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PROBLEMS IN ADVERTISING

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PROBLEMS IN ADVERTISING

BY

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GEORGE F BAKER FOUNDATION

HARVARD UNIVERSITY

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PREFACE

This volume, a second revision, offers for analysis and solution a wide variety of advertising problems and cases based on the business experiences of a large number of firms Approximately one-half of the material represents either new problems or old problems that have been revised and brought up to date since the last edition The arrangement and organization of material are substantially as in the second edition

As in the previous editions, the cases deal not with the techniques of advertising but rather with an analysis of the use of advertising by the business executive The underlying philosophy and the pedagogical objectives stand as outlined in the introductory statement of the first edition, seasoned and tested by years of classroom use I quote from the introductory statement:

> In the conduct of his business the executive must look upon advertising merely as one of numerous tools available to him, each of which must be intelligently used and properly coordinated with others if he is to attain a large degree of success in his business venture If he is to advertise to good advantage, he must seek to understand this advertising force An appreciation of what advertising is and what it can do under various circumstances, an understanding of the burden which can be placed upon it for various types of products and under various marketing approaches and of the degree to which it must be used to accomplish its objectives, a realization that it is merely one element of an entire program of effort and that to be successful it must be properly correlated and coordinated with other effort, especially personal selling—all this is essential to the business executive who would use advertising well But beyond mere critical ability of the faculty of evaluating the possibilities of particular advertising programs, that executive is fortunate who has constructive imagination, so that, visualizing the use of advertising as an integral part of the operation of a business, he is able to devise wise plans of marketing strategy involving its use

Through an analysis of the problems and cases in this volume, it is hoped that the student will develop an ability to appraise the effectiveness of advertising as a marketing tool for different products under

different conditions. Beyond this, it is hoped that he may be assisted in developing that rare talent, a constructive imagination in the use of advertising.

The cases of the first two sections, as formerly, plunge the student at once into the task of studying the character of demand, of determining those factors which govern the likelihood of successful selling efforts. The approach is that of the business executive. Does the product or service under consideration offer a favorable marketing opportunity? What chances are there of stimulating demand, first, a demand in competition with other types of products and, second, a demand in competition with products of the same kind? Can advertising be used to good advantage in helping to increase sales? What advertising is and what it aims to do is approached directly. Questions relating to buying motives, buying habits, the character of competition, trends, price, profit margins, frequency of purchase, density and extent of demand, individualization of product, and so on, as they affect the promotional and advertising opportunity, arise in case after case, presenting a wide variety of products and a wide variety of marketing conditions. By analysis of individual cases and by comparison between cases the student is led to lay down precedents to guide him in appraising advertising opportunities.

Section III, largely new problems, centers attention on an analysis of selling campaigns and of strategy and brings out the varying tasks assigned to advertising under different plans of distribution and sales strategy. Several of the cases serve to bring under scrutiny the use of various direct sales action devices such as contests and premiums. The problems of securing coordination in selling efforts are brought to the fore.

Section IV deals with campaigns of an institutional character.

Section V presents cases involving the determination and budgeting of advertising appropriations.

Section VI, largely new cases, calls for analysis and scrutiny of the various methods of checking or testing the effectiveness of advertising.

Section VII presents cases dealing with field surveys.

Section VIII presents problems involved in the presentation of advertisements, such as size of space, use of illustration, and use of color.

Section IX, largely new cases, presents problems dealing with the selection of media. Radio in particular is given more complete consideration than in previous editions.

The cases of Section X deal with the selection and use of the advertising agency.

As in the second edition, problems relating to the advertising of industrial goods have been scattered among those dealing with consumers' goods, rather than being segregated as in the first edition. Teaching experience has indicated that such an arrangement brings out forcibly the contrasts and similarities between the advertising and promotion of industrial and consumers' goods and at the same time avoids a certain repetition present under a segregated plan.

At the beginning of each section are listed collateral readings. In my class work I have found it helpful to assign a fairly large amount of outside reading, so that students may have the theories and data of different writers as a background for the consideration of specific cases. For example, I desire that early in the course they become familiar with the two schools of advertising practice; namely, that which seeks at every turn to stimulate direct action through advertising, and that which relies more upon indirect action. Certain of the suggested readings serve to give this background.

I realize fully the importance of an understanding of the problems of advertising technique, even by students who do not intend to become advertising technicians. Since a consideration of such problems does not lie within the scope of this volume, I have found it advisable, through a series of cases involving written preparation of advertisements, and through readings dealing with advertising technique, to give my students an appreciation of the problems involved. In those institutions where numerous advertising courses are given, an understanding of technique can, of course, be obtained through specialized courses.

The collection of cases in this volume was made possible through the generous financial assistance of a group of advertising agencies and publishers. To them I make grateful acknowledgment. Acknowledgment is also due those business men who have cooperated by furnishing the data from which these problems and cases have been written. I have received valuable and constructive suggestions from present and former associates in the

Marketing Division of the Harvard Graduate School of Business Administration: Professors M. T. Copeland, H. R. Tosdal, H. T. Lewis, M. P. McNair, E. P. Learned, and S. F. Teele. In the collection of recent cases I wish to acknowledge the assistance of Mr. Melvin L. Anshen, Research Assistant. My secretary, Miss Margaret A. Clarke, was responsible for preparing the manuscript and reading the proofs.

NEIL H. BORDEN.

CAMBRIDGE, MASSACHUSETTS,
August, 1937.

CONTENTS

PAGE

PREFACE v

PROBLEMS xi

I. APPRAISAL OF OPPORTUNITIES PROFITABLY TO EMPLOY ADVERTISING TO STIMULATE PRIMARY DEMAND 1
A. Cooperative Advertising Campaigns 3
B. Campaigns by Individual Manufacturers 54

II. APPRAISAL OF OPPORTUNITIES PROFITABLY TO EMPLOY ADVERTISING TO STIMULATE SELECTIVE DEMAND . . . 73

III. PROBLEMS IN BUILDING PROMOTIONAL PROGRAMS—STRATEGY—SCHEDULING—COORDINATION OF SELLING EFFORTS. 243

IV. USE OF ADVERTISING TO DEVELOP PATRONAGE MOTIVES—INSTITUTIONAL ADVERTISING 339

V. THE DETERMINATION AND BUDGETING OF ADVERTISING APPROPRIATIONS 349
A. Bases for Determining Advertising Appropriations . . 351
B. Budgeting of Advertising in Relation to Seasonal Demand 358
C. Relation of Advertising Schedule to Cyclical Demand . 376
D. Budgeting and Control of Distribution Expense . . . 386

VI. METHODS TO CHECK THE EFFECTIVENESS OF ADVERTISING . 413
A. Local Area Sales Tests 415
B. Analysis of Coupons 440
C. Consumer Jury Testing 493
D. Surveys of Consumer Reading 512
E. Surveys of Consumer Purchases 525
F. Triple Association Tests 531

VII. GATHERING FACTS FOR ADVERTISING AND MARKETING—FIELD INVESTIGATIONS. 533

VIII. PROBLEMS INVOLVING PRESENTATION OF ADVERTISEMENTS . 559

IX. PROBLEMS INVOLVING THE SELECTION OF MEDIA 579

X. ADVERTISING AGENCY RELATIONS. 663

SELECTED LIST OF REFERENCES. 677

INDEX. 693

ALPHABETICAL LIST OF PROBLEMS. 697

PROBLEMS

PAGE

I. APPRAISAL OF OPPORTUNITIES PROFITABLY TO EMPLOY ADVERTISING TO STIMULATE PRIMARY DEMAND . . . 1

A. Cooperative Advertising Campaigns 3
1. Associated Salmon Packers 3
2. National Live Stock and Meat Board . . . 10
3. Silverware Association 26
4. National Shoe Retailers' Association . . 33
5. Irish and Scottish Linen Damask Guild, Inc. . 39
6. Bureau of Milk Publicity—State of New York 44

B. Campaigns by Individual Manufacturers 54
1. Holmes Manufacturing Company . 54
2. Tonto Drug Company 57
3. Corning Glass Works (A) 61
4. Harvard Economic Service 65

II. APPRAISAL OF OPPORTUNITIES PROFITABLY TO EMPLOY ADVERTISING TO STIMULATE SELECTIVE DEMAND . . 73
1. Expello Corporation 75
2. Sucrosa Sugar Refining Company . . 80
3. Morton Salt Company . . 84
4. Strength Union Company . 88
5. Robbins Rope Company. 93
6. Miltiades Paper Company . . 99
7. Lydia E. Pinkham Medicine Company . 103
8. Sargent Dental Company 103
9. Buckner Textile Machinery Company . . . 110
10. National Rock Drill Company (A) . . 113
11. Waverly Manufacturing Company . . 122
12. Fuller Brush Company 128
13. Rand Company 134
14. Carmen Chocolate Company 140
15. Claybon Company . . . 145
16. Graybar Electric Company 149
17. Chilton Pen Company. 154
18. Providence Clock Company 157
19. Colton Card Company. 160
20. Contook Manufacturing Company . . 164
21. H. R. Mallinson & Company. 169
22. Hewes & Potter, Inc. 172

PAGE
23. Naumkeag Mills 179
24. Kalama Hosiery Company 188
25. George Host Company 195
26. Weyenberg Shoe Manufacturing Company 201
27. Advertising to the Trade. 209
28. Hartley Company. 211
29. Graton & Knight Company. 217
30. Rubber Wire Company 221
31. Manly Elastic Company. 231
32. Expenditures for Advertising by Industries. 241

III. PROBLEMS IN BUILDING PROMOTIONAL PROGRAMS—STRATEGY—SCHEDULING—COORDINATION OF SELLING EFFORTS. 243
1. Pabst Corporation. 245
2. Lavena Corporation. 258
3. Athena Corporation (A) 262
4. Nella Company. 267
5. Florentine Company. 273
6. J. F. Bicknell Lumber Company. 281
7. Armstrong Cork Company (A) 285
8. Pendleton Company. 296
9. Jordan Company 298
10. Schammel Food Company 305
11. Norge Corporation 311
12. Excello Tire Company. 331
13. National Rock Drill Company (B). 337

IV. USE OF ADVERTISING TO DEVELOP PATRONAGE MOTIVES—INSTITUTIONAL ADVERTISING 339
1. General Motors Corporation 341
2. Baltimore & Ohio Railroad. 344
3. National Rock Drill Company (C). 347
4. Institutional Advertising for Various Companies. . . 348

V. THE DETERMINATION AND BUDGETING OF ADVERTISING APPROPRIATIONS 349
A. Bases for Determining Advertising Appropriations . . 351
1. Methods of Budgeting Used by National Advertisers 351
2. Cary Cleansers, Inc. (A). 352
B. Budgeting of Advertising in Relation to Seasonal Demand 358
1. Canada Dry Ginger Ale, Inc. 358
2. Grigsby-Grunow Company. 363
C. Relation of Advertising Schedule to Cyclical Demand . 376
1. Ettrick Company (A) 376
2. Ettrick Company (B) 384

PAGE

D. Budgeting and Control of Distribution Expense 386
1. Lederle Laboratories. 386
2. Mills-Gayley Cosmetic Corporation 388
3. Armstrong Cork Company (B) 394
4. California Walnut Growers Association (A). 399

VI. METHODS TO CHECK THE EFFECTIVENESS OF ADVERTISING . 413
A. Local Area Sales Tests 415
1. W. F. Young, Inc. 415
2. Janus Chemical Company 425
3. Grandee Company. 432
4. Cary Cleansers, Inc. (B). 436
B. Analysis of Coupons 440
1. California Walnut Growers Association (B) . . . 440
2. Dennison Manufacturing Company (A) 458
3. Dictograph Products Corporation (A) 482
C. Consumer Jury Testing. 493
1. Eastman Kodak Company 493
2. California Walnut Growers Association (C) . . . 499
3. Schering Corporation 505
4. Towle Manufacturing Company 510
D. Surveys of Consumer Reading 512
1. California Walnut Growers Association (D). . . . 512
2. Laurian Company. 516
E. Surveys of Consumer Purchases 525
1. C. J. Peyton Company. 525
F. Triple Association Tests 531
1. Presbrey Soap Company. 531

VII. GATHERING FACTS FOR ADVERTISING AND MARKETING—
FIELD INVESTIGATIONS. 533
1. California Walnut Growers Association (E) . . . 535
2. Corning Glass Works (B). 547

VIII. PROBLEMS INVOLVING PRESENTATION OF ADVERTISEMENTS . 559
1. Creighton Suspender Company 561
2. Halle Brothers Company 568
3. Corning Glass Works (C). 573

IX. PROBLEMS INVOLVING THE SELECTION OF MEDIA 579
1. California Fruit Growers Exchange 581
2. Analysis of Media Selection 586
3. Aspinwall Company 586
4. Athena Corporation (B) 593
5. Orol Company 606
6. Athena Corporation (C) 622

PAGE

7. Enders Shoe Company 623
8. Euripides Tobacco Company 631
9. Xenophon Medicine Company 633
10. Throckmorton Brewing Company 634
11. Cary Cleansers, Inc. (C). 643
12. Parker-Kalon Corporation 645
13. Dictograph Products Corporation (B) . 653

X. ADVERTISING AGENCY RELATIONS. 663
1. Clapham Company 665
2. G. Lynn Sumner Company. 669

SECTION I

APPRAISAL OF OPPORTUNITIES PROFITABLY TO EMPLOY ADVERTISING TO STIMULATE PRIMARY DEMAND

PURPOSES OF SECTION:

1. To determine factors which govern opportunity to stimulate primary demand for products.
2. To show need of merchandising in advance of marketing and advertising.
3. To appraise in specific cases the burden to be placed on advertising to stimulate primary demand.
4. To consider primary buying motives.
5. To study the nature of competition between different types of products.
6. To study the objectives set up for advertising and the ways in which it is used, with special reference to advertising aiming to stimulate direct action of consumers as contrasted with advertising seeking indirect action.
7. To analyze the opportunities of cooperative advertising and its procedure.

SUGGESTED READING

BORDEN, *Cooperative Advertising by Trade Associations*, Harvard Business Reports, Vol XI, Introduction and cases

COPELAND, *Principles of Merchandising*, Chaps VI–VII

GOODE AND POWEL, *What about Advertising?* Chaps I, V, XIV

GUNDLACH, *Facts and Fetishes in Advertising*, Chaps I, XII–XVII, XXIV, XXV.

HOPKINS, *Scientific Advertising*, Chaps II, III, X

LINK, *The New Psychology of Selling and Advertising*, Chap I

STRONG, *Psychology of Selling and Advertising*, Chaps. II, III, IX–XI, XIV.

WOOLF, *Writing Advertising*, Chaps II, VIII.

A. COOPERATIVE ADVERTISING CAMPAIGNS

1. ASSOCIATED SALMON PACKERS

COOPERATIVE ADVERTISING OF PINK SALMON

On January 1, 1926, the prevailing wholesale market prices of pink and chum (light-colored) canned salmon were below the cost of production for some canneries; large stocks were held by United States and Alaskan packers, who sold principally in the domestic market; and a large pack was anticipated during the coming summer packing season. Aroused by the seriousness of the situation, leading packers met in Seattle, Washington, to discuss marketing problems of the industry. The Associated Salmon Packers, an unincorporated association, was formed, with the management vested in the Advertising Committee, composed of three leading packers. Plans were made for a cooperative advertising campaign, to be carried on with the assistance of Strang & Prosser, an advertising agency of Seattle.

Canned salmon was an important food in the United States, England, Continental Europe, and tropical countries, and salmon packing was the world's largest sea-food packing industry. Five varieties of salmon were canned: King, or Chinook; Red, or Sockeye; Coho, or Silver; Pink; and Chum. The first three species generally were red, the fourth pink, and the fifth lighter colored. For food purposes they were at their best at maturity, when they left the sea and returned to fresh-water lakes and rivers to spawn. During their return, or "run," which could be forecast in a general way, the Government restricted the catching of salmon and allowed enough to escape to safeguard the future supply.

Most of the world's supply of canned salmon was packed on the Pacific Coast. North American canneries were scattered along the shore line between northern California and the northwestern part of Alaska; those on the Asiatic side of the Pacific were located on the Okhotsk Sea and Kamchatka Peninsula region of northern Siberia, although some were located as far south as northern Japan.

In 1925 the production of the 80[1] salmon canneries located in the United States and Alaska was valued at approximately $47,370,000 by the United States Bureau of Fisheries.[2] About 40 companies packed chiefly pink and chum salmon, although approximately 25% of these packed appreciable quantities of red salmon. Seattle was the principal distributing point for pink salmon, which was normally about 44% of the total United States and Alaskan pack.

Some of the packs were sold under packers' brands and some under wholesalers' brands. Generally canned salmon was sold by the packers through brokers, who sold on a 5% commission to wholesale grocers. The brokers were principally interested in making sales, and sometimes induced smaller packers and those poorly financed, who were desirous of liquidating their investment and avoiding warehousing expense, to reduce their prices, with little or no profit. Unlike the packers of fruits and vegetables, salmon packers seldom sold futures.

From 1921 to 1926, exports of salmon canned by United States companies averaged nearly 20% of production. The fact that exports did not increase so rapidly as did production was attributed to three developments: (1) increased exports of sardines by California canneries; (2) increased consumption of Canadian-packed salmon by the British possessions and France; (3) increased competition in British markets from Siberian producers, who were able to undersell the Canadian and United States pack because

EXHIBIT 1

Comparison of Pack and Carry-over of American Canned Salmon, 1923–1927*

Year	Pack (Cases)	Carry-over on January 1 of Ensuing Year (Cases)
1923	6,411,757	2,031,694
1924	6,245,320	1,617,200
1925	6,034,321	1,743,680
1926	7,491,684	2,009,379†
1927	5,053,472	1,184,742†

* *Pacific Fisherman*, January, 1928, pp. 110–111. Figures designated "carry-over" represent unsold stocks of salmon packed in the United States and Alaska.

† Figures not complete.

[1] *Pacific Fisherman Yearbook for* 1926.

[2] *Statistical Abstract of the United States*, 1925, "Canned Salmon Output of United States and Alaska."

labor was inexpensive and canneries were operated almost without governmental fishing restrictions. This growing foreign competition contributed to the increasingly large carry-over of canned salmon in the United States, which for the years 1923–1927 is shown in Exhibit 1.

Since it was unlikely that the yearly surplus pack could be disposed of in foreign markets, the salmon packers were forced to consider the possibility of increasing domestic consumption of salmon.

The packers of red salmon, believing that they were not faced with the same difficulties as pink and chum packers, took no part in the cooperative advertising plans. Red salmon had been the first to be canned and, primarily because of its color, had acquired a prestige among housewives which enabled packers to sell it readily at prices considerably higher[1] than those obtained for pink or chum, although its nutritive value was not demonstrably superior. The Alaska Red salmon canned in the United States in 1925 comprised 1,065,290 cases,[2] or 17.6% of the total salmon pack of 6,034,321 cases. In 1924 it was 19% of the total pack, and in 1923, 29%.

On January 1, 1926, the packers of pink and chum salmon were faced with the problem of marketing a carry-over of approximately 1,500,000 cases,[3] the highest carry-over on record, although for several years it had been over 1,000,000 cases. Sales of these varieties of salmon in 1925 had been 3,700,000 cases as compared with a production of 3,870,000 cases in that year, and a carry-over on January 1, 1925, of 1,340,000 cases.

---

1 OPENING PRICES OF CANNED SALMON, 1920–1927*

	1920	1921	1922	1923	1924	1925	1926	1927
Chinook—Fancy	3 90	3 15	3 40	4 00	3 55	3 50	3 95	3 95
King ..	3 00	1 75	1 75	2 00	2 10–2 15	3 00–3.25	2 25	2 65–2.85
Alaska Red	3 25	2 35	2 25	2 25	2 25–2 50	3 50	2.50	3 10
Medium Red or Coho	2 00	1 50	1 25	1 40	1 50–1 75	2 50–2.75	2 25	2 25–2.50
Pink	1 50	1 10	1 15	1 25	1 25–1 35	1 25–1 45	1 35	1 35–1 50
Chum	1 15	1 00	1 05	1 20	1 20	1 10–1 15	1 25	1 30–1 35

* *Pacific Fisherman*, January, 1928, p. 112. All quotations are on basis of one dozen cans of "talls"

[2] *Pacific Fisherman*, January, 1928, p. 110.

[3] *Ibid.*

In an attempt to market this large 1926 carry-over before August, when another large pack was anticipated, the Associated Salmon Packers decided to conduct an advertising campaign experimentally in the United States from March through June, 1926.

The only previous effort at advertising of any note occurred in 1921, when the Educational Division of the Association of Pacific Fisheries had spent over $30,000 on a cooperative advertising campaign for pink and chum salmon in two midwestern cities and one southern city. Newspapers and posters were used, and several hundred thousand recipe books, entitled "Forty New Ways to Serve Salmon," were printed for consumer distribution. Supported by only 10 or 12 packers, it was a relatively small campaign and had not aroused the interest of the whole industry.

An advertising appropriation of $200,000 was voted by the association, to be raised by assessing members 20 cents for each case on hand. This assessment represented 3.75% of the current wholesale price of pink salmon. At that time only a minority of the packers of pink and chum salmon were members of the association, but they were confident that others would join after the advertising program had started. Since the assessment was not sufficient to meet the appropriation, three of the leading packers underwrote the unsubscribed amount, believing that it would later be raised by increased membership.

The advertising agency immediately planned a campaign designed to establish the high food value of pink salmon. It recommended that specific sales arguments be used rather than the "eat more salmon" type of copy; that the nutritive value of pink and chum salmon be stressed without calling undue attention to color and comparatively low prices; that recipes be featured showing the many delicious dishes that could be prepared from pink and chum salmon; and that, in order to reach the market quickly, newspapers should be used during Lent, supplemented by magazine advertising which would serve as a background for the newspaper campaign and as a means of reaching semirural communities. Farm publications were suggested also to complete the coverage.

On March 11, full-page advertisements appeared in leading newspapers in 45 eastern and middle-western cities which were regarded as good markets for canned salmon. With each of the

newspapers used, the agency contracted for 10,000 agate lines. After the opening of the campaign, full-page advertisements and smaller advertisements of various sizes were inserted weekly on the pages used for advertising food products.

The full-page insertions described the salmon as the "King of Food Fish." Recipes were given in the advertisements and a can of pink salmon was displayed prominently, but without a packer's name. In the extreme left-hand column of the advertisements a prize contest was announced. One thousand dollars, in fifty prizes, was offered for the best recipes submitted before August 31, 1926. The contestants were required to submit recipes which they had served, with the cost of the ingredients, and also to send in the labels from the cans of salmon used in preparing the dishes. There were two reasons for asking for the labels: to encourage the purchase of salmon, and to learn which brands were favored. The newspaper advertisements which followed the full-page insertions offered a free recipe book, called "Forty New Ways to Serve Salmon," published in 1921 in the first salmon advertising campaign, and a bulletin of the United States Department of Commerce on the food value of pink and chum salmon.

As soon as possible after March 1, advertisements were inserted in nine general and small-town magazines and in ten farm journals. With the exception of one full page, these advertisements were either half a page or two-thirds of a page. Some of the advertisements were in color. They had the same general characteristics as the newspaper insertions. The periodicals used were:

General Magazines	Farm Journals
Good Housekeeping	*Wisconsin Farmer*
People's Home Journal	*Svenska Amerikanaren*
Modern Priscilla	*Successful Farming*
Ladies' Home Journal	*Missouri Ruralist*
Delineator	*Farmer's Life*
People's Popular Monthly	*Iowa Homestead*
Household Magazine	*Decorah Posten*
Designer	*Farm Journal*
McCall's Magazine	*Grit*
	Progressive Farmer

Just prior to the appearance of the advertisements, brokers, wholesalers, and retailers selling salmon were notified of the impending campaign by telegrams and air-mail letters.

The advertising agency obtained the cooperation of the merchandising departments of the newspapers selected for the campaign a considerable time before the advertising began to appear. Those merchandising departments first obtained information as to wholesale grocers' stocks of pink and chum salmon, enabling packers to know for the first time the location of large and small stocks; they arranged for thousands of window and store displays, distributed posters and dealer helps, and secured special attention for salmon dishes on menus at public eating places; some even offered prizes for the best window trims and recipes sent in to their home economics editors. Recipes and hints on using salmon were printed on the household pages of newspapers and magazines. Many retailers and wholesalers featured canned salmon in their advertising space during the campaign.

The incoming pack of pink and chum salmon in 1926 totaled approximately 4,350,000 cases, surpassing all previous packs. Many executives in the industry were convinced that the advertising had had a stabilizing effect on the packers and distributors of salmon and upon the bankers, thereby making possible the orderly marketing of the 1926 pack, but at the relatively low level of from $1.25 to $1.35 for pink, and from $1.20 to $1.25 for chum.

In the prize contest more than 60,000 women submitted 200,000 recipes; some entered complete cookbooks containing from 25 to 100 tested recipes. Entries came from 60 foreign countries. Approximately 35% of the contestants submitted labels, as requested, many of which were for brands that had been discontinued several years previously. These labels were taken as positive evidence that salmon was being moved through the stores.

In view of the highly satisfactory results of the four-months' advertising campaign, the Associated Salmon Packers decided to continue to advertise, with the same objectives and procedure as the initial campaign. By the end of 1926, approximately $350,000 had been appropriated for advertising and promotion during that year, in the following amounts: newspapers, $104,650; magazines, $43,330; farm journals, $14,550; and other promotional activities, $187,470.

The results of the extended campaign were indicated by the statistics for 1926. The sales of pink and chum salmon for the

year were 4,360,000 cases, while the carry-over approximated 1,525,000 cases. However, since the 1926 pack had exceeded that of 1925 by nearly 600,000 cases and the 1926 sales had exceeded those of 1925 by approximately the same amount, this condition of stock was very satisfactory. Since the per capita consumption in the United States of all kinds of salmon, moreover, had increased from 2.09 pounds in 1925 to 2.61 pounds in 1926,[1] the packers did not anticipate any difficulty in disposing of the 1927 carry-over

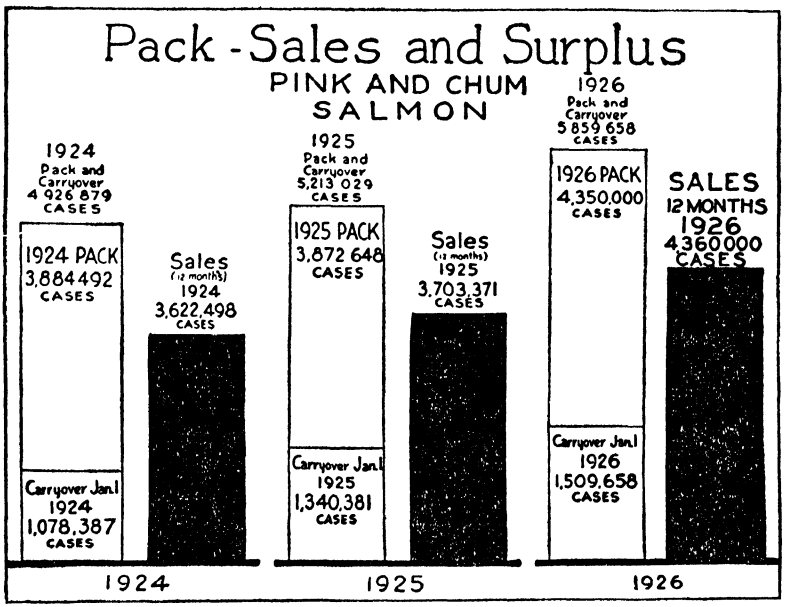

Exhibit 2: Pack, Sales, and Carry-over of Pink and Chum Salmon Packers of the Pacific Northwest, January, 1924, to January, 1927.

during the spring season of 1927. In fact, if production continued at the current volume and per capita consumption continued to increase, it was anticipated that in a few years there would be little salmon for export. A comparison of the 1926 pack, sales, and carry-over on January 1 with these figures in 1924 and 1925 is depicted in Exhibit 2.

In August, 1927, it was evident that the pink and chum salmon pack of that year had been a failure and was only slightly more than half that of 1926. Prices on both pink and chum salmon

[1] *American Trust Review of the Pacific*, April 15, 1927.

began to rise, and month by month stocks became smaller. On December 31, 1927, the unsold stocks amounted to only about 420,000 cases, as against a total of 1,520,000 on December 31, 1926. In January, 1928, the stocks of pink and chum salmon began to fall rapidly. Prices rose very high, pink being sold for $1.75 to $1.85 a dozen cans, as against the previous price level of $1.35 to $1.50; chum sold for about $1.65 a dozen cans. In the meantime it was reported that many companies were carrying large stocks of red salmon.

Was this a suitable situation for the use of advertising by the Associated Salmon Packers?

