usually, a market is thronged with women. And we know that whenever a shop has got rid of its counters, there has never been any protest from women.

A large number of manufacturers are now making their goods more or less self-selling by the use of quality cards attached to the goods, or by information labels or by having selling-sentences on containers.

A certain brand of men's shirts, for instance, is being presented to customers in a most attractive way. Every shirt is in a transparent paper envelope, and on this envelope are printed eight quality points of the shirt. The point is that the shop assistant would not, in most cases, mention these quality points. Very likely, he would not even know them.

To use quality cards or selling-sentences on containers is a sort of insurance against the incompetence of sales people. Surely, when a manufacturer puts quality into his goods, he

should not leave them to the mercy of shop assistants who know little or nothing about this quality. Surely he should make his goods speak for themselves as far as they can. He should tell possible customers all that they are getting for their money.

In shipping goods to another country, there might be a small leaflet in every box—what we might call a "Goodwill" leaflet. In this leaflet the manufacturer would link himself or his firm, in some way, to the country to which the goods are being sent.

This habit has been adopted, for instance, by Huntley & Palmer's, the biscuit manufacturers of Reading. On top of every box of biscuits sent to Canada it places an illustrated leaflet, which reads as follows:

"It will interest our customers in Canada to know that we are now buying Canadian lumber —a shipload at a time—for the manufacture of our packing cases.

"The introduction of Imperial Preference enabled us promptly to contract for Canadian wood, with the result that one of the largest cargoes of Canadian spruce received in London for many years has recently been discharged in the Thames.

"This shipment consisted of 1,000,000 feet

and required 350 railway cars to transport it to our factory at Reading. These cars were drawn into our works by our own locomotives. The photographs reproduced give some idea of the very large quantity in question—a veritable town of Canadian timber has been built in Reading.

"All the packing cases we are sending to Canada are made of this timber, and we are glad to advise you of this use of Canadian produce by the home country.

"May this reciprocal trade increase to our mutual advantage."

A man can make his business superior to the businesses of his competitors in a number of smaller details. He can, for instance, have the most attractive letterhead. He can have the most eye-catching delivery vans. He can make sure that the letter-writers of his firm know how to write letters that will create goodwill. His paper-bags and wrapping-paper can be in some way distinctive. And he can have the quickest and most courteous telephone girl.

"Your letterhead is the voice of your business," says an advertisement in a business magazine. This is a new idea and worth thinking about. As we know, a pleasing voice is a great help to any salesman or shop assistant—

to anyone who comes into contact with the public. It is quite true that a firm can have a pleasing letterhead—one that gives a touch of distinction to a letter.

Many British firms have had the same dingy letterheads for twenty years or longer. They were designed, probably, by small printers who knew nothing about letterhead designing. We see many letterheads that make the same unfavourable impression as a hoarse or squeaky voice does.

Is it not true that most catalogues are alike? Could not a firm overcome the competition of the other catalogues in its line by sending out a catalogue that would be distinctive—specially attractive? In the preparation of a new catalogue what has usually happened is this:

The Advertising Manager popped his head inside the Chief's office and said: "Catalogues are nearly all gone. Shall I order the usual number?" The Chief didn't look up. He was reading a letter. He just said: "Yes. Make the necessary corrections, of course."

So, a new edition of a mouldy, uninteresting old catalogue was printed. It was a sales-preventing catalogue. A fine opportunity was lost. An entirely new, well-written catalogue, with a cover in three colours, would have added thousands to the sales.

Look at the catalogues in a buyer's office. You will see that fully two-thirds of them are mere books of reference. They are badly printed and shabbily bound. They are as dull and unattractive as a Government report.

There are photographs of the goods, but not of the goods in use. There are no people in the pictures. The reading matter was prepared by people who do not know how to write. There is not even an introductory message by the managing director.

No selling power! Not an extra article or picture to make it easier for the salesman to sell the goods! Isn't this a costly mistake? Wouldn't it have been better if the managing director had said to the advertising manager:

"No. I don't want the old catalogue reprinted. I'm ashamed of it. I want an entirely new catalogue. I want one that is really worthy of this firm. Ask our advertising agency to prepare one and spend twice as much on it."

A certain firm in London, making rubber goods, suddenly appreciated the importance of an effective catalogue. It prepared one that was almost as interesting as a shilling magazine and put a bright cover on it. And it was amazed at the volume of orders that came in from that catalogue.