2. NATIONAL LIVE STOCK AND MEAT BOARD

COOPERATIVE ADVERTISING OF MEAT

Writing in *Printers' Ink* for January 2, 1936, Mr. F B. Nichols of Buffalo, Kansas, urged an expansion of the advertising and merchandising activities sponsored by the National Live Stock and

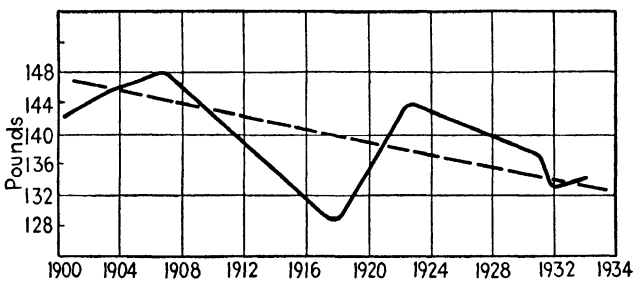

Exhibit 1: Per Capita Consumption of Meat in the United States. Source: *Northwestern Miller and American Baker*, January 1, 1936, p. 47. (Data from *U. S. Department of Agriculture Year Book*, 1934.)

Meat Board to include an extensive five-year national advertising campaign designed to induce urban consumers to eat more and better meat.

The per capita consumption of meat in the United States had been following a declining trend since 1900, as shown in Exhibit 1. With the exception of the war years, the per capita consumption of veal, mutton, and lamb had remained fairly stable throughout this period, while the consumption of beef had fallen off sharply

in the years following 1920; the consumption of pork had tended to increase after 1920, and had not declined materially in the depression years until 1934 (see Exhibit 2). The movement of retail meat prices since 1913 is shown in Exhibit 3.

On November 19, 1935, with the base period 1923–1925 = 100, retail food prices were as shown in the following table:

Meats	97.2%
Cereals and bakery products	95.0
Eggs	84.9
Fats and oils	83.5
All foods	81.5
Canned fruits and vegetables	80.0
Dairy products	77.5
Beverages and chocolate	67.8
Sugar and sweets	67.0
Dried fruits and vegetables	59.0
Fruits and vegetables, total	58.7
Fresh fruits and vegetables	56.8

Source: *Retail Prices*, prepared by the Retail Price Division and Cost of Living Division of the Bureau of Labor Statistics of the United States Department of Labor.

The principal reason for the long-continued decline in the per capita consumption of meat in the United States was commonly believed to be a change in the diet of consumers which had been going on for several decades and which had become more noticeable in the years following 1920. Prepared cereals and foods, citrus fruits, and fresh vegetables had been assuming a position of increasing importance in the daily menu of the American people. Various dietary fads and health movements contributed to this development, and the advertising campaigns sponsored by such organizations as the California Fruit Growers' Exchange apparently were influential in widening the market for and increasing the use of their several products. The increase in the per capita consumption of oranges in the United States, shown by the sharply rising trend line in Exhibit 4, was indicative of the growing consumer interest in certain fruits and fresh vegetables. The phenomenal increase in popularity of citrus fruits is shown in Exhibit 5. The production of lettuce, a product widely used in salads, increased almost 50% between 1924 and 1930. After 1900 the average American gave increased importance in his diet to fresh fruits and vegetables, prepared foods and cereals, sugar, and dairy products, all of which were attractive in price relative to meat. (See Exhibits 6 and 7; on neither of these have fruits and vegetables been recorded.)

After 1929 it became necessary for many consumers to economize in the purchase of food, and many observers noted that in a considerable number of homes in the lower-income groups, meat, even in the cheaper grades, became almost a semiluxury, and the better cuts were unknown. In 1935, urban consumer groups

EXHIBIT 2
Apparent per Capita Consumption of Meats and Lard in United States, 1907–1935
(Pounds)

Year	Beef	Pork	Veal	Mutton and Lamb	Lard
1907	77.6	64.4	7.4	6.4	12.1
1908	71.6	66.1	7.0	6.3	13.0
1909	75.5	60.1	7.5	6.6	11.5
1910	71.0	57.1	7.4	6.4	11.4
1911	67.6	64.5	7.0	7.8	11.3
1912	61.0	61.8	7.0	8.1	11.2
1913	60.3	63.0	5.9	7.5	11.3
1914	57.8	62.3	4.4	7.3	12.0
1915	53.9	59.5	4.3	6.2	12.8
1916	55.4	60.1	5.3	6.0	13.4
1917	58.9	49.3	6.4	4.6	11.6
1918	62.5	54.8	7.3	4.7	13.2
1919	61.6	54.8	7.7	5.8	12.3
1920	63.1	60.5	7.6	5.5	13.3
1921	56.9	63.5	6.9	5.9	11.3
1922	60.5	66.1	7.3	5.0	14.2
1923	61.4	74.7	7.8	5.2	15.3
1924	61.6	74.7	8.2	5.2	15.4
1925	62.3	67.6	8.7	5.2	13.2
1926	63.6	65.7	8.2	5.5	13.5
1927	58.4	68.5	7.4	5.4	13.8
1928	51.7	72.3	6.8	5.6	14.2
1929	51.4	74.6	6.8	5.8	14.4
1930	50.1	69.3	6.8	6.6	13.8
1931	49.6	69.6	6.9	7.1	14.4
1932	47.6	72.2	7.2	7.0	15.2
1933	54.1	72.3	7.9	6.9	15.3
1934	65.3	65.5	8.9	7.5	13.8
1935	60.8*	47.9*	8.2*	8.4*	10.2*

* Estimated.
Sources *Meat Production, Consumption, and Foreign Trade in the United States, Calendar Years* 1900–1927, U S Department of Agriculture, Bureau of Animal Industry, p. 9.
Survey of Current Business.

in several cities made open and bitter protest against the high prices of meat which dealers claimed had been caused by the Federal Administration's program to restrict production of live stock, and strikes against the purchase of meat were carried out by militant organizations of housewives.

EXHIBIT 3
Index of Average Retail Costs of Meat in 51 Large Cities*
(1913 = 100)

1913	100.0	1924	150.2
1914	103.4	1925	163.0
1915	99.6	1926	171.3
1916	108.2	1927	169.6
1917	137.0	1928	179.2
1918	172.8	1929	188.4
1919	184.2	1930	175.8
1920	185.7	1931	147.0
1921	158.1	1932	116.0
1922	150.3	1933	102.7
1923	149.0	1934	117.1

By Months for 1934 and 1935

1934		1935	
Jan. 2	100.8	Jan. 2	123.7
16	102.3	15	132.3
30	103.0	29	137.9
Feb. 13	106.7	Feb. 12	140.1
27	107.8	26	144.0
Mar. 13	109.1	Mar. 12	149.6
27	109.7	26	149.8
Apr. 10	110.5	Apr. 9	151.7
24	112.6	23	154.3
May 8	114.9	May 7	155.1
22	114.3	21	157.0
June 5	116.1	June 4	160.2
19	117.8	18	159.3
July 3	120.0	July 2	156.3
17	120.5	16	157.1
31	120.2	30	157.2
Aug. 14	121.1	Aug. 13	161.6
28	129.2	27	163.8
Sept. 11	133.8	Sept. 10	163.9
25	131.7	24	163.4
Oct. 9	128.4	October Index revised and base changed to 1923–1925 = 100.	
23	126.4		
Nov. 6	122.6		
20	120.6		
Dec. 4	119.9		
18	120.1		

* The number of cities used increased from 39 in 1913 to 51 in 1920–1935 inclusive.
Source. *Retail Prices*, prepared by Retail Price Division and Cost of Living Division of the Bureau of Labor Statistics of the U. S. Department of Labor.

Cattle raisers, packers, and meat retailers had not been idle in the face of a declining market for their products. For many years the publicity departments of the big meat packing companies and the Institute of American Meat Packers had been

making efforts to educate the consuming public to the virtues and problems of the industry. They had been particularly interested in explaining how retail prices were established and what were the dominant forces affecting prices, as well as in dispelling the popular belief that the profits earned by meat packers were unusually large. The many interests of the Institute of American Meat Packers described in the following paragraphs, are indicative of the nature and the scope of the activities sponsored by the organization.

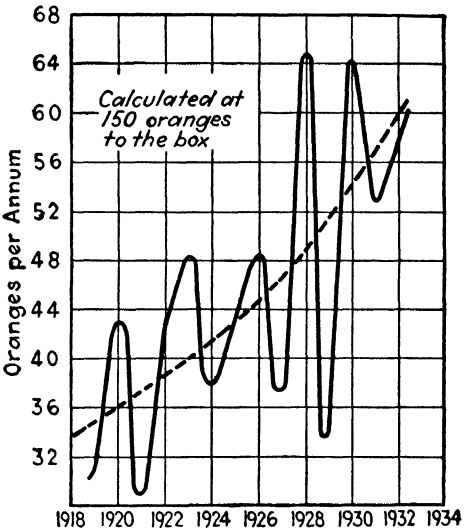

Exhibit 4: Per Capita Consumption of Oranges in the United States. Source: *Northwestern Miller and American Baker*, January 1, 1936, p. 46.

The Institute, the trade, educational, and research association of the American meat packing industry, was established in 1919 as an outgrowth of the American Meat Packers' Association, which had existed since 1906. In 1933 it counted in its membership more than 300 packing companies, including some in Canada, the United Kingdom, Australia, and New Zealand. The aggregate output of the member companies in the United States represented over 80% of the commercial meat production of the country. The companies holding membership in the Institute included small operators as well as large.

The aims of the Institute, as stated in the by-laws, were:

a. To secure cooperation among the meat packers of the United States in lawfully furthering and protecting the interests and general welfare of the industry;

b. to afford a means of cooperation with the Federal and state governments in all matters of general concern to the industry;

c. to promote and foster domestic and foreign trade in American meat products;

d. to promote the mutual improvement of its members and the study of the arts and sciences connected with the meat packing industry;

EXHIBIT 5
Commercial Citrus Fruit Crop in the United States
(Thousands of Boxes)

Year	Oranges	Grapefruit	Lemons
1902–1903	9,560	.....	....
1903–1904	12,198	.....	....
1904–1905	12,589	.....	....
1905–1906	11,934	....	..
1906–1907	13,190	.....	..
1907–1908	14,536	....	1,597
1908–1909	17,728	.....	2,020
1909–1910	16,041	....	1,627
1910–1911	19,394	... ..	2,315
1911–1912	17,329	.....	2,147
1912–1913	12,108	....	866
1913–1914	24,216	.....	1,155
1914–1915	23,172	.....	2,601
1915–1916	21,640	.... .	2,713
1916–1917	26,968	....	3,252
1917–1918	11,202	..	2,665
1918–1919	23,455	3,511	4,273
1919–1920	23,395	5,763	3,943
1920–1921	29,913	5,404	4,935
1921–1922	20,568	6,201	4,016
1922–1923	31,183	7,463	3,378
1923–1924	34,619	8,278	5,171
1924–1925	28,062	8,620	4,518
1925–1926	31,290	6,928	5,208
1926–1927	35,870	7,659	5,109
1927–1928	28,431	7,450	4,733
1928–1929	47,340	10,664	5,603
1929–1930	29,018	8,716	5,025
1930–1931	48,181	13,305	6,060
1931–1932	42,726	12,017	5,249
1932–1933	43,227	10,720	5,100
1933–1934	41,635	8,800	

Source: U. S. Department of Agriculture Release, *Statistics Relating to the Citrus Industry.*

e. to inform and interest the American public as to the economic worth of the meat packing industry;

f. to encourage cooperation with live stock producers and distributors of meat food products.

Because of the nature of its business, the meat packing industry for many years had maintained a close relationship with a number

of government departments. Effective contact with these governmental agencies had been maintained through the Institute's Washington office. Through representation in Washington the

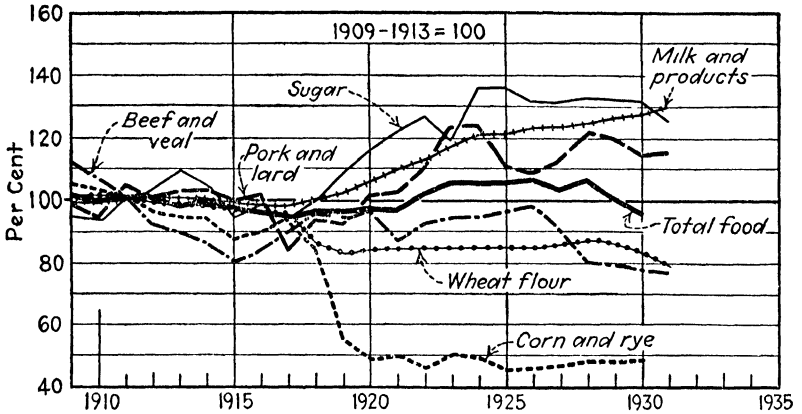

Exhibit 6: Changes in Consumption of Food Products per Person, Total and Six Principal Products, United States, 1909–1931. Source. *Northwestern Miller and American Baker*, January 1, 1936, p 37

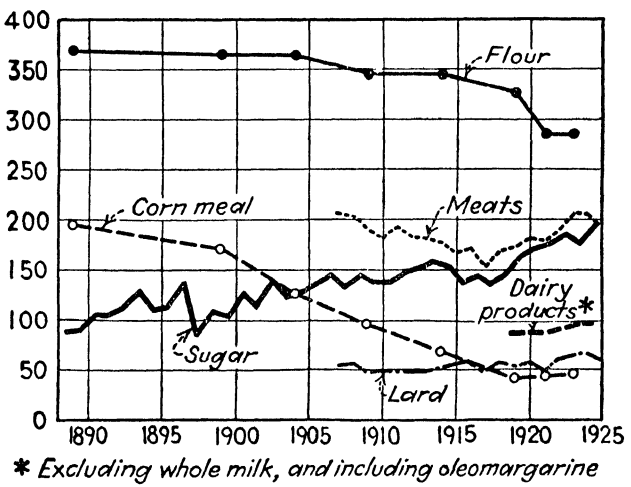

Exhibit 7· Apparent Per Capita Consumption of Important Foods Since 1889 (Thousand calories per capita) Source: *Northwestern Miller and American Baker*, January 1, 1936, p. 46.

Institute obtained for its members prompt and accurate information regarding governmental activities affecting meat packing companies. It also provided a means of expressing to Government representatives in a direct and effective manner the views of

the industry and of individual meat packing companies. Among the many staff departments of the Institute, which included Live Stock, Operating, Scientific Research, Packing, Accounting, Marketing, Waste Elimination, and Personnel Training, the Department of Public Relations was of major importance. Cooperating with other departments of the Institute, it endeavored to keep the press and the public informed regarding the packing industry and its products and to correct misinformation wherever it appeared. This department also prepared from time to time booklets, leaflets, charts, and similar advertising and publicity material which, because of the fact that orders were consolidated and large quantities printed, were supplied to member companies at comparatively low cost.

Membership dues were based on the number of head of cattle and hogs dressed annually by each packer. The rate in 1933 was one cent per head on cattle, and one-fifth of a cent on hogs, with a minimum of $100 for each member. An additional amount equal to 35% of the annual dues was collected for the support of the educational and research work carried on under the Institute Plan.

Typical of the publicity and educational work sponsored by the Institute was a four-page pamphlet published monthly and distributed to farmers and consumers under the imprint of the individual member firms. The following excerpts have been taken from one of the series published in the spring of 1935:

It may prove interesting, for example, to know that profits in the meat packing industry are exceptionally small—much smaller, in fact, than in the average manufacturing industry.

Notwithstanding the tremendous volume of business annually transacted by the packing industry, the most recent figures published by the United States Department of Agriculture covering operations in 1933, showed that the average profit of 629 meat packing concerns subject to the Packers and Stockyards Act and engaged in slaughtering operations was less than 1½ cents on every dollar's worth of products sold and only about 3½ per cent on the amount of money invested in the industry. The average profit of "all manufacturing industries" over a 10-year period as recently reported by the government was nearly 5 cents per dollar of products sold.

These figures are real—not imaginary. They are based upon figures published by the government.

1934 Profits Are Small

In this same connection, however, it is interesting to note that the most recent estimates indicated that 1934 profits also were extremely

small. Although operations in some packing plants in 1934 were more profitable than in 1933, the profits of the industry from all sources in 1934 were equivalent to only a fraction of a cent per pound of products sold.

Let us assume, for example, that a certain packing company sold 150,000 pounds of packing house products at wholesale in 1934 at an average price of 16⅔ cents a pound, thereby doing a total business for the year of approximately $25,000. If this company had earned a profit of one-fourth of a cent per pound of products sold (which is just about the true average) that company would have made a net profit of only about $375.

As for the 1933 profits, which have been officially reported by the government, it is interesting to note that the profits earned by 629 meat packing concerns in 1933 barely balanced the heavy losses incurred in 1931 and 1932. Losses in 1931, according to government figures, aggregated almost $18,000,000; losses in 1932 were about $6,500,000; and profits in 1933 were about $26,000,000.

In other words, shareholders in the average meat packing concern found that their companies scarcely more than broke even during the three years, 1931 to 1933, inclusive.

An Unfair Comparison

It is easy to understand how some people arrive at the conclusion that profits in the meat packing industry are larger than they actually are. They make the mistake of attempting to compare the price per pound which producers receive for their live stock with the retail price per pound of meat in their local stores, and of assuming that most of the difference in the price probably represents profits of the packing industry.

Such a comparison is, of course, unfair. It is especially unfair when the comparison is based on the retail price of such heavily demanded meat cuts as bacon, ham, pork chops, sirloin steak, or leg of lamb.

Take Hogs, for Instance

By way of being specific, let us consider the case of hogs. One hundred pounds of live hog yields less than three-fourths of that amount of pork and lard. Of the pork only nine or ten pounds is pork loin and only about 20 or 25 pounds are represented by ham and bacon. There are, in addition, a large number of cuts which sell at relatively low levels. Among these may be mentioned trimmings, spareribs, hock, tails, neck bones, pigs' feet, and livers.

In other words, some of the more demanded cuts of pork might possibly be selling at prices several times as high as the price per pound of live hogs but other cuts would be selling at much lower prices.

In this connection, Senator Arthur Capper of Kansas some time ago received a letter from Mr. F. H. Butler of Garden City, asking why it was that the price of ham and bacon was at that time much higher per

pound than the price he was getting for his hogs. Senator Capper forwarded Mr. Butler's letter to the Secretary of Agriculture, Mr. Henry A. Wallace, and received an interesting reply.

Low-priced Hogs, High-priced Ham

This is what Secretary Wallace said on that point in his letter to Senator Capper:

"It is important to avoid the mistake of comparing the price of a pound of live stock and a pound of meat. The amount of beef sold at retail as 100 pounds of live cattle totals only about 46 pounds; and the amount of hog products obtained from 100 pounds of live hog totals only about 58 pounds.

"In getting the animal from the farm to the slaughter house and then transporting the meat from that point to the consumer's table, such costs are incurred as transportation of the meat from the stable to the slaughtering plant, transportation of the meat from the slaughter house to the retailer, wages for packing house and retail employees, overhead, upkeep, expense of packing plants and retail stores, rent or the equivalent thereof on capital investment in packing plants and retail stores, refrigeration, power, lighting, taxes, interest on working capital, and various other miscellaneous items.

"One of the most common errors of those who complain about the wide spread between the price of live stock and the price of meat is that they use as their comparison the prices of the choicest cuts and overlook the fact that the least desirable cuts sell at very much lower prices than the more expensive cuts."

It is apparent, therefore, that when all the facts are taken into consideration the profits in the packing industry are extremely small. As a matter of fact, in 1934, they apparently amounted to only about one-seventh of a cent on each pound of live stock handled, or only a fraction of a cent per pound of meat sold.

The amount of advertising of meat itself, however, sponsored either by individual packers or by trade associations, had been relatively small. At the convention of the American packers, held in Chicago in 1934, Mr. A. C. Sinclair, vice president of Kingan & Company, phrased in the following words the contrast between the publicity undertaken in behalf of meat and that sponsored by the producers of the many products which actively competed for a share of the general expenditure for foodstuffs.

Fruits, vegetables, cereals, bread, and other substitute foods have taken up the slack and now account for a larger proportion of the average consumer's diet than heretofore. We cannot afford to assume that the mere lowering of prices coincident with increased production of meat will stop the encroachment of these other foods and regain for

meat quickly its former place in the diet. If there had been no shortage, the meat-producing industry would still be called on to face the distraction of consumers' interest from meat to new foods.

With the changes of habits, new foods and new forms of familiar foods appeared. These gained in popularity because their characters fitted the new requirements. They were speedy to prepare, easy to serve, appetizing, and not too substantial.

Their producers advertised them heavily to accelerate the increase of their popularity; they exploited their natural appeal (ease of preparation, flavor, etc.). More important, they stimulated acceptance of these new products through every channel of advertising, using health benefits and kitchen hints to force more and more of the new products into the kitchens of America.

Discussion of a possible cooperative campaign of advertising to be sponsored by the Institute of American Meat Packers occurred frequently. At the Institute's convention in 1934, Mr. I. M. Hoagland, vice president of Armour & Company, said: "One resolution this convention should adopt is that the Institute study the methods used by the citrus fruit growers to determine what light their experience might shed upon our problem. If some tangible program of promoting consumer buying of meat is not in motion at our next convention, I shall think that we have missed one of the major opportunities brought out in this convention."

Speaking again in 1935, Mr. Sinclair strongly recommended that the Institute do something immediately. "It will take time," he declared, "to educate the housewife, and we should start now, even though we are in a stock shortage." In his address Mr. Sinclair quoted from a letter received from Mr. John A. Kotal, secretary of the National Association of Retail Meat Dealers, Inc.: "If pork supplies ever get normal again, the retailer is going to have his hands full trying to get consumers to buy pork even at lower prices, because they have learned that they have to eat something besides meat when prices are high, as they now are." Mr. Sinclair further declared that the retailer could not undertake this promotional task alone. He said that the united assistance of both packers and retailers would be needed to support an effective cooperative campaign.

Other speakers at the convention, however, appeared to believe that a cooperative campaign should concern itself more with ameliorating the condition of consumer ill will toward packers. They were seriously disturbed by the consumer buying strikes which seemed to them to reflect a lack of understanding of the

position and the functions of the packing industry, particularly with reference to their responsibility for high meat prices. They concluded that a campaign of advertising and publicity should explain the economies of meat distribution, the laws of supply and demand, the insignificant profits of the packers, and the extent to which the industry had been forced to serve as a tax-collecting agency for the Government. Mr. R. H. Cabell, president of Armour and Company, pointed to two things that he believed were particularly unfortunate: "One is the apparent lack of knowledge on the part of the public of the problems which grow out of the perishability of our products; and the other is an equally apparent lack of understanding on the part of the public as to how prices are determined." Speaking in the same vein, Mr. G. F. Swift, president of Swift & Company, said: "The meat packing industry's hardest job is to get people to believe the truth about the efficient manner in which the industry works and the unusually moderate rate of profit which it makes."

Another trade organization actively interested in the problems of the meat industry was the National Live Stock and Meat Board. This organization was financed jointly by the live stock growers and the packers, each contributing voluntarily at the time of sale one cent per head on cattle, one-third of a cent per head on hogs and calves, and one-fifth of a cent per head on sheep. Fifty-seven live stock associations, the Institute of American Meat Packers, and the National Association of Retail Meat Dealers endorsed the program of the National Live Stock and Meat Board and participated in the direction of its activities. It was largely concerned with advertising the nutritive values of meats through contacts made by its home economics specialists with gatherings of urban housewives and through the distribution of printed material. It made active use of the various women's magazines in telling the consuming public about the food value of meat and its place in the diet. The organization was responsible for the distribution of large numbers of meat recipe books which were sold in quantities to retailers throughout the United States. It sent out a periodic clip sheet to 6,700 newspapers of the United States carrying articles on the food value of meat, its place in the diet, and the proper methods of preparation. It also made wide use of the radio for broadcasting information dealing with the purchase and preparation of meat.

In 1934, through the National Live Stock and Meat Board, the meat industry initiated a program of advertising and merchandising designed to secure for its products a more important place in the American diet.[1]

Under the general purpose of increasing the consumption of meat, the campaign had two immediate objectives: (1) to emphasize the food value of meat products; and (2) to teach the housewife to cook meat properly so that, getting the most out of her meat expenditure, she would be inclined to purchase meat more often.

The program was made up of individual campaigns in three metropolitan markets, Boston, New York, and Philadelphia, and was assisted by the financial support of a large number of independent meat dealers in these cities. Each campaign was conducted as an individual unit for a one-year period. Before the campaign opened in each city, representatives of the National Live Stock and Meat Board called upon the independent dealers to enlist their participation in the campaign. The size of the individual contribution, payable monthly, varied with the estimated cost of the one-year campaign in that city and the individual dealer's volume of meat sales. The board's merchandising department provided participating dealers with information concerning the display and sale of meat products. When a satisfactory number of meat dealers had agreed to assist in the campaign, consumer advertising was begun with a series of "Meat for your good health" contests. On one Sunday of each month a double-page spread newspaper advertisement was run, announcing a contest for the best recipes for preparing the particular cut of meat illustrated, a different cut being featured each month. Fifty-seven prizes were offered, including a refrigerator, an electric range, a washer, an ironer, and meat orders ranging in value from $100 to $5.

By means of these contests it was hoped to get women to think of the many different ways in which meat could be served to make it more attractive to them as cooks and to their families at the table. The promoters believed that even women who did not enter the contest but only read the sample recipes published with the contest announcement would get at least one new idea about serving meat. The featuring of a different cut of meat each month

[1] The following description of the metropolitan advertising campaign sponsored by the National Live Stock and Meat Board has been freely paraphrased (by permission) from an article: "Meat Tells Its Story," *Printers' Ink*, February 7, 1935.

would impress housewives with the wide variety of cuts available and lead them to extend their purchases beyond the routine cuts.

On each of the intervening Sundays an advertisement appeared featuring a weekly contest in which entrants were asked to supply a last line to an incomplete limerick dealing with the health benefits of meat. Fifteen prizes were awarded, consisting of from 6 to 36 packages of various grocery items.

The monthly contests culminated in a yearly competition. For the best recipe submitted in the year's series of monthly contests, a Ford sedan was awarded.

An effort was made to tie in the entire program with the point of sale. Each of the monthly double-page advertisements included a complete list of participating merchants classified for easy reference, and prospective entrants had to secure entry blanks in both weekly and monthly competitions from cooperating dealers. Each cooperating dealer had prominently displayed in his store as identifying insignia a large poster which carried the same illustration that appeared in the newspaper advertisement for the current month's contest. The dealer also had a large supply of recipe books and various types of store promotional material. Most of the prize items likewise tied in with the point of sale, since the winners secured their meat orders and groceries from the dealer who supplied them with their entry blanks and the dealer was reimbursed in cash for such goods.

The National Live Stock and Meat Board believed that these campaigns successfully allied the business of selling more meat with the educational purpose of the program and gave the individual participating dealer real evidence that the campaign was increasing his store's sales, thus assuring his continued support.

At the close of its first full year of operation in the Boston market, which was regarded as very successful, a total of 870,000 contest entry blanks had been distributed and 108,000 entries had been received from consumers. Dealers apparently were pleased with the activity. The board hoped eventually to extend similar programs to every large city in the United States. This was naturally a slow process since it was necessary to secure in advance the pledge of active participation of some 1,200 to 1,500 dealers, and small independent meat dealers were notoriously skeptical of the virtues of an advertising campaign. The board also planned

to work out variations of the campaign feasible for use in smaller centers.

Advertising efforts directed to increase the sales of meat had not progressed beyond this point when Mr. F. B. Nichols wrote for *Printers' Ink*, January 2, 1936, the article from which the following quotation has been taken by permission:

"MEAT STRIKES" HAVE VAST INFLUENCE ON SALES

While the numbers of cattle in the feed lots have been increasing, the stocks of beef in the coolers of packers also were growing. Those spectacular "meat strikes" during the late summer and early fall in New York City, Detroit, and Los Angeles, and the quiet "strike" that now prevails in millions of urban homes are having a vast influence on meat sales.

During the next few months the packers and retailers will be faced with the difficult task of selling larger supplies of beef to a national market that refuses to absorb even the current volume of offerings.

If a serious decline in beef prices is avoided it will be due mainly to a growing consumer buying power that has been motivated by the upward trend of urban prosperity.

In any event the present outlook in meat retailing brightly mirrors a need for greater sales efforts by the live stock industry. Much of the present antagonism toward beef prices that exists among residents of metropolitan areas could be dispelled by a really aggressive publicity campaign.

The National Live Stock and Meat Board, with headquarters at Chicago, which is supported by financial contributions from stockmen and packers, is doing good work in advertising the nutritive values of meats. Its efforts are expended mainly through contracts made by its home economics specialists with gatherings of urban housewives and in the distribution of printed material. It has employed a highly competent personnel.

But its cash resources are entirely inadequate for doing the huge educational job on meats that is required in the urban field. The Board could profitably use a great deal more money in expanding its present activities.

The meat industry also needs the aid of a powerful national advertising campaign, under the direction of the Board, which would be signed by the growers and aimed at urban consumers. It could be financed by a levy of 1 cent (higher rates sometimes have been suggested) a hundredweight on the live animals a farmer sells.