Chapter Twelve

FORESIGHT AND RESEARCH

MOST of the serious troubles of to-day are caused by the fact that not enough people have up-to-date minds. So said the late James Harvey Robinson in a book which he finished just before his death, *The Human Comedy.*

In the last fifty or sixty years a new system of civilization has been created by a small number of thinkers, inventors and organizers; and the great mass of people were not ready for it. Professor Robinson saw that there is a comic side to this. It is like a woman in old-fashioned clothes, with bustle and long skirts, trying to ride a bicycle.

The educators of the civilized nations have not kept pace with the scientists and inventors. They have not prepared the coming generation for the new conditions of to-day. They have packed the minds of children and young people with old stuff—old tales and traditions that have no value to-day.

"An old idea", said Professor Robinson,

"always enjoys the right of way. It is rarely summoned to prove its case. The old is at bottom a habit; the new is an adventure. And habit is so much more safe and comfortable to most of us, most of the time, than adventure."

Here we are in the Age of Electricity and most people still have candle-lit minds. We have democratic systems of government, and most people are not fit to be voters, and so on. "The chief part of a man's life is remembering," said Robinson. Consequently, we are held back by the Dead Hand of the past.

We have broken away from the past in material things. We have thrown away the tinder-box and the stage-coach. But we still hold fast to old traditions and prejudices. The nations still dislike each other and prepare for war.

The most useful quality that any man can have is to be TEACHABLE—that is the main point in this profound and scholarly book. Keeping up-to-date in our ideas and beliefs—that was never more necessary and difficult than it is to-day.

There are still hundreds of firms in Great Britain that are using methods which they adopted in the days of horse-buses. They have

horse-bus letterheads and a horse-bus system of organization and a horse-bus costing system and even some horse-bus equipment. There is just as much difference between their methods and up-to-date methods as there is between the old horse-buses and the London Transport system of transportation. How they continue to stagger along with such a handicap is one of the mysteries of the business world. Obsolete horse-bus firms!

In a large firm, the Office deals with the Past and the Laboratory and Research Department deal with the Future. The writers and speakers who attack Research will have some difficulty in sneering away that fact. Ask any sensible business man "Which would you sooner know —the Past or the Future?" He will reply "The Future, of course."

It is easy to get data concerning the Past, but it is not at all easy to get information concerning the Future. We can never foresee the Future completely. That is why we keep on studying the Past and neglecting the Future. But we forget that a little bit of knowledge about the Future is worth more than a great deal of knowledge about the Past, just as an ounce of gold is worth more than a ton of coal.

To ask a large number of possible customers what make of article they prefer, or what make

they are planning to buy—would that not be a help to any dealer who sold such articles? Certainly it would. To carry on a long process of investigation with a new marketable product is the result—is that not profitable to a manufacturer? Certainly it is. No other man is more hopelessly out of touch with the spirit of to-day than the man who scoffs at Research. He is misplaced in the twentieth century. He should have lived in the Dark Ages.

Many large firms are overcoming competition by making a practical use of chemistry. Does it pay any large firm to have a laboratory? The answer is—it does. I have never known a firm to give up a laboratory after running it a year or two. Generally, a "lab" is given more and more work to do. There is usually a series of extensions.

That meat-packing company in Chicago—Swift's—first started a laboratory in 1890, one small room with a chemist and an assistant. To-day it has 15 laboratories and 150 test-rooms. It makes more than 4,000,000 tests and experiments in a year. The only way to get accurate knowledge of materials is by having a laboratory. And accurate knowledge pays.

What the chemists have done in the last thirty years is almost beyond belief. They are the busiest Creative Thinkers in the business

world. About a fifth of all industrial products have been changed or created by chemists. They have created new industries and wiped out some old ones.

It is no longer true that a synthetic product means an inferior product. The chemists can improve quality as well as lower costs. In recent years they have succeeded in making superior lubricating oils, and soap that has no soap in it, and ice that will not melt, and synthetic rubber that will not swell and rot. As to what they have been doing with plastics that take the place of wood and metals, that is a story of achievement that is not yet generally known.

The industrial chemist is a miracle worker. He should in my opinion, have a much higher status in his company than he has to-day. He should be given more money for experiments; and his advice should be asked much more frequently than it usually is by his managing director.

There are about two thousand paint manufacturers in America, and their business suffered greatly from the depression that began in 1929. As far as I can learn, there was only one paint-making company that set to work in a big way to put up its sales. That company was Devoe & Raynolds, founded in 1754.

The President of this company is a keen

young man—Elliott Phillips. He decided in 1934 to cut loose from the 180 years' experience of his company and do something new. He decided to find out the one best way to make paint. This is a striking fact. His company has been making paint for six generations, yet he engaged the best research chemist he could find and set out to study the making of paint.