The commercial possibilities of this proposed project have become apparent to many live stock men. It is discussed a good deal these days at their state and national conventions.

Five-Year Basis Suggested

Most stockmen who have studied the sales problems of meat retailers believe this campaign should be planned on a five-year basis. They think it could be financed entirely by farmers, and that the packers should be asked for no contributions other than their goodwill.

Its costs and possible benefits can be illustrated from the operations of any stockman. Let's consider my own case briefly as an example.

My main business is the growing of feeder cattle. I sell these animals to men who place them in feed lots. The prices I get are based mostly on the current and prospective demands for beef as they are reflected back to these feeders through retailers, packers, and central markets.

I sold a herd of steers last summer that averaged 1,000 pounds in weight for $63 a head, f.o.b. trucks at the farm. If a national advertising campaign such as I am suggesting had been running at that time it would have cost me 10 cents an animal. My net return on these cattle therefore would have been $62.90 a head instead of $63.

My donation of 10 cents a head would have been added to contributions from millions of other American farms to pay for this publicity. The fund would have been sufficient adequately to present the farmers' side of meat prices to urban consumers.

In my judgment, the copy writers from any good advertising agency could have dispelled most of the fog of sales resistance, which now surrounds meat retailing, if they had been backed with considerable white space.

A presentation in readable form of even such simple matters as government data on the nutritive values of meats and the long-time course of meat prices would have done the job. Most of the complaints in urban butcher shops are based on a misunderstanding of price trends and an inadequate grasp of the service the live stock industry renders to the nation.

But the campaign has not been running. A marked antagonism toward meat prices clearly exists among city people. It bodes no good for live stock markets during the next few months.

In the meantime my other cattle have been growing. Extensive rains throughout eastern Kansas in the late summer and early autumn produced an excellent growth of grass over the pastures. I allowed one herd of two-year-old steers to remain on my best blue-grass pasture until December 2, which is the latest date in our experience that the cattle have been allowed to remain on the range.

They were in splendid condition at that time, and should have been placed on full feed. Several cattlemen looked them over. I offered to take $65 a head for the bunch. Two of these men were on the verge of buying them. I am quite sure the deal would have gone through had it not been for what they had been hearing and reading of the comments of city people in butcher shops.

But there is so much sales resistance to beef that these feeders refused to take a chance on the live stock markets of the late winter. I still own the cattle.

So now I am faced with the job of "roughing" the steers through cold weather until grass comes.

An expenditure of 10 cents a head for advertising on the animals I marketed last summer, in cooperation with other farmers over the nation, probably would have made me several dollars a head on the cattle I failed to unload in December.

There is no substitute for effective selling. Stockmen must follow the publicity trail so brilliantly blazed in the merchandising of citrus fruits by the farmers who own the California Fruit Growers' Exchange before meats will receive the consumer acceptance to which they are entitled. A consistent advertising campaign from stockmen to urban consumers would provide a sales wallop for the live stock industry that it now so sadly lacks.[1]

3. SILVERWARE ASSOCIATION

COOPERATIVE ADVERTISING OF STERLING SILVERWARE

In 1925 the Silverware Association, an association of the 18 leading manufacturers of sterling silverware in the United States, several of whom also made plated silverware, contemplated using advertising to increase consumer demand for sterling silverware.

In 1921 reports made to the Silverware Association had indicated that sales of sterling silver had not advanced appreciably during the previous 10 years. At that time the problem of whether

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[1] *Tide*, September, 1936, reported a nation-wide beef sale throughout the month of August, developed as the result of negotiations between associations representing the cattle men and the Food and Grocery Chain Stores of America, Inc. The article stated in part: "By the end of last month, $2,000,000 worth of newspaper space had been spent on beef ads, and prices, though low, were still high enough to give both retailers and producers satisfactory profits

"The method followed by F G C S A. was to send out weekly bulletins to be played up in ads, along with suggestions for copy, window displays, posters, free recipe books, etc "

An example of advertisements run was one of Sanitary & Piggly Wiggly, of Washington, D. C , headed, "Six Million Cattle Raisers in U. S Need Help!", and the featured display line, "Round Steak, lb. 37¢." The copy read as follows:

"A Nation-wide Beef Sales has been scheduled for the entire month of August . . . to aid cattle producers in every part of the nation. The drought is causing extremely heavy shipments of cattle to the market due to the lack of grazing facilities . . . High-grade beef at attractive prices is now available to our customers at approximately 25% below a year ago and 20% below a ten-year average. Serve More Beef during August."

or not the Association should advertise had been submitted to an advertising agency which, after conducting an investigation among members of the Association and among retailers and consumers, had reported unfavorably upon the plan.

The agency had stated that advertising, in order to be effective in increasing the sales of sterling silver, would have to draw a comparison between sterling silverware and plated silverware, and, therefore, would not meet with the approval of members who made both types, some of whom were among the largest manufacturers in the Association. Manufacturers of sterling silverware, furthermore, did not have uniform sales policies. Some made frequent style changes and sought to increase sales by an appeal to emulation, while others marketed their product by appealing to artistic taste and to the style permanence and durability of the product. The agency had concluded, therefore, that lack of coordination would develop among manufacturers during the course of the campaign, and that the advertising copy would have to be too general to be effective.

The retail trade, moreover, did not wish to market sterling silver aggressively. Retail jewelers especially complained that the profit margin was small and that it was practically impossible for them to carry adequate stocks of either flatware or hollow ware,[1] since the keen competition among manufacturers had caused 108 new patterns of flatware to be placed on the market during the preceding 10 years and since hollow ware occupied too much space and required too much service to keep it in condition.

From the investigation the agency had concluded that a tendency for people to entertain in hotels instead of in their homes had greatly lessened the display value of sterling silverware and thereby decreased the demand for it. The agency also had found that there was a greater demand for plated silverware than for sterling silverware, and that the public in general did not know the meaning of the word "sterling." The agency had reasoned, therefore, that even though an appreciation of sterling silverware could be stimulated, its high price would prove a serious obstacle to its purchase.

The retail price of 48 pieces of medium-weight sterling silver flatware, constituting a service for eight, ranged from $125 to $150,

[1] Silverware is divided into two classes: flatware, such as forks, knives, and spoons, and hollow ware, such as bowls, pitchers, trays, and goblets.

as compared to approximately $50 for the best grade of plated ware. Likewise for hollow ware, the price of sterling was approximately three times higher than that of plated ware. A sterling bread tray, for example, sold for $27.50, while a similar tray in plated ware sold for $9.

The agency had recommended that the Association, instead of advertising, strive to effect an agreement among manufacturers which would limit the number of styles placed upon the market; that it carry on promotional work among retail jewelers to show them the reasons and the methods for effectively promoting the sale of sterling silverware; and that it do educational work among consumers by obtaining the cooperation and influence of local and national women's organizations.

During the following four years, the Association had brought about among its members an agreement under which each manufacturer would produce but one new pattern of flatware in not more than 18 items every two years. Also, in order that manufacturers and retailers might be protected from carrying excessive stocks and filling orders for patterns of small demand, dies of discontinued patterns were to be destroyed. Sales promotion work had been carried on to encourage and educate the 3,000 leading retail jewelers in the United States to sell sterling silverware. The profit margin allowed retailers had been slightly increased. Experienced speakers and organizers had been employed to demonstrate the prestige and the permanent value of sterling silverware through lectures before various women's organizations.

By 1925 the Silverware Association was convinced that some of the obstacles which the advertising agency had found in the way of national magazine advertising had been removed. The association, therefore, employed another advertising agency, which had had varied and successful experience in association advertising, to investigate the practicability of using magazine advertising to stimulate sales of sterling silverware.

After conducting an investigation among retailers and consumers, the advertising agency reported that since, in its opinion, sterling silverware was a luxury, the market was measured by two factors, artistic taste and income. The incomes of families, as given by the United States census figures, were classified by the agency

into four groups.[1] The first group consisted of 165,000 families with incomes which enabled them to satisfy every want regardless of price. The second group was composed of 320,000 families whose incomes, although large, forced them to limit either the number of wants which they filled or the quality of the products with which they filled their wants. The third group, the so-called upper middle class, consisted of 2,500,000 families whose incomes, derived from either salaries or wages, were so small that their purchases of luxuries were limited by force of necessity and thrift. The fourth group embraced the remaining families in the United States, whose incomes were sufficient to buy only the necessities of life or at the most only a few luxuries. The agency believed that the majority of sterling silverware purchases were made by the first group and by the most wealthy of the second group. A few purchases were made by the third group and almost none by the fourth.

From the investigation the agency concluded that while men influenced the purchase of sterling silverware to the extent that they controlled the amount of money spent, their influence was secondary to that of women. The majority of sterling silverware was purchased for or by young women just before or just after marriage, when they were thinking of the standards represented by the homes which they were establishing. The next largest volume of sterling silverware was bought by older married women whose social achievement or development of taste prompted such purchases.

Eighty per cent of sterling silverware sales, so the agency estimated, were made as gifts for weddings, anniversaries, and

[1] In their volume, *America's Capacity to Consume*, Leaven, Moulton, and Warburton give tables showing the estimated number of families and unattached individuals by income classes in the United States for 1929 The following table is derived from the data which they give:

Income Class (In dollars)	Number of Spending Units (000)	Percentage of Whole in Class
Less than 0 to 2,000	23,795	65 0
2,000–4,500	9,539	26 0
4,500–9,000	2,235	6.0
9,000–30,000	743	2 0
30,000 and over	150	0 4
	36,462	99.4

other occasions. Because of the large proportion of June and October weddings and the heavy buying for gift purposes during the Christmas shopping season, the largest sales of sterling silverware were made in the spring and the fall.

The greatest amount of sterling silverware was sold by some 3,000 high-grade jewelry stores throughout the country, the most important of which were located in the large centers of population, where wealth was concentrated. Such stores had more prestige than did those in smaller cities, and were able to stock a larger number of patterns and styles. The jewelry trade resented the fact that some department stores sold sterling silverware, although the quantity sold by such stores and by low-grade jewelry stores was negligible. Although retail jewelers complained that their sales of sterling silverware were decreasing, the agency's investigation revealed that few of them aggressively marketed sterling, either because they believed that such action would detract from their dignity or because they lacked knowledge of sales promotion methods. Retail jewelers reported satisfaction with the new margin of profit received on sterling silverware, and many believed that a sterling silverware department added to the prestige of their stores. They expressed a willingness to cooperate in any campaign to increase the sales of sterling silverware.

From its study the agency concluded that the market for sterling silverware among the group of largest incomes was greatly undeveloped and that, because of the wealth and cultural background of this group, it would be easiest to sell. Total retail sales of sterling silverware by the members of the Silverware Association had been approximately $25,000,000 in 1924. If all these sales had been made to the 165,000 families in the first income group, the annual purchase per family would have equaled $151. Some sales had been made, however, to the second, third, and possibly even the fourth income groups. Consequently, the average annual purchase per family of the first group must have been considerably smaller than $151. In view of the purchasing power of families in this group and their more frequent purchase of valuable gifts in comparison with families of other groups, the agency believed that the average annual purchase of sterling silverware in the first group was disproportionately small. A considerable increase in sales, the agency estimated, also could be made in the second income group, but active sales promotion would be necessary

because of the competition from other luxuries. In the opinion of the agency, the third group of family incomes represented an opportunity which had scarcely been touched. Although the average annual sales to families in this group probably would never be large, effective advertising might increase the aggregate of small sales. The agency doubted whether a luxury such as sterling silverware ever could be sold to the type of family represented by the fourth income group.

Although, according to the *United States Census of Manufactures*, the value of sterling silverware manufactured in the United States had increased but 37% from 1914 to 1923, while the value of plated silverware had increased 206% during the same period, the agency believed that the competition with sterling silverware came not so much from plated silverware as from other luxuries desired by consumers The families of the upper income groups, which the agency believed represented the primary market for sterling silverware, were educated to its intrinsic value, while those in the lower income groups were not. Consequently the agency believed that the families of the upper income groups bought plated silverware not because they preferred it but because the large difference in price gave them money with which to buy other luxuries. Although the income of the average family had increased during the past two decades, new ways had appeared for the family to spend its income other than for sterling silverware, which for centuries had been accepted as one of the easily recognized symbols of social and economic position. The families of the higher income groups appeared to be entertaining more outside their homes than ever before and therefore did not feel the need of establishing their social position by using sterling silverware in serving their guests. The report stated that there probably were many families who had sterling silverware in storage vaults because they believed that to display it was not now in good taste. Moreover, for purposes of decoration, sterling silverware had lost ground in competition with other articles such as glassware, crockery, china, wood, pewter, and textiles.

The agency believed that reaction against this tendency to buy luxuries other than sterling silver had begun. In its opinion the American people were trying to evolve from the best traditions of the past an expression of living which was purely American. American antiques of all sorts—books, pewter, furniture, and even

textile motifs—were exerting an unprecedented influence on commercial products. It was the belief of the agency that silverware had an important place in this movement, and that silverware manufacturers should take advantage of this tendency among persons of wealth and good taste.

The agency further believed that sales of sterling silverware could be increased more effectively by the Association as a whole than by its members individually. The investigation among consumers and retailers indicated that purchasers of sterling silver were interested first in pattern, second in price, and third in the manufacturer's reputation. The fact that an article was stamped "Sterling" eliminated any question as to its quality. Plated silverware, on the other hand, was bought chiefly on the basis of utility, and the purchaser looked to the integrity of the manufacturer as a guaranty of the wearing qualities of the product. Thus purchasers of plated silverware were interested first in the reputation of the manufacturer, second in the price, and third in the pattern.

Because of the differences in the importance of these buying motives to purchasers of sterling silver and plated silverware, the agency believed that no large percentage of potential customers could be made to connect sterling silver with the trade name of a manufacturer except in so far as individual manufacturers could surround their brands with the prestige of several well-known retail jewelers.

Although members of the Association did not agree on the appeal that would prove most effective in selling sterling silver, the agency concluded that the basic appeal of sterling silver was to be found in the fact that it was a symbol of social and economic position. It believed that the beauty, durability, gentility, and romance of sterling silver were only a part of this broader significance. The agency suggested the slogan, "It Is Sterling—More Cannot Be Said," for the use of the Association in its advertising. In the following statement of its reasons for choosing the slogan, the agency suggested ideas which the Association might incorporate in the copy of its advertisements.

This slogan expresses sterling with good taste and confidence and it might be a summarizing thought for every lover of sterling no matter what factor of sterling was predominant in its appeal.

It is not a tricky slogan. It has no obvious rhythm. If it were such, it would probably miss the mark of the character and tradition of

sterling. It sets no single reason why sterling should be bought; in a sense, it opens the window to a whole process of thought about the entire subject of sterling. Any one of these thoughts, or all, may be pursued to the conclusion of buying it.

The first three words are the words that have actually been used by millions of people in inspecting a piece of silver. It is the declaration of a standard that differentiates sterling.

This inspection and these words are comparable to the finger rubbed over the engraved card, the search by a glance for the white dot that says "Dunhill," to the glance that locates the red hub cap on a Packard and the headlights on the fenders of a Pierce-Arrow. It implies a known and unquestioned standard resident in the word "Sterling" itself.

It coincides with the human tendency to summarize values with a word. If I say to you that I have a Rembrandt or a Gainsborough, what more can I say about my paintings? The implication of this slogan is the same. These seven words imply that a discrimination is made and, perhaps more important, that this discrimination is expressed in words; that people evaluate silver by the standard of sterling and express it in speech to others. There is a thought for the giver of gifts and the hostess.

The agency recommended that the Silverware Association insert full-page advertisements each month for a year in *House Beautiful*, *Vogue*, *House & Garden*, *Vanity Fair*, and *Town and Country*, and in addition, send sales helps, including broadsides, window displays, and newspaper mats, to the 3,000 leading retail jewelers in the United States.

Should the Silverware Association have adopted the recommendations of the advertising agency?

4. NATIONAL SHOE RETAILERS' ASSOCIATION

COOPERATIVE CAMPAIGN FOR MEN'S SHOES

Disturbed by the decreasing consumption of men's shoes in the United States, the National Shoe Retailers' Association at its meeting in July, 1927, voted to conduct a national advertising and sales promotional campaign in an effort to correct the situation.

In 1926, the Boot and Shoe Manufacturers' Association had developed an extensive plan for stimulating sales of men's shoes, whereby the shoe manufacturers were to furnish funds for an

advertising campaign and give retailers the necessary supplementary material for local tie-up with the advertising program. Sufficient cooperation, however, could not be secured soon enough to make the campaign a success.

In 1927, shoe retailers were still interested in combating the trend toward reduced consumption of men's shoes. With the example of the manufacturers before them they drew up a new plan which provided for the participation of all the elements in the industry. An advertising agency was retained which was thoroughly acquainted with the shoe business; the preliminary details were worked out hastily and submitted to a committee of the Association. The plan was approved and in operation by August 20, 1927.

For the raising of funds, the first step in the campaign, the industry was divided into three groups: retailers, manufacturers, and allied trades, which comprised tanners and producers of accessories in the manufacture of shoes. The goal was set at $4,000,000, to be expended over a period of four years. In similar cooperative campaigns of other industries a tendency had been observed toward loss of interest after a campaign had been in operation for several months. It was planned, therefore, to set the goal at the inception of the campaign and to allow the advertising a reasonable period in which to prove its worth.

The retailers, of whom there were approximately 30,000, were called on to contribute during each of the four years a sum equivalent to one-half of 1% of their 1927 sales of men's shoes, with the minimum subscription set at $75 a year. The 300 manufacturers in the industry were expected to subscribe annually one-eighth of 1% of their 1927 volume of sales of men's shoes.[1] The tanners, who were few in number and strongly organized, were more

[1] As a basis for campaign subscriptions, the normal annual volume of shoe sales at retail was assumed to be approximately $1,500,000,000, of which roughly $300,000,000 were of men's shoes, $600,000,000 of women's, and the balance of miscellaneous classifications. The normal relation between the manufacturer's selling price and that of the retailer was set at two to three Both estimates were based on knowledge gained from 20 years' or more experience with the shoe industry and were considered sufficiently accurate for the purpose

On these assumptions, the potential annual contributions from manufacturers and retailers were figured at $1,750,000; one-half of 1% of $300,000,000 at retail, amounting to $1,500,000, plus one-eighth of 1% of $200,000,000 at manufacturers' prices, or $250,000. Over four years, this potential support would amount to $7,000,000; but it was not anticipated that every prospective subscriber could be persuaded to join. The cooperation of the smaller retailers as a whole was considered especially doubtful.

remotely connected with the campaign, and it was decided to wait until the actual advertising had started before making a concerted effort toward securing their financial contributions.

The subscriptions were secured in the form of trade acceptances due every six months for the four-year period. At each due date these acceptances were to be forwarded by the trustees of the fund to the subscribers' banks for collection. This method insured the fund a four-year duration; it provided for collection at a minimum cost; and it made more certain the payment of each periodical sum as it came due. Each subscriber, furthermore, was thereby solicited only once.

Figures derived by the National Shoe Retailers' Association, reproduced in Exhibit 1, indicated that the per capita consumption of shoes by men in the United States had been declining over a 20-year period. The Association was assured that during the same period the consumption of women's shoes had increased.

EXHIBIT 1
Per Capita Consumption of Men's Shoes in the United States*

	Male Population in Millions	Men's and Boy's Pairs Produced in Millions	Per Capita Consumption
1899	28	88	3.1
1904	33	104	3.1
1909	37	116	3.1
1914	40	120	3.0
1919	42	121	2.9
1921	43	87	2.0
1922	44	110	2.5
1923	45	122	2.8
1924	46	104	2.3
1925	47	107	2.3
1926	48	107	2.2

* Source: Derived by National Shoe Retailers' Association from industrial and governmental statistics.

Several reasons were advanced in explanation. The increased use of automobiles had resulted in less walking. Well-cleared streets permitted the wearing of low shoes throughout the year, so that fewer pairs were required for the average wardrobe. It was believed also that perhaps the sturdier construction of men's shoes, and improved facilities for shoe repairing, gave shoes a longer period of satisfactory service.

Two main reasons were advanced by those who had made a careful study of the situation. It was thought that the purchasing power which formerly had gone into shoes was being diverted to the purchase of other commodities. Men, furthermore, were considered to have become indifferent to the condition of their apparel in general and in particular to that of their shoes. A program of national advertising and of selling efforts by retailers might be expected to arouse in men an interest in their shoes and to retrieve some of the business lost to other commodities, many of which had been aggressively advertised.

The retailer was made the focus of the campaign, aside from the consumer advertising. Since his was the last link in the system of distribution, he could most effectively influence the consumer's action. The average retailer, in the opinion of the campaign executives, did not employ effective sales methods. His accounting records were frequently inadequate. He did not budget his purchases so that he might carry the necessary styles and sizes at all times without subjecting himself to undue loss from style obsolescence or from "clear-outs" of end sizes. He frequently had invested in excess stock of particular lines money which might better have been used in financing his business.

To correct this situation a man was secured who had had 20 years' experience with a large shoe manufacturer in educational work with retailers. He was to write a bulletin every month containing pertinent suggestions for the improvement of retail methods. He was, furthermore, to visit retailers who desired his services, and in general to direct that part of the campaign which dealt with the retail outlets.

The retailer's need for more extensive local advertising was to be met by furnishing him advertisements in matrix form, which could be inserted in newspapers under his name.

In addition to improved retail marketing methods, it was believed that national advertising to consumers was necessary to increase sales of men's shoes.

The objectives of the campaign then were these:

a. Education of consumers.
b. Education of retailers.
c. Improved cooperation in the shoe industry as a whole, which had not previously worked in close harmony.

The attitude of those in charge of the campaign may be derived from a statement in the plan book described below, which was sent to retailers at the beginning of the drive.

Seeing per capita consumption of men's shoes decrease from nearly three pairs per year, in 1904, to little over two pairs at present might arouse suspicion that changing economic conditions had relegated this commodity to its bare utility function as an indispensable foot-covering, and that its function as a logical style-embellishment of men's attire was forever lost. But careful analysis shows this is not true.

The men of today want appropriate and attractive shoes; they can afford to have them—in the proper quantity. They will buy them, if reasonable and united effort to induce them to buy is made. They will accept sane reasons for enlarging their shoe-buying capacities, if those reasons are sanely and firmly and attractively presented to them.

It is this that the four-year cooperative advertising and local merchandising campaign has been organized to accomplish. It is steering a straight course toward rehabilitating the men's shoe business.

The four-year campaign is going to take careful account of the real causes for the decreased consumption of men's footwear. It is going to dig deeply into the various mental attitudes of men toward the buying of shoes. It is going to consider what the present-day demands of all kinds on men's incomes are—and see why it is that men are sacrificing neatness and nicety in dressing their feet in order to spend their money for other things.

Then, through the national advertising in the pages of the great magazines, and through the various local dealer advertising helps which are a vital part of the four-year program, this great campaign will prove to men that they ought to increase their shoe purchases.

By September 1, 1928, about a million dollars had been subscribed for the four-year period. It was expected that the momentum already gained, and the further stimulus of seeing the advertising in print, would carry the fund much closer to its goal. It was felt that the spirit of the industry in regard to the campaign had improved considerably during the year since activities had begun.

By September 1, 1928, the details of the advertising had been drawn up, the first two insertions contracted for, and the bulk of the dealer helps prepared. A broadside was then sent out announcing the beginning of the campaign. It contained a reproduction of the first national advertisement, illustrations of campaign material available free to subscribers, and *Merchandising Bulletin* 3, entitled "Getting Results from the National Advertis-

ing." With it were sent a letter from the committee, an order blank for the various sales helps offered, and a postcard addressed

Exhibit 2: Example of 1928 Advertising Campaign of National Shoe Retailers' Association.

to *Vanity Fair* magazine requesting a display card of the advertisement which was to appear in its October issue.

Exhibit 2 shows the copy approach used in the campaign. It presented a straight style appeal, implying rather than stating that

a man should have six pairs of shoes. It attempted to educate men to a better appreciation of the place of shoes in their apparel rather than antagonize them by unwanted, direct advice. It was expected that this appeal would arouse the interest of consumers without irritation, and that this type of copy would be most acceptable to the entire trade. Several different appeals, however, were to be used later in the campaign. Those in charge expressed the opinion that consumers probably would not quickly become "shoe-conscious." They believed that, in order to be successful, the campaign must be given time to allow its continued educational appeal to penetrate. Plans called for placing advertisements primarily in magazines of general circulation.

What effect upon the sales of men's shoes might have been expected from this program of advertising and promotion?

Was the system of financing adopted sound?

5. IRISH AND SCOTTISH LINEN DAMASK GUILD, INCORPORATED

COOPERATIVE ADVERTISING OF LINEN DAMASK

For several years prior to 1926, sales of linen damask made by Irish and Scottish manufacturers and used for tablecloths and napkins had declined in the United States. The smaller volume of sales in this market was the result of increased competition from Czecho-Slovakian producers of linen, together with a style tendency toward the use of doilies and Italian runners for table coverings. In 1926, the Irish and Scottish manufacturers of linen-damask tablecloths and napkins organized to combat the declining sales of their product in the United States. A campaign of advertising and sales promotion was projected, with the result that sales of linen-damask tablecloths and napkins increased to such an extent that they were believed to be about twice as great in the early months of 1928 as in the same period in 1926.

Irish and Scottish manufacturers of linen damask produced fabrics of the highest quality, which were sold in the United States by selling agents located in New York. These selling agents sold direct to a few large retail establishments and to wholesalers of

various types. Imported damasks were subject to an ad valorem duty of 60%.

The principal competitors of the Irish and Scottish manufacturers of linen damask were Czecho-Slovakian manufacturers, who had competed aggressively in the American market since the World War. Although their products were not believed to be of such a high quality as the Scotch-Irish product, the Czecho-Slovakian manufacturers had been particularly active in the development of new and attractive designs and colors. The Irish and Scottish manufacturers had chosen to retain conservative patterns and for the most part to continue the manufacture of fine-quality goods without emphasizing novelty in style. Linen fabrics manufactured in the United States were believed not to compete seriously with imported goods. In addition to increased direct competition, sales of linen had been decreased by a fashion trend toward the use of doilies, Italian runners, and other types of table coverings.

The principal retail outlets for linen-damask tablecloths and napkins were the linen departments of department stores and specialty shops. Linens were bought by housewives and also frequently as gifts for young people about to be married.

Until 1926, the manufacturers and distributors of linen had continued to distribute their products entirely by the methods found profitable before the World War. They had made no efforts at aggressive promotional methods and had adopted no type of united action to combat the style trend away from linen damask. In 1926, however, leaders in the industry believed that aggressive cooperative advertising and promotional methods might improve the position in which the Irish and Scottish manufacturers of linen found themselves at this time. Accordingly, the Irish and Scottish Linen Damask Guild, Incorporated, was organized. The members of this Guild were manufacturers of linen damask in Ireland and Scotland. Over 40 manufacturers, representing more than 80% of the Irish and Scottish linen-damask production, became members of this organization. American representatives, selling houses, and others in the United States interested in the Irish and Scottish linen-damask industry were invited to become associate members; the fee for such membership ranged from $100 to $1,000 or over, depending on how much the individual agent believed he could afford to contribute. The

principal support of the Guild, however, came from the European manufacturers, who made contributions in proportion to their interest in the American market. These efforts resulted in the accumulation of a fund to be spent during the succeeding two years in the promotion of the sale of Irish and Scottish linen-damask tablecloths and napkins. A comprehensive two-year plan, including trade and consumer advertising and other promotional efforts, was projected. The first advertisements of this campaign appeared in September, 1926. It was the object of the campaign instituted by the Guild to restore linen damask to the position of prestige which it had formerly held as correct table covering.

Each advertisement of Irish and Scottish linen-damask tablecloths and napkins displayed a photograph of a table covered with a linen-damask tablecloth appropriately set with napkins, silverware, glassware, and china. Every advertisement was built around the theme, "Linen Damask—impressively correct." The copy appealed to the motive of social achievement.

The importance of obtaining the cooperation and support of retail outlets was realized. Sales of linen damask had fallen off, however, and it was believed that it would be difficult to convince retailers that sales promotional efforts on these products would be effective. Nevertheless, the cooperation of retailers was sought. Mats for newspaper advertising were offered free; counter cards and suggestions for ledge and window displays were prepared; and a number of attractive counter booklets and envelope stuffers were offered at cost to retailers.

In order to relate the activities of retailers to the work of the Guild and in order to impress them with the importance of the campaign and the desirability of using the promotional material prepared, the Guild issued a monthly magazine, *The Linen Guildsman*, which it sent to a mailing list of 3,000 department store buyers and distributors of linen damasks. *The Linen Guildsman* described successful "Special Linen Events" conducted by retailers in conjunction with lecturers sent out by the Guild; it illustrated attractive window displays of linen damask which had been used by various retailers; and it showed effective advertisements of linen which had been run by retailers. The magazine described in detail the advertising efforts of the Guild and contained news of interest to linen-damask retailers. In a further attempt to

impress the trade with the importance of the Guild's efforts and with the possibilities of profitably increasing linen sales, the Guild ran advertisements in leading trade magazines reaching retailers and wholesalers.

In order to provide a background of prestige for linen damask as a table covering, the Guild prepared an attractive booklet describing linen damask and picturing its various uses on the table, with a foreword written by Emily Post, the well-known author of *Etiquette*. This booklet, attractively bound and printed on paper of high quality, was offered for 25¢ in every Guild advertisement.

Three sales promotion women were engaged to conduct lectures and special linen events in retail stores. One operated in the Far West, one in the Middle West, and one along the eastern coast.

The object of all these efforts directed at the trade was to induce retailers to cooperate with the work of the Guild by displaying linen damask in windows, by advertising their linen departments in newspapers, by making use of the Guild lecturers and the Guild display material, and in general by aggressive marketing of linen damask. The preparation of each itinerary involved difficulties because the leading stores in a town competed with each other in the desire to be the first to sponsor such a promotional program. The Linen Guild, however, found that these difficulties could be overcome diplomatically. It was possible to point out that, when the special lecturer of the Guild's educational department visited a town a second time, the interest aroused by her previous appearance in one store invariably had increased to such an extent that other stores in the town benefited; often the last store to sponsor the educational program for linen damasks secured the interest of the largest number of potential buyers. The lecturer was sent first to that store in a city which showed the greatest interest and the greatest inclination to work with the Guild. All talks were scheduled by the Guild secretary, who had exclusive control of routings. In this way Guild members, salesmen, and executives were enabled to avoid controversies with their individual retailers.

Every effort was made to see that the lecturer's visit, which usually lasted three days in each store, was used not as an excuse for cut-price sales but as the nucleus for a promotional program. During the special linen event, exhibits of attractive and appropriately set tables using the linen found in the individual store

were held, and the sales promotion woman spoke on various phases of table decoration related to the use of linen-damask tablecloths and napkins. Stores cooperated by announcing the lectures and the exhibits in the daily newspapers and by preparing window displays of linen goods. The stores frequently made arrangements for the lecturer to address women's clubs or other organizations in the city where the demonstration was held. While at the store, the sales promotion woman gave special talks to the selling force of the linen department, describing ways of selling linen damask.

Members of the Guild placed a small label bearing the slogan of the Linen Damask Guild, "impressively correct," on napkins and tablecloths made by them, in addition to the label of the individual manufacturer or selling agent. Each individual member engaged in such other advertising and promotional activities as he deemed to be profitable. Four members of the Guild purchased consumer advertising space during the period of the cooperative campaign.

During the period from September, 1927, to March, 1928, the Guild ran the following schedule of advertising: *Ladies' Home Journal*, four half pages; *Better Homes and Gardens*, four two-thirds pages; *Vogue*, *Vanity Fair*, *House & Garden*, four full pages in each; *House Beautiful*, four pages; *Modes and Manners*, four pages; *Junior League Bulletin*, four pages; *New Yorker*, five pages. The trade advertising during this period consisted of two double-page spreads in both the *Dry Goods Economist* and the *Dry Goods Merchants Trade Journal*.

By March, 1928, at the end of the first year and a half of advertising, over 16,000 inquirers had sent 25¢ each for the booklet offered. Members of the Guild believed that the campaign had increased the prestige of Irish and Scottish linen-damask tablecloths and napkins. Actual sales figures from the various members of the Guild were not available, nor were government import figures segregated in a way to afford clear evidence of results attained. An estimate of the Guild's secretary, however, indicated that sales of Irish and Scottish linen-damask tablecloths and napkins in the first few months of 1928 were about double the sales in the same months of 1926.

Appraise the opportunity to stimulate primary demand through advertising and sales promotion in this case.

6. BUREAU OF MILK PUBLICITY—STATE OF NEW YORK

COOPERATIVE ADVERTISING OF MILK

The cooperative advertising of milk in the State of New York, under state direction but financed by the industry, was initiated July 1, 1934. Continuation of the campaign was authorized by the Kelly-Dunn Law enacted by the 1935 legislature and signed by Governor Lehman. The nature of the copy approach used in the 1935 campaign, which was authorized to continue until March 31, 1936, was distinctly different from that employed in the 1934 campaign. In the spring of 1936, it was necessary for the Commissioner of the State Department of Agriculture and Markets, under whose supervision was placed the Bureau of Milk Publicity, to decide what recommendation to make to the state legislature with regard to the continuance of the cooperative advertising of milk. Among the factors to be considered were the effectiveness of the advertising, the type of copy approach used, the degree of success attained in the past, and the possibility of stimulating the consumption of milk in the future.

The demand for fluid milk in New York State had been following a declining trend since 1929. The decline had been particularly severe in the metropolitan New York City area. It was in the hope of checking this decline and reversing the trend that the cooperative advertising of milk was first undertaken in New York State under an act signed late in May, 1934.[1] The chief consideration in the minds of the sponsors of the legislation was the estimate that the annual revenue of New York State dairymen would be increased by approximately $600,000 without any increase in retail price to the consumer for each 1% of the total milk sold that could be diverted from the lower price classifications to class one or fluid classification.

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[1] In the *Consumers' Guide*, May 18, 1936, issued by the Consumers' Counsel of the Agricultural Adjustment Administration, were published facts relating to the consumption of milk selected from the complete report of the results of the National Milk Survey, "A Survey of Milk Consumption in 59 Cities in the United States." The survey covered 28,966 families. Some of the findings follow:

1. More than two-thirds of the families interviewed consumed less than 2 quarts per person weekly.

2 Families in only 8 of the 59 cities reported an average consumption of whole and evaporated milk as high as 3 quarts a week per person.

3. Average consumption for all 28,966 families was 2.44 quarts of whole milk and the whole milk equivalent of evaporated milk—18.7% less than the 3 quarts a week called for in emergency diets, and less than half of the adequate standard of 5 quarts a week.

The 1934 bill appropriated $500,000 from the general funds in order that money might be immediately available to begin the cooperative campaign on July 1, 1934. The state was to be reimbursed by a tax of 1 cent per hundred pounds of milk going into fluid use. No tax was imposed on surplus milk. Inasmuch as there were approximately 75,000 milk producers and only 3,500 dealers, the incidence of the tax was placed upon the dealers, who were permitted to pass half the tax, i.e., one-half cent per 100 pounds, back to the producers. The retail price of milk, which was fixed by the State Milk Control Board, was not to be increased by the tax.

The 1934 campaign was built around the slogan "Drink More Milk—It Is Good for You," but the major emphasis of the campaign was attached to a scheme of civic promotion which attempted to build a patriotic appeal similar in many ways to that employed in the organization and promotion of the N.R.A. The cooperation of local committees, chambers of commerce, women's clubs, Rotary Clubs, Kiwanis Clubs, newspapers, Boy Scouts, and similar organizations was enlisted to urge consumers to drink more milk in order to better the economic condition of the New York State farmers and dairymen. Because the approval of these organizations could not have been secured unless the advertising copy was restrained and dignified, the "Drink More Milk" slogan remained in use throughout the campaign. The appeal to improve the economic condition of the farmers, to preserve the state's dairy industry, and to assist in maintaining the good health of the state's citizens apparently had some effect in the up-state cities and small towns where business men and the general public had a close and genuine interest in the well-being of the farmers. It was ineffective in the large metropolitan New York City market.

The campaign, which began July 1, 1934, continued through the middle of January, 1935, before the funds were exhausted. There was no indication that the consumption of fluid milk had increased in 1934. The campaign may have had some effect in checking the decline in fluid milk consumption, but it had not reversed the trend. The Commissioner of the Department of Agriculture and Markets recommended to the legislature continuation of the campaign for a second year in order to give the plan a fair trial.

The yield of the publicity tax was less than had been expected. Although the state had appropriated $500,000 with the expectation

of being reimbursed by the tax collected over a 12 months' period, the total sum raised by taxation by March 31, 1935, amounted to only $400,000. For this reason, the Kelly-Dunn Bill, which authorized continuation of the campaign, appropriated from the general funds the sum of $400,000, which it was thought would be repaid by the expected receipts from the Milk Publicity Tax. The campaign was authorized to continue until March 31, 1936. No change was made in the amount or the method of collection of the tax.

Believing that a more effective copy approach could be found, the Bureau of Milk Publicity solicited proposals for the new campaign. Plans were submitted in open competition by 29 New York State advertising agencies. These plans were considered by the Technical Advisory Board appointed by the commissioner, representing dairymen, dealers, and New York State newspapers, and, by elimination, were reduced to three, which were submitted to the commissioner for final selection. The commissioner eventually approved the plan submitted by J. M. Mathes, Inc., of New York City, and awarded the advertising contract to that agency.

The plan for the 1935 campaign was sharply distinguished from the previous plan. Opening July 15 in 132 daily newspapers, 567 weekly newspapers, 15 radio stations and other media, advertising copy talked about the benefits of calcium in milk for creating a more beautiful complexion, described how weight reduction could be accomplished by a series of milk diets without jeopardy to health, and praised the virtue of milk as a natural alkalizer for relief of overacid conditions. Testimonials supporting these appeals were donated to the campaign without charge by moving-picture actresses, athletes, and other nationally famous figures. Permission to use their endorsements of milk as part of the advertising copy accompanied by their pictures was given by many celebrities.

The Bureau of Milk Publicity believed that these new and attention-provoking appeals were based on competent medical and chemical authorities.

The various appeals were emphasized to the several age groups of the population in proportion to the estimated importance of each of these groups in increasing milk consumption. Children under ten, it was found, formed 16.48% of the state's population.

Boys and girls from ten to nineteen inclusive were 17.07% of the population. Together, these groups made up about one-third of the total population of the state. Adult men and women were each about one-third of the total population, or 66.45% together. The "alkaline" and "personality" appeals were intended to appeal to men and boys, the "reducing" and "complexion" appeals to women and girls. A "midshipman Jack" series of cartoons, describing the life of a boy at Annapolis, was developed for children under ten. Examples of advertisements are shown in Exhibits 1, 2, and 3.

In the 1934 campaign, a large part of the advertising had been directed to children or to those in charge of feeding them. In planning the 1935 campaign such emphasis on the children's market was not continued because the bureau believed that this market was thoroughly saturated and would not respond to advertising until economic conditions improved, when it would respond almost automatically. On the other hand, it was thought that the adult group did not form a saturated market, and that so far as milk was concerned it had not been greatly affected by economic conditions because a relatively small part of its total budget had been spent upon milk. The expenditure of the total advertising appropriation in 1935 was therefore divided almost in direct proportion to the percentage of the total population in the various age groups. Slightly greater emphasis was given to the group of boys and girls between ten and nineteen because it was thought that these children were at the ages when they usually escaped from the "milk habit" of their childhood.

The population of the state was broken down by geographical locations for the purpose of allocating newspaper advertising. It was found that 80.6% lived in cities, 7.8% in towns, and the balance in country districts. The appropriation was divided, therefore, in proportion to the population concentration, the age groups, and the milk consumption potentiality of each area. The campaign was scheduled to run for eight and one-half months, from the middle of July, 1935, until the end of March, 1936. After deducting $40,000 for the expenses of the Bureau of Milk Publicity, the balance of $360,000 was spread evenly over the period. Although production in the New York Milk Shed increased in the spring and summer months, the monthly advertising appropriations were kept equal, because the advertisements

were not of a character to stimulate immediate sales and because it was hoped to induce consumers to acquire the habit of drinking milk regularly. The appropriation was divided according to media in the following proportions: newspapers, $245,000; radio,

Exhibit 1: Example of Advertising, Bureau of Milk Publicity—State of New York.

$30,000; publicity, $28,000; dealer helps and merchandising, $38,000; contingent fund, $19,000. The dealer help and merchandising material included posters for dairy wagons and trucks, window streamers, and back bar strips, which were widely dis-

FRANK BUCK

TELLS HOW MILK INCREASES A MAN'S COOLNESS

• • •

Frank Buck, noted explorer and big game expert, who will soon bring his latest Jungle Thriller to the screen, has faced clawed death a score of times unflinchingly. He says: "In this business of bringing 'em back alive there's no second chance. Your nerves, your brain, and your muscles must act together instantly. There's one thing I know that is definitely helpful in building up this sure, cool courage. It's milk. Not many people know that milk is such a fine nerve food. And, of course, milk also helps keep muscles at their highest vigor. Believe me, every man is a better man when he drinks milk."

And science proves that Frank Buck is right. Milk is the richest calcium food. And your body needs calcium and the other minerals in milk to help keep your nerves cool in the rush of business today. You'll find a new well of energy in yourself if you get the habit of drinking a glass of fresh milk every day. Big men in business do.

Send for Free Booklet, "Milk—The Alkalizer"—*Shows you the natural way to clear heads, steady nerves, new energy in business. Send your name and address:*

THE STATE OF NEW YORK
Bureau of Milk Publicity, Albany.

Exhibit 2: Example of Advertising, Bureau of Milk Publicity—State of New York.

FOLLOWS THE MILKY WAY

DOROTHY WILSON
RKO-Radio Star, in her latest triumph
"The Last Days of Pompeii"

Follow the lead of the movie stars. They drink milk because it conserves their energy, gives them sparkle, without affecting their glamorous figures.

You, too, can keep feeling your best, without gaining weight, by *drinking milk*. And if you should want to lose weight, write for the booklet all Hollywood is talking about: "The Milky Way." Menus of the stars. Send a post card with your name and address:

Bureau of Milk Publicity, Albany
THE STATE OF NEW YORK

Exhibit 3: Example of Advertising, Bureau of Milk Publicity—State of New York.

tributed among milk dealers in the state; and recipe books and exhibits for fairs and club meetings. The publicity work included the preparation of material for newspapers, the organization of contests, arranging for speakers to address club meetings and public assemblies, and other activities of a similar nature. In its use of radio, the agency confined the campaign to a series of one-minute broadcasts of electrically transcribed playlets. Fifteen stations were used, four in New York City and eleven throughout the rest of the state. The dramatized announcements were heard six days a week immediately following what was considered to be each station's "best audience" daytime program.

The following appeals were used throughout the campaign:

1. Clear up your complexion with milk.
2. Milk is not fattening.
3. Milk has a definite alkaline effect.
4. Milk is a he-man's drink.
5. Milk is one of the least expensive foods.

Booklets and leaflets dealing with the subjects of each of the first four appeals were offered in newspaper and radio advertisements. No coupons were attached to the advertising matter and the offers were usually buried in the copy. It was necessary for readers to take the initiative in writing to Albany for them. The Bureau of Milk Publicity also sold at a nominal charge of 2 cents each booklets to milk dealers for distribution to their customers. The results of the distribution of booklets and pamphlets during the campaign were as shown in Table 1.

In analyzing the effects of the campaign on sales of fluid milk, it was necessary to confine attention to the United States Department of Agriculture reports for New York City, inasmuch as complete current figures for New York State were not available. While the consumption of milk in the country as a whole declined about 6% between 1930 and 1934 inclusive, the consumption in New York City declined 13.01%. In 1930 the total consumption of milk in New York City was 36,425,796 cans (of 40 quarts each); in 1931 it was 35,534,977 cans; in 1932, 35,431,311 cans; in 1933, 31,001,773 cans; and in 1934, 31,562,922 cans. Complete figures for rail and truck shipments of fluid milk to the New York metropolitan area by months from January, 1932, through February, 1936, are shown in Table 2. Comparative figures for the same period for shipments to the Philadelphia metropolitan area are

TABLE 1

Analysis of Distribution of Pamphlets from July 16, 1935 to March 31, 1936

Total Distribution

	Milky Way	Alka-lizer	100 Ways	Midship-man Jack	Total
Individual	57,879	9,345	15,137	38,133	120,494
Bulk and Miscellaneous	82,840	65,187	75,415	25,333	248,775
On Hand	9,281	468	9,448	61,534	80,731
Total	150,000	75,000	100,000	125,000	450,000

Individual Requests by Months

	Milky Way	Alka-lizer	100 Ways	Midship-man Jack	Total
July and August	10,853	2,537	708	483	14,581
September	9,323	1,992	2,083	1,269	14,667
October	8,214	1,264	1,709	7,144	18,331
November	7,579	674	1,059	8,071	17,383
December	3,084	426	883	5,822	10,215
January	5,045	512	1,788	4,594	11,939
February	6,626	856	3,252	4,748	15,482
March	7,155	1,084	3,655	6,002	17,896
Total	57,879	9,345	15,137	38,133	120,494

Individual Requests by Source of Inquiry

	Milky Way	Alka-lizer	100 Ways	Midship-man Jack	Total
Newspaper	45,955	5,548	3,570	33,024	88,097
Radio	8,740	1,614	7,181	1,933	19,468
Fairs and Miscellaneous	3,184	2,183	4,386	3,176	12,929
Total	57,879	9,345	15,137	38,133	120,494

Percentage of Returns—Newspaper and Radio

	Amount	Requests	Per Cent of Expenditures	Per Cent of Returns
Newspaper	$244,493	88,097	89	81.9
Radio	30,237	19,468	11	18.1
Total	$274,730	107,565	100	100.0

shown in Table 3, and for shipments to the Boston metropolitan area in Table 4. No cooperative advertising was carried on in either of these markets during this period.

TABLE 2
Rail and Truck Shipments of Fluid Milk to New York Metropolitan Area in 40-quart Cans

	1932	1933	1934	1935	1936
January	2,879,315	2,825,665	2,614,380	2,576,791	2,796,883
February	2,742,447	2,563,149	2,410,683	2,303,921	2,611,472
March	2,943,896	2,794,770	2,691,664	2,642,093	2,863,412
April	2,808,479	2,734,359	2,584,871	2,632,008	
May	3,006,887	2,933,312	2,779,895	2,788,231	
June	2,942,255	2,876,899	2,773,278	2,760,424	
July	3,020,767	2,766,463	2,761,508	2,764,327	
August	2,905,512	2,793,674	2,595,303	2,690,761	
September	2,909,954	2,693,911	2,583,266	2,681,634	
October	2,812,303	2,782,438	2,652,943	2,740,976	
November	2,697,200	2,622,521	2,572,848	2,648,116	
December	2,762,296	2,654,614	2,542,283	2,734,414	
Total	34,431,311	33,041,775	31,562,922	31,963,696	

TABLE 3
Rail and Truck Shipments of Fluid Milk to Philadelphia Metropolitan Area in 40-quart Cans

	1932	1933	1934	1935	1936
January	588,925	568,930	564,354	576,240	582,735
February	558,710	517,980	506,434	530,262	546,708
March	598,966	583,589	570,353	596,191	593,828
April	565,813	567,719	561,519	582,717	
May	611,145	610,999	617,847	618,815	
June	578,853	580,181	602,269	602,094	
July	569,758	572,497	617,756	626,834	
August	541,754	556,638	602,478	601,202	
September	538,080	545,067	585,532	571,086	
October	562,630	573,718	607,559	604,635	
November	554,880	552,788	576,634	575,368	
December	566,217	555,525	586,033	580,554	
Total	6,835,731	6,785,631	6,998,768	7,065,998	

TABLE 4
Rail and Truck Shipments of Fluid Milk to Boston Metropolitan Area in 40-quart Cans

	1932	1933	1934	1935	1936
January	545,727	489,308	455,867	466,226	468,319
February	513,822	431,050	421,651	420,931	439,476
March	552,568	480,070	479,951	473,453	478,675
April	529,607	463,909	457,141	458,755	
May.	551,221	500,434	497,908	483,938	
June...	525,995	490,311	493,947	481,682	
July .	534,740	500,517	532,739	527,121	
August	530,477	495,026	507,967	505,797	
September ..	508,390	476,419	478,201	467,056	
October	520,106	474,542	488,969	491,351	
November	493,705	467,432	478,396	471,772	
December	487,961	452,532	461,190	464,112	
Total	6,294,319	5,721,550	5,753,927	5,712,194	

B. CAMPAIGNS BY INDIVIDUAL MANUFACTURERS

1. HOLMES MANUFACTURING COMPANY

ADVERTISING OF STILLSON WRENCHES TO HOUSEHOLDERS

The Holmes Manufacturing Company produced a line of steamfitters' tools which were noted for their quality and long life under hard usage. The company distributed its products throughout the United States through eight branches, which sold to supply firms reaching industrial users and to hardware wholesalers. In the summer of 1922, when the sales of Stillson wrenches decreased, the company decided to conduct a sales campaign for two months in an effort to develop a new market for its Stillson wrench of medium size, suited for general use, by showing the ways in which this wrench could be used in the home. It was encouraged to undertake this program because it had been able to increase sales of these wrenches approximately 10% in 1921, primarily through a gift appeal to householders at Christmas time by placing the wrenches sold in hardware stores in attractive cartons. This Christmas demand indicated a need for such a wrench in the home.

To support its 1922 sales program, an advertising campaign for Stillson wrenches was started in the *Saturday Evening Post* and *Hardware Age*. This campaign was extended beyond the two months first proposed and was continued until the spring of 1926. At that time, the management was forced to reconsider its advertising approach for the entire line of steamfitters' tools because total sales as well as Stillson sales had decreased steadily after 1922, in spite of its advertising.

Fifty-two thousand dollars had been appropriated annually for the advertising of wrenches. Practically all the advertising had been devoted to Stillson wrenches. Half pages had been taken each month in the *Saturday Evening Post*, in addition to the trade advertising in the *Hardware Age* and other trade papers. Booklets for consumers explaining uses of the Stillson wrench also had been furnished as dealer aids. Ninety per cent of the appropriation had been for the consumer advertising, in which primary

buying motives had been stressed by showing the different ways in which the Stillson wrench could be used in the home. The selective appeal of dependableness in quality also had been woven into the copy.

In setting the quota for each sales branch in the sales campaign of 1922, the company determined the number of hardware stores in each territory and estimated the number of sales that could be made in each locality in the territory. The quotas finally established were as follows:

EXHIBIT 1
Holmes Manufacturing Company, Branch Sales Quotas for Two Months' Campaign and Number of Stores in Each Branch Territory

Branch	Quota (in number of wrenches)	Number of Hardware Stores	Branch	Quota (in number of wrenches)	Number of Hardware Stores
A	6,000	545	E	1,700	2,456
B	6,000	600	F	8,000	441
C	1,300	3,772	G	4,500	24,536
D	1,000	1,452	H	1,500	3,942

The campaign, which was announced to the salesmen on June 1, 1922, began officially July 1 and was intended to last until September 1. Because of general business conditions, salesmen experienced difficulty in selling during the summer of 1922, and the campaign was extended to October. During the period of the campaign, bulletins were sent out to each salesman three times a week, showing the number of orders secured and the percentage of quotas obtained by the branches and by each salesman. By the middle of September, the total number of orders secured by all the branches was only 53% of the total quota; nevertheless the company continued the marketing program. The company realized that it had been too optimistic in setting its first quota, but it still believed that sales could be made to household consumers. So without questioning the soundness of its merchandising policy, the company carried on the national advertising with supplementary sales effort for four years, even though the sales volume was not maintained, as is shown in Exhibit 2. The condition in May, 1926, was more serious than the exhibit indicates, because total wrench sales were decreasing also.

EXHIBIT 2
Holmes Manufacturing Company, Percentage of Sales of Medium-size Stillson Wrenches to Total Sales of Wrenches, 1921–1925

1921	18.00%	1924	19.40%
1922	23.33	1925	19.15
1923	22.50		

Upon investigation, the management discovered that the increased sales in 1922 had not been absorbed by consumer purchases but that the retailers had been stocked with slow-moving merchandise. Although a demand had been created for this type of wrench in the home, customers often preferred to purchase competitors' wrenches, which were sold for about half the price of the Holmes Manufacturing Company's Stillson wrenches, because the cheaper ones could meet household needs satisfactorily.

It was found that competitors had apparently traded upon the advertising of the Holmes Manufacturing Company by placing their cheaper wrenches of similar design in cartons and by securing widespread distribution in hardware stores and in some chain stores. Competing wrenches sold at prices ranging from 50¢ to a dollar, while the Holmes wrench, which was a mechanic's high-grade tool, sold ordinarily above a dollar. The possibility of meeting this competition by producing a cheap wrench was discarded because the Holmes Manufacturing Company wished to retain its reputation for high-quality products.

The company then decided to analyze its market by studying its past sales. It found that hardware retailers sold wrenches primarily to journeymen plumbers and to steamfitters who bought wrenches occasionally, and that the retailers' sales for household use were relatively small. Industrial users and large plumbing firms purchased through supply firms and wholesalers so as to take advantage of discounts. Often orders from individual industrial users were greater than the annual sales to all the hardware retailers.

The company continued its research by a survey of selected farm areas. It discovered that the farm offered a very substantial sales field. The use of power machinery was increasing, and plumbing installations were becoming common; consequently, the farmers needed complete tool kits because they did most of their repair work. The frequent loss of tools on farms also created a large replacement demand which heretofore the company had not recognized.

The investigation further disclosed that the advertising in the *Saturday Evening Post* had succeeded in causing readers to associate the wrench with the carton which was used in 1921 and 1922, but many people had developed the idea that this wrench was the sole product of the Holmes Manufacturing Company. Moreover, many thought that the wrench was suitable only for use in the home.

In the spring of 1926 the executives decided to revise the selling and advertising program for their tools in the light of the facts disclosed by the investigation. The management set aside an appropriation of $30,000 for advertising for the year.

What advertising and promotional program should have been undertaken by the Holmes Manufacturing Company in 1926?

2. TONTO DRUG COMPANY

ADVERTISING FOR SKIN LOTION

In 1924 the Tonto Drug Company purchased the Lee Company, maker of "Belle Lotion," a lotion which protected the skin from injurious climatic conditions. The Lee Company had commenced to manufacture and sell this lotion in 1885. During the years which followed, it had gained national distribution primarily through the growth of its reputation among consumers for the dependable quality and effectiveness of its product. Little advertising and no salesmen had been used. Special offers had been made to get initial stocks into the hands of wholesalers and retailers. This absence of any sales organization, together with the lack of adequate sales records, made it impossible for the Tonto Drug Company at the time of purchase to obtain marketing data of value from the Lee Company. Sales records showed that Belle Lotion had a large sales volume which had remained about the same for several years. A breakdown of sales by months and by territories revealed the facts that a large proportion of the sales were made during the fall and winter months and that, while the greatest volume of sales was made in the northern states, there was a steady demand throughout the year in Texas. Inasmuch as the sales and advertising methods of the Lee Company had

remained practically unchanged for a generation, the Tonto Drug Company believed that, in the face of the strenuous competition in the drug field, the product was maintaining its sales volume solely on the basis of its reputation for quality and that unless the company undertook some form of sales promotion it could not expect sales to increase. The company, therefore, employed an advertising agency to make a market investigation in order to obtain marketing data and construct a marketing and advertising plan which would increase the sales of Belle Lotion and distribute the sales more evenly throughout the year.

The advertising agency conducted an investigation in 1925, the purpose of which was to bring out the market facts, the trade attitudes and practices, and the consumer viewpoint surrounding the sales of Belle Lotion. This investigation was carried on in large cities, medium-sized and small towns, and rural sections by means of personal interviews among 2,192 consumers, retailers, and wholesalers located in territories carefully selected to give an accurate cross section of the country.

Belle Lotion was a liquid cream soothing to the skin, which could be used both to prevent and to cure windburn, sunburn, chapping, and roughness of the skin. It could be used to soften and cleanse the skin and to make powder cling to the face. Inasmuch as it acted as an astringent, it was effective in reducing enlarged pores to normal size. It could be used also as a refreshing lotion after shaving.

The findings of the agency showed that throughout the country Belle Lotion enjoyed the reputation among consumers of being the most widely known cream lotion. It was known by 89.1% of the women interviewed and used by 49.8% of them. While Belle Lotion was equally efficient both as a preventive and as a curative for windburn, sunburn, and chapping of face, neck, shoulders, arms, and hands, the majority of women interviewed looked upon it only as a curative for chapped hands, except in Texas and the surrounding country, where it was used both as a preventive and as a curative for the harsh effect on the skin of the alkali, the hard water, and the hot climatic conditions prevalent in that territory.

Although Belle Lotion was used by a few men as a curative for chapped hands and by a relatively smaller number as a lotion after shaving, it was bought primarily by women. The largest sale, furthermore, was in urban sections where women had more

contact with other people and were, therefore, more conscious of their appearance than in rural sections. The price of Belle Lotion was low enough so that all women with average purchasing power were potential customers.

Belle Lotion was sold by drug stores, beauty parlors, and by the drug and lotion departments of department stores. The Lee Company had sold directly to retailers, chain stores, department stores, and wholesalers, to all of whom it granted quantity discounts. The investigation disclosed the fact that, except for a few retailers either in the foreign sections of large cities or in rural districts too near a large trading area to justify them in carrying large stocks, Belle Lotion had as complete distribution throughout the country as could be expected for such a product. Furthermore, if any toilet goods specialty product which had the reputation of being a sales leader in its line could be said to enjoy the goodwill of retail dealers during a time when all such leaders were subjected to severe price cutting, the survey showed that Belle Lotion had its full share. However, it was being pushed by only a few retailers and was subject to a large amount of substitution of private brands. It stood on the shelves in most stores, seldom on the counter, and hardly ever in the windows unless featured at a cut price.