This chemist—Dr. J. S. Long—developed a revolutionary idea, which is now known as the "Devoe Two-Coat System". Instead of using three coats of the same kind of paint, he found that there need be only two coats of different paints. The first coat should seal the wood, fill cracks and adhere to the surface. The second coat should be protection against the sun and the weather.

This two-coat system was tested on more than 3000 jobs. It was used by hundreds of painters in different parts of the country. These painters agreed that the new paint was about twice as durable as ordinary paints.

Then, in January 1936, the new paint was put on the market with a big campaign of advertising. Salesmen were specially trained. They had to be retrained. They were given demonstration kits that showed how the new paint was made. A booklet was written on "Doubling the Life of Exterior House Paint",

and a huge edition was printed. A great use was made of photographs in the advertisements. The story of the new process was told in photographs.

What was the result? In 1936 this company more than doubled its sales of house paint. The sales went up 120 per cent. More than 100,000 houses were painted with the new two-coat system. "This is what happens when Science and Salesmanship co-operate," said Lawrence M. Hughes, who wrote the full account of this achievement for the American magazine, *Sales Management*. It is a very striking illustration of the efficiency method applied to the solving of a difficult business problem.

There is a small town in Ontario, Canada, called Williamsburg. Its population is only 4400. And there is one man in it who has made it famous throughout Canada and the United States. He is Dr. M. W. Locke—a doctor who seems to know more about FEET than any other doctor in the world. He is called "the wizard of Ontario".

He is a Canadian by birth. He was educated in Canada. Then he studied in Edinburgh and Glasgow Universities. He made a special study of feet—their troubles and their needs. For some strange reason he started to practise in

Williamsburg, instead of in Toronto. He began his work in 1908.

He has hands of remarkable strength. He grasps a foot, gives a twist and a wrench, and puts the bones in place. He has designed a shoe to suit the foot and keep the bones in place. His shoes are being made in both Canada and the United States. They are called the M. W. Locke shoes. More than 250,000 pairs were sold the first year. Dr. Locke himself has no financial interest in the two companies that make his shoes.

These shoes are not sold on price. They are being sold for about two guineas a pair. They are widely advertised. One headline is: "You are not buying just a new pair of shoes; you are buying a new pair of feet." This story shows that if a man creates a new useful product, or develops a new service to his fellows, he can start anywhere and eventually become rich and famous.

When a man sets out to overcome competition, he must open his eyes to the so-called "obvious" things in his business. If he has had the same business for five or ten years, then there are scores of things that he does not see. Whatever is in front of our eyes for years becomes practically invisible. That is why the services of a skilled outside expert

are so valuable. He can see what the people in the firm do not see.

A certain manufacturer was greatly surprised when he learned that 90 per cent of his sales came from 40 per cent of his customers. He found that he could increase his net profits by dropping 60 per cent of his customers. Later, he found that this policy did not decrease his volume of sales. And he got rid of his profitless selling.

All science, and all efficiency, too, is based upon observation. First comes observation and then comes creative thought. That is how all the useful knowledge in the world has come into existence. Something was first noticed and then thought about.

Long ago an engineer noticed a spider spinning his web and he conceived the idea of building suspension bridges. A mechanic noticed the needle of a knitting machine and invented the knotter of the self-binding harvesting machine. Another man noticed the mechanism of the human ear and conceived of the telephone. And so on.

Not many of us can become scientists or inventors, but on all sides of us there are things that we can notice and think about. A shopkeeper can notice his shop front—really look

at it keenly and see in what way it can be made more attractive. Any foreman would do well to spend at least one hour a week just using his eyes in his department and jotting down what needs to be improved.

Any man who thinks he knows his business from A to Z will lose his complacency if he will go through his building on an Observation Trip. He will find plenty of things that he had never seen before. As soon as any man's work becomes routine, he is sure to work more or less blindly. He does not see scores of obvious things.

Very often, an outside friend tells us most important facts about our own children—facts that we had never noticed. Most of us are far more like robots than we ever realize. We fall into ruts of habit. We work mechanically. The body is busy but the brain is idle.

Seeing is a mental thing. We do not really observe anything unless we think about it. Everyone who wishes to acquire knowledge must develop himself into a skilled observer. Notice, then think—the following of this simple rule has made many a fortune.

It goes without saying that a man should study his competitors—know what they are doing. One of the largest and most successful

companies has a rule that its agents must send in information regarding the methods, shipments, etc. of its competitors. Such information is of the highest possible value. It is as important in business as it is in war, to know what action is being taken by the opposing forces. And yet in business life it is usually totally neglected.