While wholesalers in general had as much goodwill for Belle Lotion as for any other nationally known product, and while all of them admitted that the demands of retailers forced them to stock it, still, because the sales policy of the Lee Company in selling to chains and department stores prevented them from maintaining price and also from realizing a satisfactory margin of profit from its sale, they placed very little aggressive sales effort behind it. For these reasons the agency believed that, beyond offering warehousing and credit facilities to retailers who did not buy directly from the company, the average wholesaler was of little value in the sale of Belle Lotion.

Belle Lotion competed with two other nationally distributed lotions, with wholesalers' and retailers' private brands, and with other products, such as cold cream. Although the reports of retailers indicated that Belle Lotion had a far greater sales volume than the other two lotions with national distribution, the reports stated that the sales of the other two lotions were increasing, while the sales of Belle Lotion were stationary. The advertising agency

interpreted these reports to mean that the increase in sales of Belle Lotion was not sufficiently great to be noticeable to the retailers as compared with the sales increase of toilet goods as a whole. The competition from wholesalers' and retailers' private brands was particularly serious in those sections of the country where price cutting was most prevalent. Although retailers and wholesalers stated that they had no complaint about the product itself, they classed it as one of those leading specialties on which they made little profit because of price cutting. They sold it in response to direct requests but received greater profit on their private brands. The better class of retail stores did not attempt substitution of their private brands unless a customer asked them to recommend a lotion.

Because of the large volume of advertising done by cold-cream manufacturers, both retailers and consumers showed a strong preference for cold cream as against a lotion, especially for use on the face. The survey also disclosed the fact that the numerous and conflicting theories in regard to the proper care of the skin that had appeared in advertising had resulted in confusing the average woman as to what she should do to keep her skin in condition. Most of the women interviewed could not tell the brand they used or explain why they used it. Although it was the prevailing practice for women to use a cold cream on their faces and a lotion on their hands, they could give no satisfactory explanation for this practice.

1. Should the Tonto Drug Company have advertised Belle Lotion? For what uses?

2. If advertising were undertaken, should the copy have been directed chiefly to primary or selective buying motives?

3. Outline the advertising approach that should have been taken.

3. CORNING GLASS WORKS (A)

ADVERTISING TO DEVELOP NEW USES IN THE INDUSTRIAL MARKET

Corning Glass Works, the largest manufacturer of technical glass products in the world, inaugurated a campaign advertising its industrial glass products in January, 1927. This series of advertisements had been designed not only to promote the sale of the company's industrial products but also to develop new industrial uses for the company's glass. In September, 1927, after this series of advertisements had been run for nine months, the sales manager questioned the desirability of continuing this type of advertising in 1928. The results of the 1927 campaign had not been such as to permit a definite evaluation of results, and the cost of inquiries received from the advertisements to industrial users of glass had been five or six times the cost of inquiries from the company's advertising of a consumers' product, Pyrex ovenware.

The glasses trade-marked "Pyrex" had been developed by Corning Glass Works as the outgrowth of requests from certain railroads for glass resistant to heat and temperature change. The new glasses perfected to meet these requirements were found also to possess the characteristics of chemical stability, dielectric strength, extreme hardness, and high transparency. Because of one or more of these characteristics which sharply differentiated the new glasses from prior glasses, it was found possible to make from them a variety of products whose uses were widely dissimilar. In 1927, these products were Pyrex ovenware, nursing bottles, laboratory glassware, power-line insulators, and a number of articles for industrial uses classified as Pyrex industrial products.

A significant consideration in the marketing of the Pyrex industrial products was the fact that many new products made from these new glasses had been suggested not through logical deduction on the part of the Corning Glass Works itself but by persons outside the company who were facing particular problems and who, knowing the qualities of these, had suggested their application to particular situations.

When new uses for Pyrex glassware were suggested by prospective users of these products, the engineering staff of Corning Glass Works cooperated in the development of the products. The development of a new product usually required a year or more,

since it had to be worked out first by chemists in the company's laboratories and then by the production department. When new products were developed for industrial users, the cost of developing molds and other expenses of that nature were paid by the prospective user.

Pyrex industrial glassware for certain uses had not only superseded ordinary glass but also such fabricating material as tin, lead, iron, steel, and porcelain. In competition with manufacturers of plastics such as Bakelite and Durex, the makers of Pyrex glass products were handicapped because of the difficulties of fabrication of glasses as compared with fabrication of plastics. The plastics offered no serious production difficulties. They were easily handled and molded and they also could be machined. The material itself could be shipped out to the manufacturer and be worked by him in his own plant. Glass, on the other hand, had to be mixed under precisely controlled conditions. Much equipment was needed for fusing and handling. The workers had to be specially trained, the molding of the glass presented real problems, and each piece had to be annealed. Although glass could not be so easily or cheaply adapted to new uses as these plastic substances, Pyrex glassware could be made in competition with plastic articles when initial production difficulties had been solved and molds prepared.

The importance of the development of new uses for Pyrex industrial glassware was indicated by the industrial sales figures for the year extending from September 11, 1926, to September 10, 1927. During this period new products amounted to 10% of the total sales volume of the industrial and equipment division.

The decision to advertise Pyrex industrial glass products had been based not only on the desire to increase sales of existing industrial products but also with the object of bringing to light potential new uses of Pyrex glassware. The company felt that, in order to obtain the cooperation of engineers and manufacturers in the development of such new products, a knowledge of and confidence in the properties of Pyrex glassware as applied to industrial uses would have to be created. This knowledge and confidence, it was thought, might have been imparted either by personal contact or by direct-mail advertising. Only in special instances, however, were sufficient data available to permit the location of the market with enough precision to make the use of

these devices economical. Advertising in magazines reaching manufacturers and engineers who could be interested in uses of Pyrex glassware seemed to be the most economical means of conducting this education.

The function of the advertising was to develop specific sales leads as well as to disseminate knowledge of the properties of Pyrex glassware among potential users of this product. It was felt, however, that the selling function of the advertising was secondary to the educational function because sales leads could be developed only after a knowledge of the properties of Pyrex glassware had been gained by engineers and manufacturers.

No advertising had been carried on by the Industrial and Equipment Division of the Corning Glass Works prior to January 1, 1927. The following magazines were selected for the 1927 advertising campaign because it was believed that they were most read by the group who would be interested in industrial uses of Pyrex ovenware: *American Machinist* and *Electrical World*, published bi-weekly; *Chemical and Metallurgical Engineering* and *Factory*, published monthly. The campaign opened in February with a two-page spread in each of these magazines, and continued with a full page in each succeeding issue throughout the year.

This advertising expense amounted to 1.76% of the sales of the division.

A typical example of the type of copy used in the advertising of Pyrex industrial products is shown in Exhibit 1.

Most of the advertisements offered a free booklet containing specifications, actual applications, and suggestions for the use of Pyrex glass products. Most of the advertisements offered the service of the engineering staff of Corning Glass Works to potential users of Pyrex glassware. No coupons were used to elicit inquiries, however.

In September, 1927, the sales manager of Corning Glass Works, upon reviewing the results of the 1927 campaign to the middle of that month, found that the cost of inquiries arising from this advertising was over five times that of the cost of inquiries from the company's advertising of Pyrex ovenware. This led the sales manager to question the effectiveness of the industrial advertising.

In its advertising of Pyrex ovenware, a consumer good purchased by housewives, Corning Glass Works had used colored and

Exhibit 1: Typical Magazine Advertisement of the Corning Glass Works' 1927 Campaign.

black and white space in the *Ladies' Home Journal*, *Woman's Home Companion*, *Delineator*, and other women's magazines. Each of the advertisements of Pyrex ovenware had contained a coupon offering to send a cook booklet, "Food Actually Bakes Better This Way," free to any inquirer. As a result of this, advertising inquiries had been received by the company at an average cost of less than $2.

During the eight months of the campaign, 471 inquiries had been received by Corning Glass Works from the 44 advertisements which had appeared during this period in the industrial advertising. Of these 471 inquiries, 50 had developed into sales leads which had been turned over to salesmen, and 43 had resulted in definite specifications dealing with the possible applications of Pyrex glassware to new industrial uses. Up to that time none of these specifications had resulted in the development of a new product. Many specifications were for products that could not be made, but a few still pending in the laboratory offered possibilities which might yet be realized.

Inquiries had been received from the leading public utilities and industrial firms of the country as a result of the advertising. A large majority of the specifications were concerned with Pyrex glassware to be used in acid plants for conveying gas or chemical solutions.

The sales manager asked the advertising manager of Corning Glass Works to submit a recommendation as to the future policy with respect to the advertising of the industrial and equipment division.

4. HARVARD ECONOMIC SERVICE

DETERMINATION OF MARKETS TO WHICH TO ADVERTISE

In 1922 the Harvard University Committee on Economic Research decided to attempt to establish a nation-wide market for the Harvard Economic Service, which included a *Weekly Letter* and the quarterly *Review of Economic Statistics*, and for which the subscription price was $100 a year. The Service was designed to provide economists and business men with an authoritative analysis of present and prospective economic trends for use as an

aid in business management. The committee was established by the University in 1919 for the purpose of undertaking a new and independent study of all existing statistical data and, with no profit to itself, of making this material more valuable than heretofore for business and scientific purposes.

The record of the Service in the field of business forecasting led its more enthusiastic supporters to think that an almost unlimited market existed for it among business organizations. The executives of the Service believed, however, that any concern which undertook national distribution for its product had to accept as a working hypothesis the fact that the market had well-defined limitations.

Since the profits of many firms depended in no small measure upon the ability to gauge the future, it would have been logical for the executives to assume that every business organization which bought and sold goods in a substantial volume would at least be interested in the Service. But in this extensive market, embracing hundreds of thousands of commercial and financial institutions, the problem was to find where sales effort could be applied to the greatest advantage.

Personal contacts with subscribers, daily correspondence, and the reports of salesmen formed the basis for a general conception of the type of prospective subscribers toward whom sales efforts could be most profitably directed. But, since the Harvard Economic Service was unendowed and had practically no resources for sales expansion, the solution of the problem, so the executives believed, required a precise determination of the profitable limits of the market.

In order to accomplish this and at the same time determine the practicability of measuring the relation between the responsiveness to sales efforts and the size of the firm, the nature of the industry, its geographical location, and the official capacity of the individual prospect solicited, an initial test was conducted in March, 1922, among 14,000 manufacturers and distributors throughout the United States estimated to be worth $75,000 or over. Two thousand firms were chosen from each of the seven following groups classified according to their estimated wealth:

AA	$1,000,000 and over	B . . .	$200,000 to $300,000
A+	750,000 to $1,000,000	C+	125,000 to 200,000
A	500,000 to 750,000	C	75,000 to 125,000
B+	300,000 to 500,000		

An attempt then was made to secure the names of the president, vice president, treasurer, secretary, and general manager of each concern. To each of these officials was mailed a series of four sales letters, every one of which was accompanied by a regular weekly report of the Service and an order blank. These letters were written with the specific objective of obtaining actual sales.

When the force of this campaign had been expended, the subscriptions received were classified according to the estimated wealth of the firms. The cost of securing subscriptions for each of the seven groups was computed. The results are presented in Exhibit 1.

This classification showed that the cost per subscription increased progressively with the decrease in the wealth of the firm, while the percentage of subscriptions received to concerns circularized declined with equal regularity.

The results of this test, so the executives believed, indicated clearly that the profitable limits of the market in the field of manu-

EXHIBIT 1

Harvard Economic Service, Number of Subscriptions Secured in Initial Campaign and Cost per Subscription Classified According to Wealth of Subscribers*

	Estimated Wealth of Companies Circularized	Total Number Circularized	Cost of Campaign	Number of Subscriptions	Percentage of Subscriptions to Companies Circularized	Cost per Subscription
A	Over $1,000,000	2,000	$1,222	55	2 8	$ 22.22
A+	$750,000–$1,000,000	2,000	1,222	25	1.3	48.88
A	500,000– 750,000	2,000	1,222	19	1.0	64.38
B+	300,000– 500,000	2,000	1,222	18	.9	67.89
B	200,000– 300,000	2,000	1,222	8	.4	152.75
C+	125,000– 200,000	2,000	1,222	7	.4	174 57
C	75,000– 125,000	2,000	1,222	6	.3	203 67

* Fred Y. Presley, "How to Measure Your Market," *The Magazine of Business (System)*, April, 1925.

facturers and distributors fell within the groups AA to B+. A study of sales costs and the percentage of renewals to initial subscriptions showed that subscriptions secured at a cost of $70 represented the lowest group to which it was profitable to sell, while a sales cost of $45 was considered as the median figure.

The executives believed that a profitable subscriber for the Service was a man who was capable of recognizing its value and reaping its full benefits. Such a subscriber could be obtained at a relatively low sales cost and, once obtained, could be counted

upon as a renewal customer year after year. Hence, a low figure for the cost per sale, in the opinion of the executives, represented a fairly accurate criterion for such a man, since he would have recognized the benefits of the Service without sales efforts on the part of the Service.

While the printing and mailing cost of the Service was but approximately $7 a year and while it was probable that sales would rise with an increase in sales pressure, still it was deemed advisable to confine sales efforts to those subscribers who could be obtained at only a small cost. Since the executives considered that the Service was a specialty product with a limited market, intensive sales efforts not only would quickly exhaust the market but also would result in a large number of subscriptions which would have been obtained at a high cost. Because the need of intensive sales effort was indicative of an unwillingness on the part of the customer to buy, the subscribers secured at a high sales cost would represent a type of subscriber who would not be able to get the full value of the Service, and therefore the percentage of renewals of their subscriptions would be low. Overhead expenditures, however, would have to be increased on the basis of the increased sales volume from first subscriptions. Consequently, the combination of high sales cost and a low percentage of renewals would result in a small profit margin for use in improving the Service.

In accordance with the findings of this test campaign, a second campaign of four mailings to about 10,000 manufacturers and distributors, whose estimated wealth was $300,000 or above, was released in the fall of 1922. The results of this campaign, measured in terms of cost per subscriber and percentage of subscriptions

EXHIBIT 2

Harvard Economic Service, Number of Subscriptions Secured in Second Campaign and Cost per Subscription, Classified According to Wealth of Subscribers*

	Estimated Wealth of Companies Circularized	Total Number Circularized	Cost of Campaign	Number of Subscriptions	Percentage of Subscriptions to Companies Circularized	Cost of Campaign per Subscription
AA	Over $1,000,000	4,830	$3,081 54	117	2.4	$26 34
A+	$750,000–$1,000,000	992	632.90	16	1.6	39.56
A	500,000– 750,000	1,325	845.35	20	1.5	42.27
B+	300,000– 500,000	2,612	1,666.45	30	1.1	55.55

* Fred Y. Presley, *op. cit.*

to firms circularized, followed practically the same course as the test campaign. The results of the second campaign are given in Exhibit 2.

In order to measure the effects of the type of industry upon the responsiveness of that industry to sales effort, the percentage of subscribers to the total number circularized for each of the 27 leading industries was computed. These percentages, given in Exhibit 3, showed a considerable fluctuation in the degrees of responsiveness to sales effort as between industries.

EXHIBIT 3

Harvard Economic Service, Percentage of Number of Subscribers to Total Number Circularized, Classified by Industry and Wealth*

Industry	AA	A+	A	B+
All industries	19.9%	9.7%	7.8%	6.2%
Agricultural Machinery	15.7	0	0	0
Automobile Supplies and Accessories	13.1	11.0	4.5	0
Boots, Shoes, and Leather Goods	28.5	16.2	13.5	7.3
Clothing	21.1	28.6	14.3	6.2
Coal	11.0	0	3.7	11.0
Confectionery	15.0	14.3	0	0
Cotton and Linen Goods	17.9	11.5	13.2	8.2
Drugs and Chemicals	27.0	11.6	2.3	2.1
Dry Goods	28.4	7.7	10.6	8.5
Electrical Goods	41.6	16.6	40.0	11.1
Flour and Feed Mills	6.5	14.3	4.8	0
Food and Food Products	10.5	0	3.7	3.0
Foundry and Machine Shops	15.0	7.0	5.9	3.7
Furniture and Store Equipment	14.3	7.1	5.4	10.0
Hardware	20.0	0	7.4	0
Iron, Steel, Rolling Mills	30.6	20.0	5.6	7.7
Jewelry	20.8	0	15.4	0
Lumber	12.8	7.4	10.8	2.4
Mines and Quarries	21.9	0	0	4.1
Packing-house Products	7.4	0	0	7.7
Paints and Varnishes	18.5	12.5	10.0	9.5
Paper and Paper Products	32.6	16.2	6.7	16.3
Petroleum and Petroleum Products	16.2	0	11.7	6.2
Publishers and Printers	29.3	10.3	6.1	7.5
Rubber Goods	36.4	0	11.1	16.2
Silk	42.9	14.3	8.3	18.2
Wool, Worsted, and Felt Goods	31.6	23.8	21.2	30.8

* Fred Y. Presley, *op. cit.*

The percentage of subscriptions to prospects for combined industries ranged from 19.9% of the AA group to 6.2% of the B+ group. It followed then that the figure of 6.2%, characteristic of the B+ group, was the approximate flagging point for individual industries because all industries had been subjected to equal sales pressure. The figure of 6.2% represented the cost of from $40 to $60 per subscription. It could, therefore, be assumed with reasonable assurance that a level of 5% for individual industries would still keep the sales costs within economic limits. It was clear from this analysis that the productive limits of the market in this industrial group varied with the industry. In other words, each industry had its own specific market range and it was necessary to determine this range in order to secure maximum results at a minimum expenditure. Fred Y. Presley, *op. cit.*

After corrections had been made for the resistance exerted by the size of the concern and the nature of the industry, uniform results could have been expected from sales efforts, provided that geographical location exerted no influence. For example, in the absence of geographical influence, it could have been concluded that equal sales effort applied to 100 boot and shoe manufacturers located in New England and to 100 boot and shoe manufacturers located in the East-South-Central states, all of the same estimated wealth, would have produced the same sales results. Since the number of subscribers was not large enough to provide an adequate sample for determining the influence of location for each individual industry, this force was measured (Exhibit 4) with approximate accuracy by an analysis of subscribers and prospects for all the industries combined.

This table represented the percentage of subscribers to total AA to B+ prospects in each of the sections of the country. Inasmuch as the largest and most responsive industries were located in the East, while the smaller and less responsive industries pre-

EXHIBIT 4
Harvard Economic Service, Percentage of Subscribers to Prospects, Classified According to Sections of the United States*

Region	Percentage of Subscribers to Prospects in Groups AA, A+, A, and B+
New England	24.8%
Middle Atlantic	11.9
East-North-Central	11.0
South Atlantic	9.5
West-North-Central	8.3
East-South-Central	7.3
West-South-Central	7.1
Pacific	4.4

* Fred Y. Presley, *op cit.*

dominated in the Far West, this table would not represent true geographical resistance. It would, however, indicate that sales resistance was less in New England and the Middle Atlantic and East-North-Central states than in the South, the Middle West, and on the Pacific Coast.

Inasmuch as the Harvard Economic Service had established sales offices with sales staffs in several of the principal cities in

the United States, the executives desired to determine the relation of the size of the city to sales responsiveness. The executives had believed that the efforts of the salesforce, whose time was spent chiefly in following up inquiries, could be most economically employed if confined to the leading centers only. Therefore, inquiries from the outlying districts had been followed up by mail. The tabulation of the percentage of subscriptions to the total number circularized showed that the degree of responsiveness to sales effort increased almost steadily with a decrease in the size of the cities. This finding caused the executives to reverse their policy of confining personal sales efforts to the large centers and to cover outlying districts by personal solicitation.

In order to measure the effect of the official capacity of an individual on his responsiveness to solicitation, the subscriptions in the test campaign of March 22 were classified on the basis of the official capacity of the individuals who signed the order blanks.

EXHIBIT 5

Harvard Economic Service, Classification of Subscriptions According to Position of Subscriber*

Position of Subscriber	Number of Subscriptions	Percentage
President	65	47
Treasurer	33	24
Vice President	18	13
Secretary	14	10
General Manager	8	6
Total	138	100

* Fred Y. Presley, *op. cit.*

Exhibit 5 shows that the subscriptions of presidents and treasurers were 71% of the total subscriptions secured, although these two positions represented only 50% of the entire list circularized.

Although the analysis of subscriptions received by the Harvard Economic Service as a result of the direct-mail campaign had shown definitely the limits within which it was profitable to conduct such a campaign, the executives believed that among less wealthy companies there were scattered prospects who could be economically solicited by some other method. The executives were faced with the problem of selecting these worth-while pros-

pects, at the same time keeping the sales cost within economical limits.

In order to accomplish this, 5,860 manufacturers and distributors were selected on the basis of the results indicating the industry that could be solicited most profitably. These firms were located in the New England, the Middle Atlantic, and the East-North-Central states. To these firms was sent a printed anouncement which read as follows:

DEAR SIR:

The Harvard University Committee on Economic Research will present in its report of June 5 an analysis of the situation in which we find ourselves today, including a forecast of the probable course of business during the coming six months. We shall be glad to send you upon request a copy of this report for which there will be no charge.

Very truly yours,

HARVARD UNIVERSITY COMMITTEE ON ECONOMIC RESEARCH

THURSTON P. BLODGETT, Business Manager

Because this announcement exerted no sales effort, the executives believed that any inquiries received would be from only those prospects sufficiently interested to warrant special sales efforts. Since this announcement could be mailed at a low cost, the method represented an economical means for selecting such prospects.

One thousand three hundred and forty-five inquiries were received from this announcement. To these inquirers was directed a direct-mail campaign similar to the second sales campaign. Nine subscriptions were secured at a total cost of $423.63. This figure represented a subscription cost per sale of $47.07, which was only slightly more than the median figure for the market selected on the basis of wealth.

What were the important factors determining the relative suitability of the various markets for advertising and sales-promotion efforts?

SECTION II

APPRAISAL OF OPPORTUNITIES PROFITABLY TO EMPLOY ADVERTISING TO STIMULATE SELECTIVE DEMAND

PURPOSES OF SECTION:

1. To show the need of proper merchandising preceding marketing and advertising for selective demand; to estimate a product's ability to meet consumers' needs as compared with competing products and consumer expectations.

2. To show the importance of individualizing the product.

3. To show the need of estimating the extent of the market and the strength of competition.

4. To show the need of a study of consumer buying motives and habits as they may affect the opportunity of building selective demand.

5. To show the need of determining conditions under which to direct approach primarily to the trade to get selective demand.

6. A study of advertising approaches for fabricating parts and materials.

7. To study the objectives set up for advertising and the ways in which it is used, with special reference to advertising aiming to stimulate direct action of consumers as contrasted with advertising seeking indirect action.

SUGGESTED READING

COPELAND, *Principles of Merchandising*, Chaps VI–VII

GUNDLACH, "Coupons in Advertising," 19 articles appearing weekly in *Printers' Ink*, from November 19, 1936, through April 1, 1937

HARVARD BUSINESS REVIEW, *Consumer Advertising of Fabricating Materials*, Vol V, p 350

HOPKINS, *My Life in Advertising*, Chaps. VII–XV.

———, *Scientific Advertising*, Chap. XII.

HOTCHKISS AND FRANKEN, *The Measurement of Advertising Effects*, Chaps. I–VIII.

KLEPPNER, *Advertising Procedure*, Chap XXI

STRONG, *Psychology of Selling and Advertising*, Chap. V.

WOOLF, *Writing Advertising*, Chaps. IV–VII.

1. THE EXPELLO CORPORATION

ADVERTISING TO INTRODUCE A NEW CLEANSER

In August, 1934, it became necessary for the president of The Expello Corporation to decide what procedure to adopt for marketing the company's unique patented cleansing preparation, Elf Cleaner.

Elf Cleaner had been brought on the market early in 1933 by The Expello Corporation of Dover, New Hampshire. As a result of repeated tests, the president of the company was certain that Elf Cleaner was the equal or superior of any other preparation for cleaning glass, porcelain, tile, and similar surfaces. He thought that the retail price of 15 cents was reasonable and well within the competitive range. The product appeared to be more convenient to use than any cleaning powder. It had been favorably appraised by a number of grocery wholesalers and by several chain store buyers and had been tested and approved by the Good Housekeeping Institute. In spite of these facts, the volume of retail sales had been disappointing. Advertising campaigns carried on between January and July, 1934, in Boston, Springfield, and Hartford, supported by active missionary sales work among retail stores, had been uniformly unsuccessful.

The Expello Corporation had been organized in 1928 to manufacture and distribute Expello, a preparation for destroying moth worms. The sales manager, who had been a leader in the formation of the company, had had more than 20 years' experience in the marketing of grocery specialties, particularly in selling condensed and evaporated milk, soaps, and cleansers. The capital, which appeared to be ample for a small company, was supplied by the sales manager, the president, and the treasurer.

Although the experience of most manufacturers of insecticides indicated that a large part of their business was concentrated in the four months of May, June, July, and August, it was well known that moths were active the year round and should be guarded against by the housewife. The officers of the company, therefore, believed that it would be possible to sell Expello throughout the

year. It soon became apparent, however, that the company was too small to change an established consumer buying habit. More than 75% of its sales were made in the short four months' season.

In introducing Expello to the trade, the sales manager first attempted to sell directly to retail druggists in the eastern part of the country. He and six salesmen covered this territory by automobile in the effort to secure wide distribution for the product. The salesmen were paid straight salaries plus expenses. Although a reasonably large volume of sales was made in this way, the repeat business was very small and a number of potential outlets for Expello had not been reached.

In 1929, the use of salesmen was abandoned and the officers decided to sell Expello through merchandise brokers in the drug trade. Six merchandise brokers or manufacturers' selling agents were secured whose selling activities would cover the entire country, each one being assured of exclusive selling rights in a defined territory. The merchandise brokers were paid commissions ranging from 10% of sales in the East to 15% of sales in the Far West. Within two years Expello was being sold by the merchandise brokers to over 200 wholesale druggists and 400 department stores, as well as to a number of variety chain stores. After suffering losses for two years, the company was put on a profitable basis, with an annual sales volume in excess of $200,000.

In 1932, the sales manager assumed complete control of The Expello Corporation. He had been dissatisfied for some time with the pronounced seasonal fluctuation in the company's sales and devoted himself to finding a product which would balance the company's business by giving it year-round sales. His experience in the marketing of soap and lye was called upon in the development of Elf Cleaner. The product as finally evolved was unique and patents were granted upon it by the United States Patent Office.

Elf Cleaner was a sponge rubber holder containing a cleaning powder. When wet, the powder was converted into a paste which oozed out through a porous side on one surface of the holder. In using Elf Cleaner, the holder was twisted or compressed in the hands, completely submerged in water and then released, allowing water to be absorbed. Elf Cleaner could be used for cleaning mirrors, windows, bathtubs, and all porcelain and tile surfaces,

by simply making two or three film marks on the surface to be cleaned and, while still wet, rubbing over the entire surface with a dry cloth. In a few seconds a surface could be made entirely dry and clean. Ordinarily sufficient moisture was retained within the holder to make frequent dipping unnecessary. If the sponge surface became soiled, it could be easily cleaned by holding it under running water and rubbing it slightly with the fingers. Sufficient powder was contained in each holder to clean 1,000 windows.

Total manufacturing costs for Elf Cleaner were approximately 4 cents a unit, and the suggested retail selling price was 10 cents.

The new president of The Expello Corporation believed that Elf Cleaner could best be sold through grocery stores, since they were the usual distributing outlets for a wide variety of cleaning preparations. Relying on his many acquaintances in the wholesale grocery field, in the spring of 1933 he went to the annual convention of the Food Brokers' Association in Chicago. There he assembled 40 of the country's leading grocery brokers, set up his display material, and demonstrated the product in use. The gathering was almost unanimous in agreeing that Elf Cleaner was a unique product and a desirable addition to cleaning preparations then on the market. The president sold 250,000 units to the wholesalers at that time. He also attempted to induce buyers for grocery chains to purchase Elf Cleaner; but though he offered to give one free carton for every store in any chain that placed an order, he was unable to make substantial sales. No advertising had been undertaken for Elf Cleaner, and none was planned until adequate retail distribution should have been secured. Within a few months, however, it became evident that retail sales were extremely unsatisfactory, despite the attractive display material which was available for use on counters.

Comments of retailers and wholesalers indicated that the chief reason for the failure of consumers to purchase Elf Cleaner was their lack of familiarity with a product of its type. Most women who saw it in use immediately wanted to purchase it; but, without demonstration, they were suspicious and unwilling to buy.

To test this reasoning, the president of the corporation took a booth at the Eastern States Exposition in Boston in 1933, and, with the assistance of two young women, demonstrated Elf Cleaner

in actual use. A very large volume of sales was secured within two or three days.

After consulting an advertising agency, he decided late in the fall of 1933 to carry on test advertising campaigns in Boston, Hartford, and Springfield. It was believed that copy of an educational character, describing the construction of Elf Cleaner and its efficiency in use, would arouse consumer interest. Manufacturing costs had increased to 5 cents a unit because of a rise in the price of rubber. The retail price was moved from 10 cents

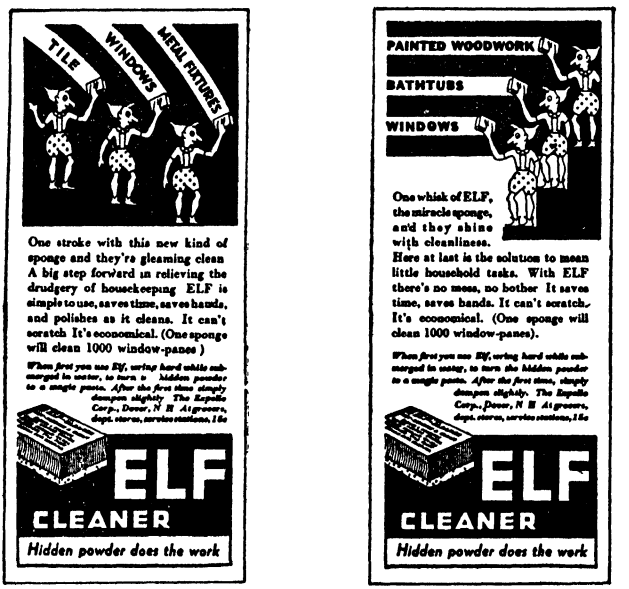

Exhibit 1: Examples of Advertising of The Expello Corporation.

to 15 cents in order to provide a margin for promotional expense. At an approximate cost of $7,000, 70-line advertisements were placed twice weekly for the 26 weeks between January and July, 1934, in newspapers in Boston, Hartford, and Springfield. The *Herald-Traveler*, morning and evening *Globe*, and *Post* were used in Boston; the *Union*, *Republican*, and *News* in Springfield; and the *Times* in Hartford. Two advertisements from the series are reproduced in Exhibit 1.

During the test period, missionary sales work among retail grocery stores in the three cities was carried on by the president, with the assistance of two salesmen who, driving their own cars,

went from store to store demonstrating and selling Elf Cleaner, and collecting payment at the same time. The salesmen called attention to the advertising campaign and were successful in interesting a number of independent grocers. Sales were made to more than 700 independent retail grocers in the Boston area alone. At the same time the president approached buyers for the three leading chain store organizations in the territory. Despite his offer of one free carton for each store in the chain, the buyers refused to purchase Elf Cleaner until a satisfactory consumer response had been aroused. He did succeed in making sales to one small local chain in Springfield, as well as to several small voluntary chains in the three markets. The president did not plan to use wholesalers to distribute Elf Cleaner until the product had been widely accepted by consumers.

Several women were employed as demonstrators in scattered retail grocery stores. They were paid salaries ranging from $15 to $20 a week. Sales in demonstration stores were extremely satisfactory. In all other stores, Elf Cleaner sold in small quantities, but repeat business was almost nonexistent.

Total selling and promotional expense, including advertising, for the six months' period was approximately $10,000, while sales amounted to only $5,000. In July, the president was convinced that advertising would be ineffectual in inducing consumers to purchase Elf Cleaner. The company did not have sufficient funds to attempt to use large space advertisements, nor was it possible even for the demonstrators to sell enough units to pay for the expense of maintaining them. Still convinced that Elf Cleaner was completely satisfactory in use, reasonably priced, and convenient, with the personal testimony of many housewives that they preferred Elf Cleaner to other cleaning preparations, the president was at a loss how to proceed.

Two possible sales channels had been offered to him. The first was an organization in St. Louis which employed more than 5,000 house-to-house salesmen to market several house-cleaning specialties throughout the country. It offered to include Elf Cleaner in its line if the retail price could be raised to 25 cents and if it could place its own name on the product. It would pay The Expello Corporation 7½ cents a unit and estimated that approximately 200,000 units would be sold in 1935. The house-to-house selling agent would receive a commission of 12½ cents

per unit, the district manager 2½ cents per unit, and the balance of 2½ cents would be retained by the home organization.

Another possible sales channel was a leading oil company which proposed to sell Elf Cleaner under its own name at all its service stations. The cleaner would be used by station employees in cleaning windshields and would be sold to any drivers who could be interested. This company also proposed to fix the retail price at 25 cents a unit and agreed to pay The Expello Corporation 7½ cents a unit.

2. SUCROSA SUGAR REFINING COMPANY

ADVERTISING PACKAGED SUGAR

Early in 1936 the sales manager of the Sucrosa Sugar Refining Company urged the president to give serious consideration to a proposal to initiate a program of consumer advertising designed to promote the sales of Sucrosa packaged sugar. The plan contemplated the expenditure of approximately $30,000 for small space insertions of a name-display and reminder type in more than 50 newspapers in the New England and North Atlantic states, the area in which the company sold most of its products. Although several leading competitors, including the manufacturers of the well-known Domino and Jack Frost brands of sugar, had been consistent advertisers for a number of years, the executives of the Sucrosa Sugar Refining Company had never advertised their product to consumers.

Of the sugar consumed in the United States in 1933 approximately 28% was beet sugar and 72% cane sugar. The United States production and importation of sugar between 1927 and 1933 is shown in Exhibit 1.

The plant of the Sucrosa Sugar Refining Company was located in New York on the Hudson River. The company refined in 1935 approximately 5% of the total cane sugar produced by American refineries. Ninety per cent of the Sucrosa production was consumed in the North Atlantic and New England states. The company sold two-thirds of its production to wholesalers and chain store companies and one-third to industrial users, such as confectioners, bakers, ice cream manufacturers, and soft drink

manufacturers. In 1935 approximately 14% of the company's total production was sold in packages under the Sucrosa brand. The relation of sales of packaged sugar to the company's total sales had remained relatively stable for more than 10 years, increasing only from 12% in 1923 to 14% in 1935. During the same period the company's proportion of total United States production of refined sugar, which had grown from 1% in 1911 to 5% in 1923, had been unchanged at 5%. Exhibit 2 shows the company's production of sugar from 1924 to 1935. The proportion of total production sold to different users had also remained constant throughout the period, 12% to 14% annually being sold in packages, and 86% to 88% in bulk. Approximately 33% was sold in bulk form to manufacturers and 53% in bulk form to wholesalers. Of total sales to customers of retail stores, approximately 26.5% was in package form. In contrast to this figure, the 1929 annual report of the American Sugar Refining Company indicated that 50% of its sugar sold eventually to householders was in package form under either the Domino or the Franklin trade-mark.

The six salesmen of the Sucrosa Sugar Refining Company spent 90% of their time in the sales office keeping customers informed of market changes by telephone and correspondence. The larger purchasers came into the office to obtain information and to place orders, while the small ones usually placed orders by telephone, telegraph, or correspondence. Occasionally salesmen visited wholesalers and manufacturers for the purpose of establishing better relations. Some orders were received in this way. Price changes made by any one American refiner generally were met by competing refiners within a few hours. As a result, sales in the sugar trade depended largely upon the personal relations between salesmen and customers and upon the service given.

Customers were allowed to place orders 30 days before delivery and were billed at the market price when the orders were placed. Wholesalers frequently sold sugar to retailers at the billed price to themselves, taking only the 2% cash discount allowed by the manufacturer. Retailers usually took a small margin on sugar. Ordinarily both wholesalers and retailers estimated that they sold the item at a net loss.

Prior to 1911, sugar had been sold in bulk only. The cane sugar of one refinery generally was indistinguishable in quality from that of any other refinery. The margin of profit for refineries

was small. Occasionally competition and fluctuations in the price of raw sugar destroyed the profit altogether. None of the refiners conducted consumer advertising for bulk sugar.

In 1911 the American Sugar Refining Company had begun to sell sugar in one-pound, two-pound, and five-pound packages under

EXHIBIT 1

Beet Sugar, Cane Sugar Grown and Processed in Louisiana, and Cane Sugar Refined from Imported Raw Cane Sugar, 1927–1933

	1927	1929	1931	1933
	(Tons)			
Beet Sugar	893,215	1,068,285	1,155,712	1,626,000
Cane Sugar Grown and Refined	56,492	179,839	176,371	237,000
Cane Sugar Imported and Refined	5,128,082	5,115,308	4,429,799	3,938,000
Total	6,077,789	6,363,432	5,761,882	5,801,000
	(Value—Dollars)			
Beet Sugar	$ 98,584,598	$100,767,031	$ 81,812,489	$121,171,000
Cane Sugar Grown and Refined	5,115,169	13,749,995	11,704,364	15,281,000
Cane Sugar Imported and Refined ...	593,619,905	502,404,004	392,198,985	334,441,000
Total	$697,319,672	$616,921,030	$485,715,838	$470,893,000

Source: *Census of Manufactures.*

EXHIBIT 2

Sucrosa Sugar Refining Company, Refinery Production of Sugar

(Pounds)

Year	Production
1924	315,707,177
1925	406,484,641
1926	407,705,473
1927	347,046,217
1928	361,120,180
1929	354,282,591
1930	401,134,645
1931	399,399,830
1932	397,635,189
1933	391,319,495
1934	381,279,871
1935	481,259,211

the trade name "Domino." This policy had been followed by other large sugar companies including the Sucrosa Sugar Refining Company. Coincident with the introduction of packaged sugar, the American Sugar Refining Company had initiated a campaign of national advertising to develop its Domino brand of packaged sugar. It also marketed and advertised its cane syrup with this brand. The executives of the Sucrosa Sugar Company, how-

ever, like several other refiners, had decided not to advertise to consumers.

Refiners sold sugar on the basis of 100-pound bags. With the development of trade-marked packages, they had adopted the policy of charging a differential of 40 cents per 100 pounds on sugar in packages. When this differential had been introduced, the companies had expected that it would cover the cost of packaging, but by 1923 they had discovered that, while it did cover the direct cost of packaging, it did not absorb the extra overhead cost. In 1924 consequently the differential had been increased to 60 cents per 100 pounds, which was sufficient to cover both the overhead cost and the direct cost of packaging. Consumers appeared to be unwilling to pay a differential of much more than ½ cent a pound for sugar in packages. The executives of the Sucrosa Sugar Refining Company had considered in 1925 the advisability of an appropriation to advertise packaged sugar to consumers in a manner similar to that of the American Sugar Refining Company, but the proposal had been rejected. In the opinion of the management the sales of packaged sugar did not offer a margin of profit sufficient to justify such an expenditure, since the gross margin on packaged sugar was not greater than on bulk sugar. When similar suggestions had been made from time to time in the following years, they had been regularly rejected, although the company had participated in the cooperative educational campaign sponsored by the Sugar Institute between 1928 and 1930 in the effort to combat the anti-sugar propaganda then being actively circulated. The president of the Sucrosa Sugar Refining Company felt certain that despite the advertising expenditures of competitors[1] their sugar could not command a higher price from consumers than the packaged sugar sold under the Sucrosa brand.

[1] In May, 1936, advertising trade papers reported the advertising plans of two large sugar refineries for their spring and summer campaigns The National Sugar Refining Company, of New Jersey, was reported to have begun a series of recipe advertisements in 60 newspapers in 35 cities, to run until the following December. Recipes called for a "fine grain, quick-dissolving sugar" in a Jack Frost package, which was featured In trade journals concurrently the National Sugar Refining Company featured a plan of related selling, whereby grocers might make multiple sales by displaying Jack Frost sugar alongside ingredients for cakes, cookies, and the like.

The American Sugar Refining Company, with its Domino brand, was reported to have inaugurated a campaign of small triweekly newspaper advertisements attacking sugar made by cheap colonial labor, and stressing the cleanliness of American refined sugars, the convenience of American packages, and the desirability of supporting United States labor and industry.

3. MORTON SALT COMPANY[1]

ADVERTISING OF SALT

The Morton Salt Company, of Chicago, produced table salt, bakers' salt, cheese salt, ice cream salt, block salt for live stock, and salt for industrial use. In 1912 the company sought a means of individualizing its products in a highly competitive field where there was little choice between brands. Although salt was used universally, it was purchased without brand discrimination because all first-class brands were substantially the same. Generally, table salt for household use was bought in five-pound bags for 5¢ or in other quantities which the grocer put up from bulk salt purchased in barrels.

It occurred to the company that its products could be individualized if its table salt could be made so that it would not cake or harden during damp weather. Since consumers were familiar with the tendency of salt to stick in the salt shaker, executives thought that the company would have an individualizing advertising appeal if it could overcome this difficulty. Accordingly, the company, after experimentation, found that salt could be made impervious to moisture by "dusting" it with ordinary baking soda. The dusting process, however, was found to be simplified and more efficient if salt was produced in cubical crystals rather than in the usual irregular flakes; therefore, the company changed its manufacturing process so that it could produce cubical salt crystals.

Having perfected its product, the Morton Salt Company began general advertising in women's magazines to impress consumers with the free-running qualities of Morton table salt. The company desired also to have the name "Morton" become so well-known that it would become synonymous with salt and cause buyers to think of "Morton" as a matter of course when salt was needed for any purpose. A special moisture proof, two-pound cylindrical container, which was fitted with a patented aluminum spout for pouring salt, was developed to further individualize the table salt. On its outside were printed the slogans, "Never Cakes or Hardens" and "It Pours." Eventually the

[1] Written from information in *Printers' Ink*, April 12, 1925, p 101; *Sales Management*, May, 1926, p. 864; and annual editions of *National Markets and National Advertising*, The Crowell Publishing Company.

slogan, "When It Rains It Pours," was developed after the advertising manager had seen an unusual photograph taken of the Wrigley Building in Chicago illuminated at night. The photograph suggested to him that photography might be used to depict the Wrigley Building as being in a rainstorm, and that Morton salt could be related to this photograph by showing that "When It Rains It Pours." A series of advertisements showing well-known buildings in leading cities was then inserted in magazines of national circulation. The advertisements consisted of the illustrated building, a prominent cut of the Morton package, a headline such as "In Detroit—40,000 Cooks Know When It Rains It Pours" or "600,000 Chicagoans Know That When It Rains It Pours," copy stressing the flavor and convenience of Morton salt, and three helpful hints on using salt. The company distributed copies of each advertisement to the retailers in the city to which it referred, so that they could display them during rainstorms and thereby make the advertising more impressive. The magazine advertising expenditure for six years previous to 1923 is shown in Exhibit 1; the annual expenditure for magazine advertising from 1912 to 1916 was smaller than that for 1917.

EXHIBIT 1
Cost of Morton Salt Company Magazine Advertising, 1917–1922

Year	Amount	Year	Amount
1917	$15,984	1920	$45,650
1918	32,051	1921	90,559
1919	44,741	1922	87,000

The advertising gradually stimulated the sales of Morton packaged salt, and as sales materialized the advertising was increased. During the first years of the advertising campaign, the task was primarily educational, since people were used to buying unidentified salt. There was some sales resistance also because the packaged salt sold for 10¢, whereas salt in bags could be purchased for 5¢. The public, however, slowly began to recognize the advantages of free-running salt so that they expressed a preference for Morton salt. In a chain of self-service stores in Memphis, for example, it was found, after several years of national advertising by the Morton Salt Company, that, in spite of the fact that Mor-

ton salt was priced 2¢ higher than other packaged salt on shelves beside it, 5.75 packages of Morton salt were sold to every one of other brands. This preference for Morton salt the company attributed to national advertising and the willingness of the public to pay a little more for a product whose quality they knew was high than for a product of unknown quality.

The company found also that the sales of the advertised packaged salt, which were only 12 to 15% of the company's total sales in tons, aided in the distribution of the company's other products. The company maintained a sales organization of 16 branch offices and 275 salesmen. Distribution to retailers and industrial users was effected principally through wholesalers, although in cities like Chicago and St. Louis, where the company had warehouses, the salesmen sold directly to retailers and manufacturing companies. The salesmen generally sold all the Morton products; a few specialty salesmen were employed, however, in certain territories, such as Battle Creek, Michigan, where one salesman called on the food manufacturers of that city, and the state of Wisconsin, where a salesman specialized in sales to creameries. Wholesalers, the company found, wanted the free-running table salt and, since the freight rates on small quantities of table salt were very high, it was to the wholesalers' advantage to place orders for the other kinds of salt also so that the total order would be sufficiently large to secure lower freight rates. The company, therefore, instructed its salesmen to devote practically all their sales effort to the high-grade packaged salt, since sales of the other products would naturally follow.

In 1923 the Morton Salt Company introduced "Iodized" salt at the suggestion of health authorities and medical organizations who had discovered that an insufficient amount of iodine in the body was a cause of goiter. These authorities concluded that, since salt was the article of food most universally used, this condition could be corrected by putting in salt a small amount of iodine, 1 part of iodine to 5,000 parts of salt, so that the product would be 0.02% iodine. The Morton Salt Company started production of salt with this proportion of iodine, but it anticipated considerable resistance to the sale of Iodized salt since iodine was commonly considered a poison which was suitable for external use only, and, even in the smallest quantities, was not accepted as a food.

The advertising campaign for Iodized salt was designed to educate the public to the use of iodine as an aid to health and to dispel the popular prejudice against iodine as a food. The company published booklets describing the cause of goiter, the results of medical investigations, and the remedy found in the judicious use of iodine. The booklets were distributed to consumers by the retailers who stocked Morton salt. The Iodized salt was packed in a container very similar to the well-known one which had been used for the free-running salt and was advertised also under the slogan, "When It Rains It Pours." The magazine advertising, which was 60% of the total advertising appropriation that year, was over $100,000; part of this advertising carried the message about Iodized salt. The national advertising was backed by strenuous sales efforts and local campaigns in which the company induced retailers to have window displays of the new packaged product. The magazine advertising in three years following 1923 averaged about $90,000 a year.

The Iodized salt advertising was reported as very successful; the new product was accepted almost immediately. By 1926 the sales of Iodized salt had passed those of the plain table salt. The company believed that the success of Iodized salt could be attributed to the high regard that had been established by the previous advertising of free-running salt. The public, it thought, quickly accepted the use of iodine as food but was unwilling to buy unknown brands of Iodized salt through fear that the product might not be properly proportioned and mixed. These prejudices, however, were believed not to be held against Morton Iodized Salt, since the public recognized that this well-known company would not permit its reputation to be injured by advertising a product that was not perfect.

Contrast the case of the Morton Salt Company with that of the Sucrosa Sugar Company.

4. STRENGTH UNION COMPANY

ADVERTISING HEAVY PIPE UNIONS TO THE TRADE

The Strength Union Company, of New York, for over 15 years prior to 1926 had manufactured good-quality heavy pipe unions for use principally on high-pressure pipe lines. The unions were branded and had national distribution through steamfitters' and plumbers' supply houses. Through constant advertising in trade papers in the power, oil, and railroad industries, the company had established a brand identity which in many instances resulted in users' preference for or insistence upon the Strength unions. A subsidiary company, the Talbot Foundry Company, under the same management as the Strength Union Company, manufactured light weight unions for use in domestic plumbing and heating systems. Although these unions were branded as "No Equal" unions, the Talbot Foundry Company never had advertised. No Equal unions were sold entirely on a price basis and had practically no brand identity among users. In 1926 the officials of the Strength Union Company considered advertising No Equal unions in an attempt to secure brand discrimination on the part of consumers.

Strength unions, prior to 1915, had been in much the same competitive position as No Equal unions in 1926. The products of the Strength Union Company at that time had no established brand identity except in a few local instances and were sold largely on a price basis. The company had determined, however, on a policy of specialization in a few steamfitting specialties, such as heavy unions, elbows, and tees of good quality and durability, and had started to advertise these products in trade papers which reached engineers, steamfitters, and master plumbers in the power-station, railroad, and oil fields. These individuals usually were in a position to specify the make of pipe fitting to be used. In its advertising the company had stressed certain patented features of the union and certain other features of the construction which made Strength unions durable, reliable, and convenient for installation.

In addition to trade-paper advertising, the company, when it first introduced its product nationally, had circularized engineers and prospective users and had used missionary salesmen to visit steamfitters, contractors, and engineers. The trade-paper adver-

tisements had carried coupons by which interested persons could request a sample of the union and further information. In analyzing groups of return coupons on advertisements directed to the power field, the company learned that about 50% of the replies were from chief engineers and assistant engineers. After the Strength union had been advertised several years and had established an identity and national distribution, the company had discontinued the missionary salesmen and had omitted coupons from its advertisements. It continued to place full-page advertisements in leading trade papers in the power field and in the oil field. These advertisements continued to stress the same special features of unions and to tie in the Strength name with their reputation for quality. Since the company had succeeded in lifting Strength unions out of the staple class, price alone did not determine sales.

The Strength Union Company distributed its unions through selected steamfitters' and plumbers' supply houses. Usually two or more supply houses regularly carried stocks of Strength unions in each large city. These supply houses ordinarily did not carry stocks of competing brands of heavy unions, although they usually carried stocks of cheaper light weight unions for domestic piping. The Strength Union Company would sell to any supply house, but protected its selected distributors by quoting smaller discounts to those who did not carry stocks of Strength unions regularly. Three salesmen and one of the officials of the company visited supply houses throughout the United States. These salesmen did not have specified territories but were sent on trips planned at the home sales office. Their purpose was to take orders, to maintain cordial relations with the wholesale distributors, and to do some missionary work by calling on large contractors and users and encouraging them to order the Strength unions through the nearest supply house. Salesmen were able to visit each supply house only about once or twice a year. During the remainder of the year the selected supply houses sent in orders to replenish their supplies without solicitation by salesmen.

The Talbot Foundry Company manufactured only unions of lighter weight than the Strength unions. These unions were not adapted to high-pressure lines. The principal market for them was for use in domestic plumbing and heating installations and in all buildings where heating pipes, water pipes, or bathroom fixtures were used. The plumbing and heating contractors were

the purchasers of pipe fittings. They purchased from local plumbing supply houses. Building construction contractors or architects rarely specified a particular brand or make of fittings to be used. The heating or plumbing contractors themselves rarely had any preference in unions, since light weight unions were staple products and the price for a given size and weight was the principal consideration. The plumbing supply houses likewise purchased entirely on a price basis. The supply house might purchase a supply of one make and, as the stock became low, ask for prices from several manufacturers. It would purchase where it could get the best price and the best delivery. Thus, supply houses frequently had in their stocks several brands of light unions.

The Talbot Foundry Company had two salesmen who traveled out of New York and covered the northeastern and north central parts of the United States. They sometimes were sent on trips to other sections of the United States. These salesmen called upon most of the plumbing supply houses in the territories covered and usually visited each supply house three or four times a year. Most of the distribution of No Equal unions was in the northeastern and north central states, although the company had scattered sales throughout the United States. The No Equal salesmen were trained in making sales under price competition. Hence, they were in the habit of using in their selling work buying motives different from those used by the salesmen of Strength unions, who sold on a quality and specialty basis rather than on a price basis.

The three salesmen who sold Strength unions also spent a small portion of their time taking orders for No Equal unions. In most instances these salesmen sold to users and to supply houses other than those which stocked Strength unions. Supply houses in general were not aware that the Strength Union Company and the Talbot Foundry Company were under practically the same management. When the distributors of Strength unions inquired for cheaper light weight unions, the salesmen either would mention the relationship between the two companies and attempt to take the order, or they would notify the home office to make quotations on the possible sale. In general, however, the Strength Union Company attempted to keep the two lines of unions separate, so that the Strength Union Company's sales efforts could be maintained on a quality basis.

The annual sales of No Equal unions in number of unions totaled more than the sales of Strength unions. Since the prices of Strength unions ranged from two to three times as high as those of No Equal unions, however, the total dollar sales for Strength unions were about twice the total for No Equal unions. A certain size of Strength union, for example, might sell to the supply house for about 50¢, while the No Equal union of the same size would sell for about 21¢. The potential market for No Equal unions was much larger than the market for Strength unions, since the Strength unions were not applicable in many instances to domestic installations. The prevalence of price cutting by both manufacturers and supply houses in light weight unions had resulted, in 1925, in practically eliminating the profit of the Talbot Foundry Company. The company, because it owned its foundry, however, was able to meet competitors' prices.

The Strength Union Company, in 1926, planned to start advertising the No Equal union. It planned to direct the advertising to plumbing and heating contractors and plumbers and it expected that through advertising it could create brand recognition and could get plumbers to form the habit of asking for No Equal unions rather than merely for unions. The officials of the company did not expect that the advertising would create a preference which would counteract any material price differential from competing unions. They did expect, however, that, if the company continued approximately to meet competitors' prices, the recognition and preference for No Equal unions would result in an increased sales volume. The expected economies which would result from the increased volume probably would balance the cost of advertising.

The No Equal union had no patented features or outstanding special advantages over competing unions. The company, however, because it owned a foundry and because it manufactured only unions, could insure uniformity of material and workmanship. The company had somewhat higher standards of inspection to discover defective unions than did most competing companies. In its advertising the company planned to stress good material, good and accurate workmanship, good design, uniformity, and a strict inspection at the factory. The company planned to circularize selected lists of heating and plumbing contractors with form letters emphasizing the same points which the

trade paper advertising was to stress. Although the quality of competing unions and the frequency of defective unions varied, the company had no measure of how seriously supply houses and plumbers were concerned about the quality of light weight unions.

The company estimated that it could increase sales in No Equal unions about 33% through advertising and increased sales efforts during 1926. This would bring the total sales of No Equal unions for 1926 to about $585,000. Ordinarily the Strength Union Company had budgeted its total sales expense as 10% of sales. The total sales expense of the Talbot Foundry Company also had averaged about 10% of sales. In order to arrive at an advertising budget for 1926, the Talbot Foundry Company budgeted its total sales expense at 10% of the estimated 1926 sales. Since the company did not expect material increases over 1925 in the sales expenses other than advertising, the addition in sales budget caused by expected increased sales represented the amount that could be spent in advertising. Exhibit 1 shows the sales and advertising budgets for the Strength Union Company and the Talbot Foundry Company for 1926.

EXHIBIT 1
Estimated Sales and Advertising Budgets for the Strength Union Company and the Talbot Foundry Company for 1926

Item	Strength Union Company	Talbot Foundry Company
Trade-paper Advertising	$ 19,700	$ 6,500
Miscellaneous Advertising, Such as Catalogues and Circulars	13,600	10,100
Salaries, Commissions, and Traveling Expenses	26,200	22,900
Miscellaneous Sales Expenses*	37,900	18,600
Total Sales Expenses	$ 97,400	$ 58,100
Total Expected Sales	$910,000	$585,000

* This item included the freight and cartage.

The officials of the Strength Union Company decided to adopt the proposed budgets for 1926. The advertising for No Equal unions was to be carried on under the Talbot Foundry Company name without indicating the connection of that company with the Strength Union Company. The company planned to run full-page advertisements for a year in two trade papers in the plumbing industry. The distribution of circulation to the prin-

cipal types of readers, for example, of one of the papers which had a circulation of over 15,000 was 57% to plumbing and heating contractors, 17% to plumbing contractors, 3% to heating contractors, 12% to wholesalers and manufacturers, and 6% to salesmen and manufacturers' agents. The advertisements were to show a cut of the union with the No Equal name prominent. The texts to accompany the cut were to emphasize the good workmanship and other good qualities of the union and to appeal to the plumbing contractor to insure his reputation for good work by using No Equal unions. The texts also were to urge plumbers to ask for the unions from the supply house with which they traded.

Was the marketing and advertising program adopted for No Equal unions well conceived?

5. ROBBINS ROPE COMPANY

ADVERTISING BINDER TWINE TO FARMERS

In November, 1927, at a meeting of the executives of the Robbins Rope Company, the president questioned the advisability of continuing for another year the advertising campaign which had been initiated in November, 1926, to promote the sale of binder twine. Slightly more than $20,000 had been spent in advertising binder twine to consumers and approximately $10,000 in advertising to retailers during the months preceding the harvest season of 1927. Sales of binder twine in 1927 had increased over sales in 1926 by approximately 1,000,000 pounds, but the sales manager of the binder twine division stated that the results were not yet conclusive. Several other executives expressed doubt about the value of the campaign and suggested that the proposed $40,000 advertising program for 1928 be abandoned. The sales manager, however, urged the president to approve the proposed campaign, which bore a close resemblance to the program of the past year.

The Robbins Rope Company of Cleveland, Ohio, manufactured binder twine, rope, and other cordage products. Binder twine had always been a staple bulk commodity purchased by farmers solely on a price basis. The Robbins Rope Company had been an

important factor in the cordage industry for more than 50 years, and its binder twine was widely known under the Robbins name. The company made 85% of its binder twine sales to farmers in the Middle West. Distribution in that territory was secured through two selling agents, one located in Chicago and the other in Omaha. Although these selling organizations were not subsidiaries of the Robbins Rope Company, their relations with the company were virtually the same as if they were branch sales offices. The Omaha distributor sold only Robbins binder twine, but the Chicago organization also sold farm implements. The selling methods of both agencies were directed by the Robbins Rope Company. The remaining 15% of the company's output of binder twine was sold through farm implement wholesalers who covered the territory of the United States outside the Middle West.