Suppose a retailer has ten competitors in his town—ten who are in his class! He should go and look at their ten buildings. He should ask himself: "Does anyone of these ten buildings make a better first impression than mine? Does my building need to be modernized? Do I need a new shop front or an up-to-date sign or any other distinctive improvement? How can I make my shop superior in the matter of appearance?"

An American writer says that there are 12,000,000 buildings in the United States that need to be modernized. According to population, that would mean that there are 4,500,000 buildings in Great Britain that need to be modernized. The percentage of defective buildings is lower here than in America. Consequently, this figure is too high. But it is probably true that we have 2,000,000 buildings that need to be modernized.

Sometimes a retailer is misplaced. He may

be in the wrong street or in the wrong town. If I were a tailor in Southport, for instance, I think I would move to South Shields. Why? Because there is one tailor to every 300 men in Southport, and one to every 3000 men in South Shields. So says the "Marketing Survey of the United Kingdom".

Our seaside resorts seem to have the most tailors. There is one to every 383 men in Eastbourne and one to every 400 men in Folkestone. Halifax has one to every 1500 men and Huddersfield has one to every 650. And Leeds has one to every 488 men. There is the same irregular distribution of retailers in every line of retailing.

Before a retailer decides to carry any new line of goods, he should consider the point of view of his present customers. For instance, suppose a man has a shop, selling four-guinea to eight-guinea dresses. If he decides to sell a line of two-guinea dresses, he will probably lose some of his eight-guinea customers. And if he decides to sell a line of ten-guinea dresses, he may lose some of his four-guinea customers.

A retailer may lose customers from the top or the bottom of his list. One customer at the top of the list may be worth a dozen at the bottom, from the point of view of net profit. He should not stock cheaper lines unless they

will attract a large number of new lower-grade customers. Before he decides to move the quality of his goods up or down, he should remember that "a bird in the hand is worth two in the bush".

A manufacturer or retailer may move ahead of his competitors by making a study of his possible customers. The chances are that he is under-estimating his market. A man's possible customers are nearly always far more than he thinks they are. And not many people do more than they try to do.

A jeweller, for instance, may have been selling a hundred gold watches a year, on an average, for the last ten years. He has a fixed idea in his mind that he has only a hundred possible buyers of gold watches a year. Very likely, he is making a costly mistake. Perhaps, with an effort, he could sell two hundred gold watches a year.

A London florist once said to me, proudly: "I am selling two dozen orchids a week." No doubt he had come to think that two dozen was his limit. But if he made a special push to sell his orchids—if he were to put a handsome orchid showcard in his window, very likely he would sell four or five dozen a week.

Any manufacturer or retailer would do well

to have a try-out with at least one of his best-quality articles. He should see if he cannot double the sale of it by special displays, by advertising and by calling the attention of his sales people to this article. No one should settle down on an average. An average means nothing. We may take it as a rule—there are nearly always more possible buyers than we think there are.

Almost any producer or manufacturer would do well to offer his executives and employees prizes for the best suggestions on "New Uses" for our products. The oil industry has become prosperous by finding new uses for oil and by making new products. So have the wood and leather and rayon industries. It is said that there are now a thousand distinct uses for leather and more than four thousand uses for soft woods. There is now a Cotton Institute in America that searches out new uses for cotton.

Many a retailer, launderer, or dairyman should make an effort to get more nearby customers. Nearby trade is more profitable than trade from a distance. At a conference of Kent and Sussex launderers, one of the speakers said:

"My vans cover over two thousand miles a week, yet I could get all the work I need within a half-mile radius of my laundry. Laundries

come into London from fifty miles around, and London laundries go almost as far out. North London comes south, east goes west, and vice versa; and things, I am told, are even more chaotic in Kent and Sussex. It is no uncommon sight to see a dozen vans in one road in one day."

This trouble is not peculiar to the laundry trade. All retailers and others who deliver goods have this same extra expense. They sell to customers at a distance, while nearby customers buy elsewhere. Perhaps, if a retailer, launderer, etc., were to put out fifty or a hundred posters in his district, it would help him to get more nearby customers. A neat little booklet, not a cheap circular, put in every house within half a mile of his business, would help him a bit, too.

Whenever a trade neglects its opportunities, then new competitors spring up. The ironmongers, for instance, did not see the opportunity given them by the invention of vacuum cleaners. The restaurants did not see the opportunity given them by milk bars. The department stores did not see the value of the idea that created the huge business of Woolworth's. The music and piano dealers did not see the chance offered to them by the invention of radio sets. And so on.

Great changes are taking place in the production of food, and in the eating habits of various nations. These changes mean opportunities for keen-eyed men who notice the trend of things. Foresight makes fortunes. And to the men who produce or distribute food a little foresight may prove to be very profitable.

For instance, soya beans are now being imported into Britain from Canada and the Far East. Many new fortunes will be made by the sale of these soya beans. They mean a new, cheap, nourishing and palatable food. The first British company that ventures to market and advertise soya beans, and does it efficiently, will build up a new great business.

When a large firm is contending against strong competitors, its wisest policy is to engage men who have useful specialized knowledge, and perhaps to call in one or more outside experts as well. It must face the fact that some of its jobs are too hard for the men who are doing them. It may be setting amateurs to do work that can only be done efficiently by specialists.

One of the most costly wastes in the business world is when a hard job is planned and carried out by an amateur instead of by an expert. Is this done often? Yes, it is. It is as common as a cold in the head.

Even the largest firms make this mistake very often. And the silly side of it is that it is usually done on the grounds of economy. The firm saves the high fee of the expert and loses very likely ten times as much because of the inexperience of the amateur who does the job.

A department store, for instance, decided, quite a few years ago, to have a complete system of staff training. It called in an expert—a man who had trained thousands of executives and employees.

The expert named his fee. It was regarded as much too high. So the job of organizing a system of staff training was given to a nephew of one of the directors. This nephew was an amateur so far as staff training was concerned. He knew little of retailing. He grappled with the problem but it was too much for him. That job is still waiting to be done.

One of the most striking instances of the high cost of amateur work was the building of the railway from St. Petersburg to Moscow, in the days of the Czars. A body of subservient engineers called upon Czar Nicholas and asked: "May we ask Your Royal Highness what is your wish with regard to the course of this railway?"

The Czar, trying his silly best to look wise,

drew a straight line on the map between St. Petersburg and Moscow. "Build it straight," he said. The poor engineers went away and built it straight. They built it along the centre of towns and mountains. That railway cost £90,000 per mile. It was planned by an amateur.

Not long afterwards a railway of the same length was built in Finland. This railway was planned by experts. It avoided rivers and mountains as far as possible. It followed the line of least cost. And it cost only £5000 per mile. The Russian railway cost eighteen times more than the Finnish railway, because it was planned by an amateur, who knew no more about railways than a Zulu knows of astronomy.

So, whenever there is a hard job to be done, it should be carried through by someone who has the necessary skill and knowledge. Every one of us is an amateur with regard to everything which he has not studied, and with regard to which he has had no successes.

A chemist is an amateur in advertising. An advertising man is an amateur in manufacturing. A works manager is an amateur in salesmanship. And so on. A hard job can only be done efficiently by a man whose knowledge and previous experience has fitted him for the task.

Most men do not learn from the highest authorities in their line. In science and literature they do, but not in the business world. They learn from their own little experience and from one another. The small people have learned from the other small people. That is why the great majority of businesses remain small. Also, that is why they remain all alike. They do not learn from the ablest specialists.

That brilliant man, Talleyrand, once said a foolish thing, as brilliant men are likely to do now and then. He said: "There is one person who is wiser than anybody and that person is everybody." Of course, he spoke as a politician. He was trying to cast a glamour over public opinion. But the fact is that all progress comes by the development of specialists. It seldom comes by the influence of mass opinion.

In every trade and industry there are a few men at the top who are doing more for their trades or industries than all others combined. They are the men who have acquired the most specialized knowledge. They have most of the experiments and introduced most of the better ideas and methods.

In every town there is at least one grocer who is giving better service. He is wiser than all of them combined. He is lifting the grocery business in his town up to a higher level. In almost

every town there is one launderer or one dairyman who is setting the pace—who is more efficient than his competitors.

The mass of people in any trade or industry merely drift along and do the usual things. They do not create improvements. Most of them do not even learn from the efficient men in their line.

Always, a few men are Leaders. The rest are rank-and-filers, who are not at all interested in efficiency and progress. The prosperity of a nation does not depend upon the rank and file. It depends upon the Leaders—upon those who create and apply the new ideas and methods in business.

Talleyrand was wrong. Everybody may have more political power than anybody, but everybody does not know more than anybody. What everybody knows is very little. Knowledge percolates down from the efficient men at the top —some of it does. Every competent man is more or less serving his whole trade or industry. WHAT EVERY NATION NEEDS MOST IS MORE AND MORE MEN WITH SPECIALIZED KNOWLEDGE.