Until 1926 the executives had never believed it worth while to attempt to secure any consumer specification, or even preference, for its particular make of binder twine. Most farmers regarded binder twine as merely a bulk product and purchased the cheapest they could find. The hardware and implement retailer, therefore, ordered his supply of twine without regard to particular makes. Although there were no brands of binder twine on the market, almost every manufacturer marked the ball or the bale with the name of his company. Binder twine had never been advertised to the consumer.

Several executives of the Robbins Rope Company believed that an advertising campaign would persuade consumers to ask for the company's twine by name. They decided in 1926 to make a study of the market for binder twine in order to determine if advertising might be feasible. By this survey they desired to obtain the following information from consumers and retailers of twine: (1) how much the farmer knew about binder twine; (2) how much he knew about the merit of various makes of twine; (3) when he decided to buy, and when he actually purchased. Besides seeking information on these points, they wished to find out the proper season of the year to advertise, the best media to use, what territories to cover, and what selling arguments to feature in the copy.

The survey confirmed the common opinion as to the attitude of most farmers; they considered binder twine a bulk commodity to be purchased on a price basis; they were only vaguely conscious

of different makes; and they waited to buy twine until harvest time. Questions asked the farmers, however, brought out the need of good quality in binder twine. An 8-pound ball, the unit in which most makes of binder twine were baled, might average only 420 to 440 feet to the pound, instead of the 500 feet to the pound which the ball was supposed to contain. Some makes of binder twine were full of knots and snarls and were of uneven strength; such a product of inferior quality caused the farmer considerable trouble in operating his harvesting machinery. Many makes, not sufficiently strong, frequently broke and wasted the farmer's time as well as his grain. The survey also brought out the fact that farmers in some sections were troubled by insects which ate the twine around the bundles, causing the grain to be scattered by the wind.

In the course of the preliminary study of field conditions, it was found that occasionally individual farmers or groups at grange meetings tested the strength and the length of twine. In a "milk-can test," milk cans were tied to a beam, with a different brand of binder twine for each can. The cans were then gradually filled with water, and the strongest twine held up the most quarts of water. In a "road test," balls of competing twines were unrolled to determine the lengths.

Ninety-eight per cent of the volume of the binder twine sales of the Robbins Rope Company was in two grades. Binder twine was graded according to the number of feet which it contained to the pound. Among consumers and retailers of binder twine, a grade of 500 feet to the pound was known as "Standard." At least three-quarters of all binder twine manufactured was produced in this grade and, in the case of the Robbins Rope Company, sales of Standard twine made up 82% of the company's total binder twine sales volume. The other 18% of sales was in a grade known as "600" and this twine ran 600 feet to the pound. Although twine which contained 600 feet to the pound was thinner than the Standard grade, it was made of better fiber and the lighter strands were slightly stronger than the Standard twine.

The annual production of binder twine in the United States as reported by the Census of Manufactures was 236,409,382 pounds in 1921, 239,800,117 pounds in 1923, and 233,660,642 pounds in 1925. The value of binder twine production f.o.b. Milwaukee or Chicago, as given by the Census of Manufactures, was $31,642,706

in 1921, $23,490,512 in 1923, and $29,248,770 in 1925. Not included in these figures were 55,567,795 pounds of binder twine manufactured in penal institutions in 1923 and 56,298,552 pounds in 1925. Prices for binder twine from 1920 through 1926, f.o.b. Milwaukee or Chicago, were as shown in the following table:

	500 Feet per Pound	600 Feet per Pound
1920	15 cents	18 cents
1921	14½ cents	17½ cents
1922	10 cents	12 cents
1923	10½ cents to 10¾ cents	12 to 12½ cents
1924	11¾ cents	13¼ cents
1925	13¾ cents	16 cents
1926	13¾ cents	16¼ to 16½ cents

Source: *Cordage Trade Journal*, November 5, 1925, p. 129.

Binder twines manufactured in penal institutions were regularly priced 1 cent to 2 cents per pound less. Variations between the prices set by different manufacturers of binder twine rarely occurred.

Retail prices of binder twine in 1926 were approximately 15 cents per pound for the Standard grade and 17 cents per pound for the 600 grade. In 1927 the usual retail price for Standard twine was 13 cents per pound and for the 600 grade, 15 cents per pound. In estimating the size of the potential market for binder twine, manufacturers usually included among the regular users approximately 2,700,000 farmers and estimated that the average farmer used approximately 100 pounds of binder twine each season. The executives of the Robbins Rope Company accepted these figures as fair estimates. On the sale of binder twine of both the Standard and the 600 grade, the Robbins Rope Company usually received a margin above manufacturing cost of from 1¾ cents to 2 cents a pound. Its total sales of binder twine in 1926 amounted to 35,000,000 pounds.

As a result of the survey, the executives determined in the fall of 1926 to undertake an advertising campaign directed to the farmer, centering about the advantages of using Robbins twine. The central theme of the advertisements was to be economy. "Robbins—the Six Point Binder Twine" was adopted as the slogan to appear in all the company's advertising for the purpose of impressing upon the reader's mind the six advantages of Robbins

binder twine which the company wished to emphasize. Each advertisement carried this list of advantages: (1) It's longer—full length to the pound as guaranteed on the tag. (2) It's stronger—less breaking, less wasted time, less wasted grain. (3) It's evener—no thick or thin spots—no "grief." (4) It's better wound—no tangling. (5) It's insect repelling—you can tell by its smell. (6) It's mistake proof—printed ball and instruction slip in every bale.

Twenty-two farm publications covering 22 states and with a combined circulation of 2,282,931 were chosen to carry the advertising to the consumer. State papers were selected rather than national media such as the *Country Gentleman* because consumption of binder twine was concentrated primarily in a few states and the executives believed that a large part of the circulation of national publications would be wasted.

A broadside, unusual in size and appearance, was laid out to tell the story of the advertising campaign to the salesmen of the company's selling agents and to retailers. This broadside was in the form of a large four-page folder in two colors with the front and back pages printed to imitate a ball of binder twine. The two inside pages of the folder presented the details of the campaign. On the left page were reproductions of the farm periodicals which were used. A statement of the 22 states covered was also included, and under each state was a list of its counties and figures showing the circulation of the papers in each county. In large red type was the caption: "Your customers read one or more of these papers. See for yourself how well the farmers in your own state and county will be covered by Robbins Binder Twine advertising." On the right-hand page of the folder was a summary of other details of the campaign. This contained a reproduction of one of the farm paper advertisements, a group of dealer help material, a description of the text used in the campaign, which included a statement of the six points forming the basis of all the company's sales arguments, and a coupon to send in for further information.

Although the company's investigation disclosed the fact that binder twine was not purchased until harvest time, the first advertisements, both to retailers and to farmers, appeared in November. In that way it was anticipated that the farmer would become conscious of Robbins twine a long while in advance of his need and during a season when he had more time to read. The advertising appeared every month in each farm paper until harvest

was over in the territory which it covered. The advertisements occupied approximately three-fourths of a page. Their distinguishing features were two illustrations. One depicted a smiling farmer holding up a ball of Robbins binder twine, with a bale of the twine a part of the picture. The other contained a smaller illustration of the milk-can test or the road test, copy set in the form of a message written "By a Thrifty Farmer," and a tabulated list of the six points, with the words of the caption and the name "Robbins" in bold display.

The illustration of the road test showed three men out on a country road, each holding the end of a piece of binder twine. One of the three men was further down the road than the others, and a heading in the picture near him read "Robbins' is longest." At the side of the illustration was this caption: "You can easily test Robbins length per pound against any other twine. Take a ball of Robbins and any twine of the same weight and tagged as being the same length per pound and unwind them down the road. Then measure the length. Robbins twine wins out—7% to 16% longer than cheaper twines."

The copy of each advertisement was indicated by the captions. The first advertisement was headed, "Counted the bundles and made a discovery worth money to all farmers"; the second, "Cheated myself—bought only on price—thought I was saving money"; the third, "Explodes the theory that one binder twine is just as good as another."

Five periodicals carried the story of binder twine to hardware, farm implement, and vehicle retailers. This campaign began with a two-page spread in the November issues, the outstanding features of which was the campaign to the farmer. Reproductions of the farm papers were used as a border design for the two-page display; a panel in the left-page margin read, "Which of these farm papers do your customers read?" and was followed by a list of them. Succeeding advertisements emphasized dealer helps offered by the company, such as mailing material to the customer, thus described in the copy: "Be sure to mail us your farmer prospect list early. We will send each one a letter and leaflet about Robbins, telling the prospect you sell Robbins—and enclosing a useful memorandum book." In response to requests received the Robbins Rope Company sent out between 200,000 and 250,000 of these letters to farmers, each accompanied with a

folder and paper memorandum book. This folder, like the dealer broadside, was made to resemble a ball of twine. It was much smaller than the broadside and when folded once it would fit a legal-size envelope.

The Robbins Rope Company had provided free dealer help service for its retailers for several years. Dealer helps were distributed by the salesmen of the company's selling agents. Salesmen had been expected to consult retailers on the service which they desired. Upon receiving a retailer's signed order for dealer helps, the company had sent out the material without charge. Display signs for inside and outside the retailer's store and letters to be mailed directly by the Robbins Rope Company to lists of farmers had been the services most commonly requested. Each year the company had sent out approximately 200,000 pieces of direct mail material.

6. MILTIADES PAPER COMPANY

PROMOTION FOR NEW, INDIVIDUALIZED PAPER

In February, 1934, the Miltiades Paper Company, owners of a small mill of approximately 25 tons daily capacity, located in upper New York State, approached a marketing consultant for advice regarding the marketing and promotion of a new type of bond paper, Easyrase Bond, which it had started to manufacture some months before. Although the company had found that typists liked the paper and expressed a preference for it, sales were disappointingly small.

The new paper permitted unusual ease in erasure of typewriting. A light rubbing with a pencil eraser completely removed typing ink. On the other hand, the paper was suitable for records by virtue of the fact that within 12 hours the typewriter ink was absorbed into the fiber of the paper, making erasures about as difficult as with ordinary paper. Easyrase Bond was the result of a newly patented process of coating paper with a certain material.

Since Easyrase Bond required an additional process the company found it necessary to charge 4 cents a pound more at the mill for this paper than for ordinary bond paper of similar weight and

rag content. At the time, the prevailing mill price for bond paper containing 25% rag was 12 cents a pound, while a mill price for Easyrase Bond was set at 16 cents. If the company were able to produce a considerable tonnage of Easyrase Bond, the price differential could be cut to 2 cents a pound. An additional cut in price could be made by reducing the rag content. A 10% rag-content paper surfaced with the material gave a feel and appearance equivalent to those of a 25% rag-content bond, and could be sold at a price equivalent to that of an ordinary 25% rag-content bond, provided volume were large. Since a 10% rag-content bond was not recognized by the American Writing Paper Association as a standard grade, it would not be ethical for the Miltiades Paper Company to sell it as a rag-content paper.

During the depression of 1930–1934 there had been a tendency for business firms to buy cheaper grades of letterhead paper than in the period preceding. Letterheads were most commonly printed on sulphite paper, which was available to quantity users from paper jobbers at approximately 11 cents a pound. Those desiring a better grade bought rag-content paper. In 1934, among rag papers, the greatest demand was for 25% rag content sold by the jobbers for 21 cents a pound. Many of those buying this grade of paper had formerly bought 50% rag-content paper, the market for which had decreased materially. While first-grade sulphite bond was suitable for letterheads, the surface, color, and life of rag papers were superior, and many business organizations preferred to use these better grades of paper for their more important correspondence. Since the Easyrase process involved putting an additional surface on the paper, there was some question whether a rag content was necessary.

The wholesalers' prices for Easyrase bond included a differential above the corresponding 25% rag-content paper, made necessary by the higher mill price.

The Miltiades Paper Company had induced several jobbers and several lithographing and printing firms which specialized in letterheads to take on Easyrase Bond. Although these paper wholesalers and letterhead and printing firms had been enthusiastic about its qualities, they failed to sell it in considerable quantities. They reported that stenographers almost invariably liked the paper. The easy erasure resulted in time saving and permitted neat work because the texture of the paper was not marred.

Purchasing agents, however, did not appear to be greatly influenced by the preferences of stenographers. Their purchasing seemed to be guided by the desire to get a good-looking paper at the lowest price possible. Although ease of erasing was one of the qualities that was looked for in papers and had been stressed by paper manufacturers, the purchasing agents apparently were not willing to pay a price differential for this characteristic.

Amateur typists, who made more erasures than did trained stenographers, were found to be particularly enthusiastic about the new paper when its advantages were called to their attention. While the so-called amateur typists' market was small as compared with the industrial market, it was of some consequence, particularly among college students. The prices charged by retail stationers at this time for a ream of various bond papers of standard size, 8½ by 11 inches, were approximately as follows:

Easyrase Bond	$1.50 to $1.75
25% Rag-Content Bond	1.00 to 1.25
First-Class Sulphite Bond	0.75

A limited survey among users indicated minor difficulties with the paper. If a too heavily inked typewriter ribbon was used there was a tendency for the paper to smudge. This difficulty was entirely obviated, however, when a normally inked ribbon was used. Moreover, some buyers did not like the appearance of the paper, which was made distinctive by the surfacing materials; on the other hand, others professed a preference for the finish.

When executives of the Miltiades company approached the marketing consultant, little had been done in the way of special packaging of Easyrase Bond. It was made available only in reams, and the package did not tell the story of the erasable qualities. In addition, amateur typists, wanting small quantities, had to ask the dealer to break a ream.

Up to this time Easyrase Bond had not been advertised either to paper users or to the trade; the company had relied upon its small salesforce, the jobbers, and the letterhead specialists to carry the story of the new paper to users and to the trade. Since the jobbers handled the papers of a number of manufacturers and sold many sizes, grades, and colors, they could not be depended upon to devote any considerable effort to the promotion of the new paper. One of the letterhead companies which had become enthusiastic about Easyrase Bond sold larger quantities than any

other customer, stating that the novelty of the paper gave its salesmen a good means for catching the attention and interest of customers. Even though they might not sell the new Easyrase Bond, they were given an opportunity through it to present other items in the line.

The channels of distribution for paper of this kind were not clear-cut. Some business organizations bought several tons of such paper at a time from paper jobbers and had their letterheads printed. Other industrial buyers purchased their letterheads through printers or lithographers, who, if large, bought some of their requirement from the mill, although a large majority of printers purchased from paper jobbers. Amateur typists ordinarily bought their paper from stationers, who in turn secured their supplies from paper jobbers. The Miltiades Paper Company's sales were for the most part limited to paper jobbers, although some sales were made direct to a few large printers of letterheads.

The company employed a salesforce of five men who operated as far west as Chicago. Such of their time as was not needed in working with selected paper wholesalers who handled the company's products was devoted to missionary work among large buyers of paper, such as printers and the purchasing agents and office managers of large industrial organizations.

The company put its own watermark on the greater part of the paper it sold, although it used private marks when large contract buyers so specified. Its marks were known to paper jobbers, stationers, printers, and many industrial buyers. The company had carried on a limited amount of mail advertising for its papers among printers and executives responsible for paper purchases in large industrial organizations. Paper prices in 1934, however, were so low that little margin was available for extensive promotional work. The amount of advertising conducted by paper manufacturers generally had been materially decreased for several years.

What promotional program should have been undertaken by the Miltiades Paper Company for its Easyrase Bond?

7. LYDIA E. PINKHAM MEDICINE COMPANY

ADVERTISING FOR A PROPRIETARY REMEDY

The table on page 104 taken from *Editor & Publisher* for December 5, 1936, is a report of the sales, advertising, and profits of the Lydia E. Pinkham Medicine Company.

This information was made available in the report of a master appointed by a Massachusetts court to take evidence in a suit between two factions within this company. It was reported that as a result of the controversy the advertising expenditures from August, 1935, to October, 1936, were virtually stopped.[1] The master's report stated in part: "All costs apart from advertising have amounted and now amount to about 30 per cent of the gross sales." Reports from the trade stated that the company in selling to drug wholesalers and to retailers employed no salesforce.[2]

In its report, *Editor & Publisher* said in part: "The Pinkham record of sales and profits during the depression is one that many a company could envy, and the profitable use of a 48.6 percentage on advertising sets a mark that space salesmen may take pleasure in describing to the 3-percenters they visit."

8. SARGENT DENTAL COMPANY

ADVERTISING OF A DENTIFRICE

In November, 1929, the executives of the Sargent Dental Company had several major questions to decide with regard to the promotion of its product, Sanident: should they advertise this product to consumers or continue to promote it through dentists

[1] See *Editor & Publisher*, December 5, 1936; *Tide*, June, 1936, September, 1936, and Nov 1, 1936.

[2] In its study, *A Survey of 299 National Advertising Budgets, 1934–1935*, the Association of National Advertisers reported that seven manufacturers of proprietary medicines in 1935 typically spent between 30% and 35% of net sales for advertising, although one company was reported as spending 61% of net sales

The largest sums of money were spent on space advertising in three media: magazines, newspapers, radio. Three manufacturers used the outdoor medium, but it played a minor part. Car cards were employed by four companies, but this medium likewise was of minor importance While two companies used sampling, only one spent a considerable part of its appropriation on this form of promotion. Five of the seven reported small expenditures for dealer helps.

The range of expenditures for different media indicated a wide variation in the advertising procedure of different companies.

TABLE 1

Sales, Advertising, and Profits of the Lydia E. Pinkham Medicine Company, Total All Countries

Year	Gross Sales	News Advertising	General Advertising	Profit Before Income Taxes Were Paid	Income Taxes Paid	Profit After Income Taxes Were Paid	Dividends	Surplus
1908	$1,100,084.96	$ 408,579 36	$104,106.80	$169,735 46	. . .	$169,735.46	$ 69,440.00	$1,026,210.91
1909	1,123,285.61	463,040.55	126,320.40	138,684.41	. . .	138,684.41	187,852.00	973,057.69
1910	1,181,861.63	456,803 70	160,638.91	171,181.84	$ 1,341.92	169,339.92	127,008.00	1,015,740.86
1911	1,136,496.86	438,692.88	134,906.58	182,931.36	2,342.60	180,588 76	207,760.00	988,569.62
1912	1,280,718.90	457,535.03	144,388.34	268,396.35	1,748.47	266,647.88	257,712.00	951,452.02
1913	1,459,835.64	470,552 23	140,524.05	383,388 57	2,121.31	381,267.26	346,080.00	965,272.63
1914	1,343,573.04	507,434.00	163,861.95	161,872 87	3,599.01	158,273.86	233,856.00	883,772.29
1915	1,341,918.58	490,471.16	177,594.06	141,726.02	1,503.95	140,222.07	84,896.00	955,332.96
1916	1,462,640.17	427,392.06	136,906 34	397,149.63	1,492.64	395,656.99	264,432.00	1,084,593.20
1917	1,666,930.91	622,796.64	193,826.71	139,264.84	7,749 14	131,515.70	273,280.00	942,887.65
1918	2,233,048.07	486,143.62	207,494.74	679,902.00	38,896.55	641,005.45	None	1,625,386.94
1919	2,483,487.59	700,425.51	275,835.17	666,346.54	369,460.19	296,886.35	231,840.00	1,690,433.29
1920	2,517,225.50	794,144.18	213,351.22	583,945 41	220,178.02	363,767.39	176,400.00	1,689,370.23
1921	2,778,823.69	933,712.68	245,418.92	673,353.62	180,235.84	493,117.78	280,000.00	1,872,223.86
1922	3,040,053.34	1,280,058.27	293,771.56	537,918.22	118,188.78	419,729.44	336,000.00	2,100,597.86
1923	3,549,221.23	1,348,049.63	375,434.39	834,544.04	62,661.74	771,882.30	336,000.00	2,500,829.42
1924	3,749,736.33	1,482,869.20	384,962 57	784,133.07	98,312.48	685,820.59	1,232,000.00	1,963,395.57
1925	3,872,880.67	1,654,653.64	403,146.43	713,432.90	92,841.09	620,591.81	784,000.00	1,803,787.44
1926	3,360,268.19	1,721,899.66	429,051.76	287,716.64	88,468.31	199,248.33	784,000.00	1,278,399.42
1927	2,687,795.04	957,093.30	397,174.27	569,685.67	35,153.31	534,532.36	336,000.00	1,464,454.17
1928	2,510,409.28	1,047,372.79	438,164.73	351,936.25	85,639.19	266,297.06	336,000.00	1,433,223.54
1929	2,754,758.00	1,375,768.64	395,389.87	233,183.70	40,656 96	192,526.74	336,000.00	1,306,174.97
				33,599.27*	None*	33,599.27*	None*	29,895.26*
1930	2,046,038.76	1,389,600.19	341,947.31	240,556.97L	24,232.27	264,789.24L	134,400.00	931,218.00
				169,519.13*	3,704.01*	165,815.12*	134,400.00*	44,874.78*
1931	1,982,130.34	792,297.75	281,750.27	404,470.14	966.92	403,503.22	302,400.00	1,012,968.58
				55,834.51*	20,139.61*	35,694.90*	67,200.00*	31,746.91*
1932	1,844,854.59	855,150.58	255,370.11	237,855.91	17,446.17	220,409.74	235,200.00	987,090.95
				69,101.79*	6,701.16*	62,400.63*	67,200.00*	23,965.35*
1933	2,021,468.50	1,227,515.23	369,974.37	62,007.95L	37,404.16	99,412.11L	33,600.00	886,118.92
				131,913.68*	9,270.55*	122,643.13*	151,200.00*	13,551.99*D
1934	1,987,625.42	1,213,419.94	429,719.36	149,578.04L	594.46	148,983.58L	None	735,463.29
				128,447.05*	18,151.94*	110,295.11*	100,800.00*	3,453.19*D
1935	1,705,722.68	564,100.99	315,948.67	349,512.37	362.77	349,149 60	100,800.00	938,098.52
				35,316.88*	16,606.77*	18,710.11*	None*	28,108.40*

L—Loss. *D*—Deficit. * Refers to Northeastern Advertising Agency, owned by Pinkham-Gove interests. "General advertising" as used here does not include newspaper or magazine advertising. Omitted from this table to save space are columns showing certain adjustments in surplus and income taxes.

as in the past; should they begin to manufacture, in addition to Sanident, a unique dental preparation which required a new practice of tooth care on the part of consumers, a tooth paste comparable to the products of competitors; and, finally, what copy theme or themes should they adopt?

The Sargent Dental Company had been incorporated in 1927 to market a preparation for cleansing the teeth and gums and preventing mouth diseases. This preparation had been developed about 10 years previously by 2 leading gum specialists, and since that time it had shown itself to be of real worth. The whole value of the preparation was not intrinsic, however, but depended in part upon a particular method of application. For correct application, a special brush, also sold by the company, was required for use in massaging the gums in accordance with a prescribed technique. Proper use of the preparation required five minutes or more, morning and evening.

The preparation was in the form of a powder which was to be dissolved in water. This powder, sold under the trade name Sanident, in addition to being a cleanser of the teeth, had properties which made possible the detection and neutralization of mouth acid and the dissolution of infected mucin. A change in color of the solution indicated an acid condition. The solution was to be used until there was no change of color, showing that the acidity had been neutralized. The powder and brush were sold separately in attractive packages; the container for the powder had a patented top which automatically released the correct quantity of powder for a single treatment. The retail price of a package containing sufficient powder to make five gallons of solution was $1. The retail price of the brush was 50 cents.

Those who followed the Sanident method of caring for the teeth were believed to be generally well disposed toward the product because of its beneficial results and the pleasant feeling it gave to the mouth. Prior to the organization of the Sargent Dental Company, Sanident had been unattractively packaged and practically no sales promotion had been carried on. The doctors who had developed the preparation had, as a result of clinics they occasionally held, made small sales chiefly to New York City drug stores and dentists.

To promote sales of Sanident, the company's first step was the employment of several mouth hygienists to visit dentists in New

York City and to explain to them the functions and the method of application of the product. These hygienists secured a fair volume of orders. Later, the company employed four licensed dentists to continue this work in New York City and also to call upon dentists in Boston, Philadelphia, and Chicago. The sales executive for the company, after this work was well under way, visited selected drug wholesalers and retailers. In Texas an exclusive sales agency was given to a retailer who owned three drug stores in that state. In other places, however, no exclusive selling arrangements had been made with distributors. Most of the company's sales to consumers were the result of recommendations made to patients by dentists. In 1929, the Sanident method was being taught in the dental schools of two leading universities.

The company's advertising had been very largely confined to journals read by dentists and other mouth specialists. Only a small amount of radio and newspaper advertising had been done. Space in a single newspaper, published in New York City, had been used at a cost of $50 a week. The copy had consisted of information and instructions as to care of the teeth and had requested readers to tune in on the radio talks, which were to continue the discussion in more detail. After a few weeks, the newspaper advertising had been discontinued. The radio talks, given once a week in the morning, were, however, continued at a cost of $50 a week.

It had been the executives' opinion, in view of the unusual nature of Sanident and the special technique of application required, that it would be necessary to reach consumers through their dentists. An enthusiasm for the product on the part of dentists would lead them to prescribe it for their patients. Moreover, instruction in the Sanident method of massaging was necessary for best results. This opinion had determined the nature of the company's order solicitation and also had led the executives to concentrate its advertising in professional journals.

The principal medium used was *Oral Hygiene*. The company's advertising in this journal cost $90 a month. Each insertion carried the heading "Dear Doctor" and purported to be an account, written in the first person, of how a consumer, at the recommendation of his dentist, began to use Sanident and what excellent results he thereby achieved. The object of this advertising was to convince dentists that by recommending the use of

Sanident to their patients they could build up goodwill and increase their practices. At the close of the hypothetical account in which the consumer expressed his gratitude at having Sanident brought to his attention, was some statement, in larger type, such as "you too can use this practical suggestion to enlarge your present practice." A brief description of Sanident then followed, and at the bottom of the insertion there was a coupon which read, "Please send me Free Sample Containers of Sanident and your Booklet 'Practice Building.'"

The company's sales from April, 1927, through October, 1929, are shown in Table 1.

TABLE 1
Quarterly Sales, Sargent Dental Company, April, 1927, through September, 1929
(Approximate)

	1927	1928	1929
First Quarter		$11,000	$12,000
Second Quarter	$ 8,000	11,000	15,000
Third Quarter	8,000	9,500	13,500
Fourth Quarter	7,500	10,500	14,000
Total	$23,500	$42,000	$54,500

The total value of dentifrices manufactured in the United States in 1927 as reported by the Census of Manufactures, was $30,692,834. The amount of dentifrice advertising in national magazines between 1921 and 1928 is shown in Table 2.

TABLE 2
Dentifrice Advertising in National Magazines, 1921–1928

1921	$1,443,038	1925	$2,475,620
1922	1,516,567	1926	3,453,114
1923	1,623,425	1927	3,389,272
1924	1,993,460	1928	3,312,813

Source: *Leading Advertisers*, Curtis Publishing Company.

Expenditures for magazine advertising by the manufacturers of leading dentifrices, from 1923 through 1928, were as shown in Exhibit 1. Many of these dentifrices were widely advertised in

newspapers and in 1928 both Ipana and Pebeco were using the radio.[1]

EXHIBIT 1
Expenditures for National Magazine Advertising by Leading Dentifrices, 1923–1928

	1923	1924	1925	1926	1927	1928
Ipana	$142,376	$263,851	$441,130	$614,653	$ 643,226	$804,861
Colgate	479,243	480,976	471,344	520,400	454,749	553,061
Quimdent			8,709	8,594	3,030	
Iodent			53,900	62,100	8,100	
Kolynos			133,744	143,200		
Listerine	12,395	88,297	194,150	500,928	535,855	456,282
Pebeco	218,960	297,059	322,757	405,425	455,050	265,960
Dr. Lyons	83,500	93,450	70,000	72,675	47,800	104,940
Pepsodent	614,413	605,169	611,991	694,091	1,009,013	757,265
Squibb's	113,162	104,658	141,975	368,041	178,450	295,050
United Drug			2,805	949		2,063
Orphos					50,640	58,580
Phillip's				38,299		

Source: *Leading Advertisers*, Curtis Publishing Company.

In November, 1929, it seemed to the executives of the Sargent Dental Company that continued reliance on professional journal advertising alone might be a mistake. Widespread acceptance of the product, in their opinion, might require consumer advertising. Five appeals were considered for use in case a consumer campaign was instituted. These were: the approval given Sanident and the Sanident method of treatment by dentists and other specialists in the care of the mouth; the scientific nature of the product and method; the importance of "mouth health" to general health; the ability of Sanident to perform all functions necessary for health of the mouth, thus taking the place of both tooth paste and mouth-wash; and the economy of the product.

If the first of these appeals were utilized, actual testimonials of users or recommendations of dentists could be employed or else, as in the Sanident advertisements in *Oral Hygiene*, hypothetical

[1] A study made by the Association of National Advertisers of the 1934 advertising expenditures of 17 manufacturers of drugs and toilet articles showed a typical expenditure of 28 52%, although the range was from 8% to 60% Magazines and newspapers were the advertising media most widely used, although some manufacturers indicated considerable use of radio; 12 companies spent approximately 8% for dealer helps, 14 companies spent about 7% of their appropriation for sampling.

The range of expenditures for different media indicated a wide variation in the advertising plans of different companies.

human-interest testimonials which implied recommendation by dentists could be used. Even if actual recommendations were secured, the names of the dentists providing them could not be published, however, as that would be contrary to the standards of the profession. For this same reason, the two periodontists who had perfected the product could not be featured.

The health appeals used by tooth paste manufacturers ordinarily referred to some specific trouble, such as pyorrhea or film on the teeth. The appeal of general health was thought by the executives to be one that had not been exploited. They were familiar, however, with a study of sales appeals for antiseptics which had shown that appeals based on protection against specific dangers achieved much better sales results than appeals stressing the importance of antiseptics to health in general.

The executives considered that there was a sound basis for an economy appeal in spite of the high initial cost of the preparation and the requirement of a special brush. The five gallons of liquid which one package of Sanident made would last, it was estimated, 40 days. The measuring cap on the container, furthermore, prevented waste of the powder, and the preparation took the place of mouth washes as well as of tooth pastes.

The further suggestion which the executives considered as to enlarging the line so as to include a tooth paste comparable to other pastes on the market was thought to have several things in its favor. The most important of these was the fact that such an addition would enable the company to cultivate a market among people who could not readily be interested in a new method of caring for the teeth which required both a change of the old brushing habit and a longer time spent in treatment. On the other hand, any new tooth paste would encounter formidable competition. The company had the research services of very capable scientists to develop a tooth paste. Although such a paste might have the same ingredients as Sanident, it probably would not have the characteristic of acting as an acid detector. Moreover, the massaging of the gums by the Sanident treatment was an essential element to full success.

9. BUCKNER TEXTILE MACHINERY COMPANY

PROPOSED CHANGE OF ADVERTISING PLANS

In the summer of 1924, the Buckner Textile Machinery Company concluded, after investigation, that its advertising in trade journals during the previous 10 years had had no apparent effect upon sales. Several modified programs of advertising were suggested.

The company manufactured all types of machinery for use in the manufacture of cotton yarns. Of the total machinery of this type sold in the United States, the company manufactured approximately 40%; its largest competitor produced about 40%; and three smaller firms together produced about 20%. About half of the 2,200 cotton textile mills in the United States were customers of the company.

The assistant treasurer, the plant superintendent, and seven salesmen of the company sold the larger part of the company's output. Some sales were made by the 12 men whom the company employed to furnish installation and repair service to users of Buckner textile machinery. With a few exceptions, cotton mills were located in the southern, Middle Atlantic, and New England states. Because of this concentration in location, the comparatively small number of cotton textile firms, and the large size of unit orders, which averaged about $35,000, it was feasible for the company's salesmen to keep informed as to the machinery needs of all active and potential customers. In general, one of the company's salesmen called on each cotton mill in the United States at least once a year.

When textile mills built additions to their plants, they often asked the company to send salesmen to make estimates upon the cost of equipping the new plants.

Since 1921 the company had spent about $20,000 annually for advertising. Of this sum, approximately $12,000 was used for direct mail advertising, and approximately $8,000 for advertising in the trade journals of the cotton textile manufacturing industries and in yearbooks of textile schools.

The direct mail advertising consisted of a biennial catalogue of about 225 pages and supplementary pamphlets issued between editions. The catalogue was printed on a good grade of coated paper and was well bound in an imitation leather binding. Brief

descriptions of all the machines manufactured by the company and illustrations of a majority of them were included in the catalogue. In addition, the catalogue contained miscellaneous information about textile machinery and its uses, such as a description of the method of calculating the speed of gears and pulleys and a short treatise on the care of belting. This catalogue the company sent to at least one executive of each cotton textile mill in the United States. The supplementary pamphlets, from 4 to 18 pages in length, were confined solely to descriptions of improvements which had been made in the machinery and of new models which had been developed. The frequency with which the company issued supplements depended entirely upon the introduction of new machines or improvements. The company's competitors followed similar policies in issuing catalogues and supplements.

The company's advertisements in trade journals had been of about the same character and size and had been inserted with about the same frequency as those of the company's competitors. Each advertisement usually consisted of a cut of one of the company's machines, the company's name and address printed in large type, and a brief text.

Exhibit 1 gives data concerning the five trade journals in which the company advertised.

EXHIBIT 1

Data Concerning Trade Journals Used by the Buckner Textile Machinery Company

Trade Journal	Circulation	Rate per Page	Location of Majority of Subscribers	Positions Occupied by Subscribers
Cotton . . .	7,500	$70 00	South	20% executives 80% department heads
Textile World	8,500	96.00	All sections of United States	Chiefly executives, managers, and purchasing agents
Southern Textile Bulletin	3,261	45.00	South	Department heads
American Wool and Cotton Reporter	9,000	79.20	All sections of United States	Managers and executives, Journal contains financial data
Fiber and Fabric		60.00	New England	Foremen of spinning rooms

With the exception of *Cotton*, which was issued each month, the trade journals listed in Exhibit 1 were published weekly. The Buckner Textile Machinery Company had been inserting a full-page advertisement in each issue of *Cotton*, a full-page adver-

tisement every two weeks in the *Southern Textile Bulletin* and in the *American Wool and Cotton Reporter*, and a half-page advertisement once a month in *Fiber and Fabric* and in the *Textile World*.

In the summer of 1924 the company employed a new advertising manager to prepare its catalogue and to attend to all other forms of its advertising. This advertising manager proposed a substantial change in the company's advertising policy and submitted three alternative plans.

One of the plans provided that the company should discontinue all trade paper advertising and rely entirely upon its catalogues and supplements. The officers of the company could not recall a single instance in which the company had made a sale as the result of an inquiry arising from its advertisements in trade papers. The trade papers, however, from time to time in their news and editorial columns mentioned the company or its products. When the company had introduced new types of machinery, the trade publications had printed cuts and descriptions of the new machinery as news.

Another of the plans suggested by the advertising manager provided for discontinuance of the trade paper advertising and for the increased use of direct mail advertising. Under this second plan, the catalogues and supplements would be sent to a larger number of executives at each mill and, in addition, circular letters would be sent out from time to time. The advertising manager stated that the treasurer, the purchasing agent, and the foreman of a textile mill usually conferred before a large purchase of machinery was made, although the order ordinarily was placed by the treasurer. Routine purchases usually were made by the purchasing agent. If this plan was adopted, an effort would be made to give the advertising a more direct selling appeal than it then had.

The third plan provided for no change in the existing type of direct mail advertising, but provided that the trade paper advertisements should be altered to include longer text. The copy could be either institutional or descriptive of the company's products. The advertising manager submitted, as examples, the following two advertisements, the first of which was institutional in type and the second of which was descriptive; no illustrations would be used with this copy.

ONE PLAN, ONE MANAGEMENT

Since the inception of this concern, in 1831, nearly 100 years ago, the shop, as it is known to those who are in any way connected with it, and the management have been as one.

Since the day the first Buckner picker was built, there has been a sense of loyalty between the employer and employee, the one to the other, which has been and is reflected in the quality and workmanship of all that has been produced by this plant.

Today, on the basis of the severe modern competition, these two attributes stand all in good stead.

Due to being a self-contained unit under one roof, more careful supervision over design and more uniformity and consistency in manufacture are had than is possible in a plant of several separate units. And for the same reason, by the cooperation engendered thereby, the words "Buckner" and "Quality" are synonymous.

Visitors are cordially invited at all times.

BUCKNER TEXTILE MACHINERY COMPANY
New England

BATH MATS TO CASKET CLOTH

The above sounds and looks unusual. But why not utilize your own cotton waste?

Jute, flax, hemp, cotton, and wool have all been made to do their part in the manufacture of such goods as wire insulation covering, towels, rugs, tapestries, cretonnes, suitings, hosiery, blankets, mop yarns.

This wide range of articles is being made today from yarn prepared and spun by the Buckner full roller card and Buckner cotton- and wool-waste spinning frame.

Send in your problems concerning this question and let our representatives talk it over with you.

BUCKNER TEXTILE MACHINERY COMPANY
New England

What program of advertising should the Buckner Textile Machinery Company have adopted?

10. NATIONAL ROCK DRILL COMPANY (A)

ADVERTISING OF ROCK DRILLS TO MINING AND CONTRACTING MARKETS

The National Rock Drill Company, established in 1908, manufactured a line of air-operated tools for rock drilling, pavement breaking, and clay digging. The principal markets for its prod-

ucts were among operators of ore mines and rock quarries, and contractors in road and building construction. The company advertised in industrial papers reaching those markets. In 1924 the company added to its line and during 1924 and 1925 made several changes in the type of appeal, size of insertion, and copy in order to increase the effectiveness of its advertising. In 1926 it considered further changes to meet the competition of companies longer established.

The National Rock Drill Company was organized as a subsidiary of a Chicago company which manufactured a large and varied line of pneumatic tools and air appliances, such as air drills, hammers, grinders, and riveters. In 1907 the Chicago company had started to manufacture pneumatic rock drills which were designed for use in ore mines but which in general were not suited for use in coal mines. It encountered a strong prejudice on the part of miners against drills manufactured by eastern and middle-western manufacturers whose principal lines consisted of pneumatic tools for machine shops. Miners in general doubted the ability of these manufacturers to understand mining conditions and requirements. As one measure in overcoming the prejudices of miners, the subsidiary was incorporated to specialize in mining tools, but it was not clearly differentiated from the main company, which did all the manufacturing, until 1922, when a small separate factory was built for the National Rock Drill Company and the operations of the two companies were made practically separate.

The main company always had advertised its full line of tools, including the rock drills, in technical and industrial papers, reaching machine shops, boiler building shops, shipbuilding plants, and repair shops. The National Rock Drill Company since 1908 had advertised under its own name in eight technical mining journals. These eight publications virtually were the only publications covering the metal mining field. One of these, a weekly, covered the whole field with a circulation of about 11,000. The others, two weeklies, two monthlies, and three semimonthlies, in general covered only specific mining fields, such as Nevada or Arizona, and had a circulation estimated at under 3,000 each.

The advertisements had consisted of one-eighth page cards and one-fourth and one-half page advertisements placed in the group of advertising pages following the articles in the magazines. The advertisements usually had the name of the company in large

print and the one-fourth and one-half page advertisements pictured and explained technical features of the construction of National rock drills. A typical one-half page advertisement showed a line drawing of a cross section of a rock drill with arrows and symbols pointing to certain air valves, bushings, and pistons. The text, in rather small print, described the indicated special technical features and points of superior construction.

The company's sales of all types of rock drills had increased gradually until in 1922 they had amounted to $180,000. The company at that time had one salesman located in Denver to cover the Colorado and part of the Utah mining districts. One other salesman traveled elsewhere in the United States where the company wished to send him. After the National Rock Drill Company had been given a separate factory and management from the main company in 1922, it began to develop more aggressive methods of increasing its sales. It increased its salesforce between 1922 and 1926 to 10 men, each with a definite territory in some mining field. The salesmen chosen were familiar with the technique of mining and, in most instances, were acquainted personally with mine superintendents. They spent a portion of their time with mine superintendents and workers demonstrating in actual use underground the advantages of the company's products. The superintendents, in general, were not authorized to purchase drills, but the mine purchasing agents usually would purchase what the superintendents specified. Sales were made directly to the mines.

The sales manager of the National Rock Drill Company was a mining engineer who understood the requirements of the mines. The company had developed a specialized drill or tool for each class of mine drillings: "drifters," which sold at $365; "stopers," at $185; rock drills, or "sinkers," at $175; and "auger machines," at $170. The advantages which the National Rock Drill Company claimed for its products over other companies' products were higher cutting speed, greater ease in holding, less vibration (therefore less fatigue to the operator), and lower repair expenses because of the rugged construction of the machines even though they were of light weight.

The sales manager believed that the function of the company's advertising should be that of general publicity to keep the name of the company and its products before mine-operating officials

such as superintendents, foremen, and purchasing agents. The actual selling was accomplished by salesmen in competing demonstrations. In 1924 the sales manager concluded that the small advertisements were not effective as general publicity and could serve only as catalogue references. He decided, accordingly, to use full-page advertisements every two weeks in the leading technical weekly publication covering the metal-mining field. In the other weekly issues the company ran a card in order to keep its name in the catalogue of advertisers. The company considered that the technical publication chosen covered adequately the whole metal-mining field. Its circulation of approximately 11,000 copies weekly was distributed as follows:

Operating Companies and Executives	36.1%
Mining, Metallurgical, Consulting, and Government Engineers	26.4
Foremen, Millmen, Miners, Prospectors	8.6
Colleges, Professors, and Students	6.2
Libraries	2.9
Financial	2.5
Metal Buyers and Dealers	3.0
Machinery Dealers and Manufacturers	6.0
Others	8.3
Total	100.0%

The rates ranged from $115 to $185 a page, depending on the position and number of insertions during a year.

Advertising was discontinued in the other mining journals, with the exception of one local semimonthly publication which had a page rate of $30. Once a month a full-page advertisement was placed in this publication for policy reasons.

The total cost of the advertising under the new plan was about $5,000 a year, which was not appreciably higher than the former total cost of the smaller advertisements in all publications.

The sales manager decided to discontinue the technical copy which had explained the construction details and technical advantages of the tools. He believed the better appeal was actual performance facts. The copy writing was turned over to the factory manager, who had had actual mining experience and could prepare the advertisements in the terminology of miners. He prepared booklets describing each type of tool. These were sent to interested persons on request. Salesmen were requested to get pictures and operating data of the National tools working underground under actual operating conditions. Demonstration

tests were made in mines to compare National tools with competing tools.

The advertisements which the company placed in the mining publication during 1924 and 1925 occupied full pages and usually had a large picture of an operator using one of the National special tools. In addition to the address of the company and of the headquarters of its salesmen in the mining districts, a small amount of text was inserted, of which the following two are typical examples:

Fourteen 8-foot Holes
in Three Hours and
55 Minutes!

That's what this newest member of the National line, the Big Four Stoper, did in a Utah mine, breaking all previous records there. In competitive tests in other mines it cut from 20 to 25% faster than all others.
Being a National, you know it will stay on the job—hating the repair shop more than a boy does school.
Wire for demonstration.

A Regular
He-Man Stoper

You will surely want to see what this new National Big 4 Stoper will do in your mine. In recent competitive tests it cut from 20 to 25% faster than others.
It is making a great name for itself everywhere it goes. Rugged construction makes it trouble-proof and keeps it everlastingly on the job.
Just the kind of stoper that red-blooded, he-men like to raise cain with—by beating the other fellow's drilling.
Ask for demonstration.

This advertising was directed primarily at mine superintendents and foremen, who were most interested in performance facts and the effects of mining tools on workmen.

The company, in addition to its line of mining tools, in 1924 started to manufacture demolition tools, such as paving and concrete breakers, clay diggers, and rock drills for excavating work. With a few changes in design, tools for this type of contracting and construction work could be adapted from the original line of mining tools. In fact, one type of the company's rock drills had been used successfully by a few railroads and quarries.

The markets for the mining line and new contracting line, however, were entirely different. The new tools which the company believed would be most successful were a type of rock drill especially suited to rock quarry work and excavating work for new construction, and a pneumatic paving breaker for use in tearing up old pavements. In the contracting line the rock drills or "sinkers" sold for $170 to $175. The paving breakers sold for $175 to $195, and the clay spades sold for $80 to $100.

After successful trials with the tools of the new line among local Chicago road and construction contractors in 1924, the company started to develop a national market for these tools. The company chose selected contractors' supply firms and dealers in contractors' tools and machinery as channels of distribution. The tools were sent to the dealers on consignment for sale on commission.

The company encountered additional advertising problems with its new line. The executives of the company had had no experience in selling to other than mines and they were not familiar with the advertising media in the contracting field. In entering the new field, the company was competing with companies which had become well established in making contractors' tolls of this type. In competitive tests, however, the company had demonstrated to its own satisfaction that its tools could accomplish more work in a given time, with less fatigue to operators and with less repair cost, than could any competing tool. The price was approximately the same as competitors' prices for tools of similar standard.

The company was at some disadvantage in selling paving breakers because it did not manufacture movable air compressors, while two of the leading competitors manufactured all types of air compressors and could sell a complete outfit. Since the National paving breakers could be used with any make of air compressor, however, the company made selling arrangements with three manufacturers of air compressors who did not manufacture air tools.

The principal purchasers of paving breakers were road building contractors and those municipalities which did street paving or repairing rather than let the work out to contractors. In selecting advertising media, the National Rock Drill Company studied the publications covering the stone quarry and the building and

contracting industries. It selected those publications which carried the most of competitors' advertising over a period of five years. The executives reasoned that competitors with greater experience would continue advertising in a publication only if the advertising seemed to justify itself. By this method the company selected a semimonthly publication covering the rock-quarry industry, a weekly publication covering the general contracting field, and a monthly publication covering contracting and building of roads and streets. The quarry publication had a circulation of about 7,000 and charged from $65 to $85 for a full page. The general contracting weekly charged from $140 to $200 per page and had a circulation of about 30,000, distributed as follows:

Consulting and Architectural Engineers	14.9%
Contractors and Construction Companies, Their Superintendents, Engineers, etc.	25.7
Government Engineers	4.9
State and County Highway Engineers	9.4
Municipal Engineers	7.5
Railroads, Chief Engineers, Bridge Engineers, etc.	4.9
Public Utilities and Industrial Plants, Manufacturers, and Manufacturers' Agents	17.2
Others	15.5
Total	100.0%

The monthly magazine covering the building of roads and streets charged from $110 to $175 a page and had a paid circulation of about 9,000.

The sales manager decided to place a full-page advertisement once a month in each of the selected publications and to place a one-eighth page card in the other issues of these publications. Since the copy was written by the man who prepared the copy for the mining publications, the text of the advertisements was written by one familiar with the technical problems. The total trade-paper advertising of the mining and contracting lines cost between $15,000 and $16,000 annually. This represented an increase of about $10,000 over the former cost of advertising only in the mining field. Booklets were prepared describing each type of tool. These were sent to the selected dealers for distribution as they saw fit. The bulletins also were sent to interested persons on request and were given to the branch houses of the main pneumatic-tool company for distribution, since these branches were expected to assist the National Rock Drill Company in main-

taining cordial relations with the dealers. The addresses of the branch houses were listed in the advertising.

Appeals used in advertising the contracting line were similar to those used in the mining line. The advertisements emphasized performance facts, speed of operation, and low upkeep expense. They usually had pictures of the tools in actual operation along with a small amount of text. Typical texts of advertisements are the following:

50 TO 100% FASTER

They had a quarter of a mile of retaining wall to tear down—good hard concrete—put in years ago, reinforced with iron bars a few inches apart. The job had been going pretty slowly with competitive machines, so two National paving breakers were put to work. Now the company has bought two more. The superintendent says "50 to 100% faster." Nationals will save you money, too. Let us tell you more about them. Bulletin XX for Rock Drills—Bulletin XY for Paving Breakers.

Ask your own supply house for National drills.

THE NATIONAL ROCK DRILL AND UPKEEP EXPENSE

That the good National Rock Drill is a fast cutter goes without saying. That it kicks less—that it cleans the holes well—that the drill runners like it—all may be taken for granted.

Then how about upkeep expense? Consider a coal and iron company's mine in Pennsylvania. They've been operating five National Rock Drills over a period averaging nearly six years each at a repair cost per drill month of only $2.64.

Another—one of the biggest railroad lines in the country—operating 12 Nationals, for varying periods of from three to five years for each drill, at a repair cost per drill per month of a little more than 50 cents.

Ask for Bulletin XX.

YOU CAN DO THAT JOB FASTER WITH NATIONALS

Whether rock drills or paving breakers, if speed is a requisite, put National machines on your work. And when we say speed, we mean more than mere inches per minute. A very great part of the gain in using Nationals lies in the fact that they stay on the job.

The company never had attempted to analyze the effectiveness of its advertising. Sales had increased from $180,000 in 1922 to $230,000 in 1923, to $336,000 in 1924, and to $460,000 in 1925. Prior to 1924 all sales were in the mining lines of drills and tools. Because certain types of the rock drills were sold to both mine

operators and contractors, the sales manager did not keep separate sales figures for the two lines. He estimated, however, that about 70% of the sales in 1925 were in the mining line and 30% in the contractors' line. He believed that the greatest possibilities for expansion of sales lay in the contractors' line.

Because the company had started the manufacture of contractors' tools later than competitors, many contractors' supply firms either were exclusive agents or were selected dealers for competitors. The sales policies in regard to channels of distribution were formed partially as a matter of expediency. The company had not felt justified at the start in opening separate branch offices or starting a large salesforce. In 1926 the company had one salesman to cover the 70 dealers in the United States who had agreed to distribute National tools and stock repair parts. The salesmen also interviewed dealers who were prospective distributors for National tools. The original pneumatic-tool company, of which the National Rock Drill Company was a subsidiary, had branch offices in seven large cities in central and eastern United States. Salesmen from these branches assisted the National Rock Drill Company in securing prospective distributors, receiving and answering inquiries, and sometimes in demonstrating the tools.

Although the company had received numerous requests for the descriptive booklets, it had neither keyed the advertisements nor analyzed the inquiries in order to determine the value of the advertising. The sales manager, however, from the number of inquiries received and the favorable comments reported by salesmen about the company's advertising, concluded that the company had been wise in selecting full-page space rather than small space and in giving performance pictures and facts rather than technical expositions of the superior construction features of the tools.

1. In its advertising to the contracting field, should the National Rock Drill Company have spent a percentage of sales so much larger than that used in advertising to the mining field?

2. Were the changes in copy approach to the mining field subsequent to 1922 of real significance?

11. WAVERLY MANUFACTURING COMPANY

ADVERTISING OF BENCH GRINDERS

In 1924 the Waverly Manufacturing Company had begun to market a bench grinder which it had developed some years previously for use in its own shops. For marketing this comparatively inexpensive machine, the company had used chiefly the same distributors that it used for the high-priced machines of installation type in which it specialized. In 1927, sales and production of the grinders were well balanced, but the company's plant facilities would allow a substantial increase in production. The company concluded, therefore, that in order to develop the market adequately and make full use of its plant, it would have to revise its marketing program.

The bench grinder was made in portable or stationary models of two sizes, known as the "Little Hustler" and the "Big Hustler," which sold for $125 and $250, respectively. The company's terms for the machines were 30 days net, f.o.b. New York, unless the weak credit standing of a purchaser necessitated advance payment. There were seven other companies in the United States manufacturing bench grinders which the company considered as competitors of the Hustlers. Prices of these competing machines ranged from $70 to $180. Accessory tools for use with the Hustlers also were sold by the company, either individually or in sets. A complete set was priced at $125 and included burrs, grinding wheels, flexible polishers, sanding drums, flexible wheels, cones, abrasive sticks, and wire brushes. Tools made for other bench grinders could be used on the Hustlers, but the tools especially designed for those machines were superior for that purpose.

A bench grinder is a machine consisting essentially of a small electric motor of fractional horse power, driving a long flexible shaft to the end of which is attached the grinding tool. The nontechnical person would be impressed by the similarity of this type of bench grinder to the grinding machines of the dentist.

Several special features made the Hustlers superior in certain respects to competing grinders. One of these features was the yoke on which were mounted the electric motor and the flexible shaft. The yoke was so arranged as to permit the motor and the shaft head automatically to move up or down or to either side as the operator changed the position of the tool he was using,

thus freeing the operator from the necessity of readjusting the machine when he changed the position of the cutting piece. The handpiece which the operator held and into which the tools were fitted, moreover, was especially designed and fitted with ball bearings so that it did not become heated. The shaft was belt-driven by the motor, and the pulleys were designed so that four speeds were obtainable. A convenient belt-adjusting device permitted the operator to change quickly the shaft speed. A high-speed hand piece, not found on competing machines, was provided also. The special features were in part protected by patents.

The Hustlers could be used in practically all industries requiring grinding, drilling, or polishing of metals. They were especially useful in finishing castings which were too heavy to be carried to stationary grinders. The machines also could be used for polishing marble or porcelain and could be adapted for use in woodworking shops, although that had not as yet been done. The versatility of the machine is illustrated by the fact that a large fish-canning company used the grinder with an attachment for scaling fish.

When, in 1924, the Waverly Manufacturing Company had decided to market the Hustlers, it had induced the manufacturers' agents who sold its heavy installation machines to sell the grinding machines also. There were five of these agents in the United States, with offices so located that their territories practically were noncompeting. One agent had offices in Detroit, Pittsburgh, Chicago, and Cleveland; another had offices in St. Louis and Cincinnati; and the three others had offices in Birmingham, Boston, and Buffalo, respectively. Three of the distributors held exclusive agencies for the Waverly installations; the company did not grant exclusive territories to the Boston and Buffalo distributors, however, since it sold many machines directly to manufacturers in New York and New England states. The agents, in addition to the Waverly machines, sold heavy milling machinery, planing machinery, and die-cutting machinery of other manufacturers. The agents' sales were made chiefly to manufacturers of machinery, automobiles, railroad equipment, and electrical equipment. Each sale involved a large sum and was preceded by a relatively long period of negotiation between the agent's salesman and the executives of the purchasing firm. The Waverly installations, for example, sold for from $12,000

to $30,000. All shipments of these machines were made directly from the company's factory to the customers. Production often was not started until orders had been received. The agents received a commission of 10% of the selling price for selling the large Waverly machines.

EXHIBIT 1
Space Advertising of the Waverly Manufacturing Company in 1926

Publication	Amount of Space		Cost	
	Hustler Advertising	General Advertising	Hustler Advertising	General Advertising
American Machine Tool Record	¼ page monthly		$202 56	
American Machinist	1/16 and 5/16 page alternating every 4 weeks	1 page January 1/30 page twice monthly.	325.00	$175.00
Machinery	1/16 page January and December.	1/16 page monthly except January and December.	21.50	107.50
Forging, Stamping and Heat Treating.	⅛ page every other month.	⅞ page every other month.	27 50	192.50
A. S M. E. Yearly Catalog	1/20 page.	19/20 page.	8.50	161.50
Buyers' Register	1/12 page monthly		104.50	
Thomas' Register	7½ inches.	7½ inches.	125.00	125.00
Iron Age		1 page January.		125.00
Total			$814 56	$886.50

Each year since it had begun to market the grinders, the company had advertised them in the publications which it judged were regarded as buyers' guides for this type of machinery. The company, however, was prepared to expand its advertising and sales-promotional program if that were deemed advisable. Exhibit 1 summarizes the company's 1926 space advertising of Hustlers and of its products in general. Some inquiries had resulted from this advertising.

Sometimes the Hustlers were advertised alone and sometimes they were pictured with the company's heavy installations. A typical combination advertisement had the headline, "Equipment for the Modern Drop Forge Plant," and showed three pictures: a die room in the Humphrey Electrical Works where Hustlers were in use; the Hustler, beneath which were the words, "Efficient plants have found a thousand uses for Hustlers"; and a Waverly

installation as used in the Humphrey Electrical Works. Typical advertisements devoted exclusively to Hustlers showed pictures of the machines and contained copy such as:

HUSTLER BENCH GRINDER

Has distinctive features of superiority. Automatic adjustment to position. Speed range 850—11,000 r.p.m. Power—Flexibility—Control. Equipped for die sinking, toolmaking, polishing, milling, drilling, and snagging. New uses being found daily.

WAVERLY MANUFACTURING COMPANY
NEW YORK CITY

A *wheel speed* of 10,500 r.p.m., the shaft running at 3,500 r.p.m. Just one of the many distinctive features of the Hustler Bench Grinder —the machine which has made such a remarkable success everywhere.

Write for Particulars
WAVERLY MANUFACTURING COMPANY
New York City

In addition to its periodical advertising, the company occasionally sent circulars to a mailing list obtained from buyers' guides such as *Hendricks' Commercial Register* and *Thomas' Register.* The company also occasionally supplied distributors with literature for mailing to their customers.

In 1926 the company gave demonstrations of its machinery and distributed circulars at the following machinery shows and conventions: Atlantic City, Railway Manufacturers' Supply Association; New Haven, Machine Tool Exhibit; Chicago, National Machinery Tool Exposition; Detroit, American Foundrymen's Association; New York, National Exposition of Power and Mechanical Engineers. These exhibitions, in the company's opinion, were the most effective means of interesting prospective buyers. The cost to the company for exhibiting the grinding machine in 1926 was $1,650.

Manufacturers of competing bench grinders sold in various ways. Those large companies which produced many small machines that could be used in several industries generally had branch offices in the leading industrial centers. Their salesmen, operating from the branch offices, sold directly to users. Some small competitors sold through supply firms; others sold through manufacturers' agents for small machinery, such as air compres-

sors, small pneumatic tools, and pipe-bending machinery. These agents had exclusive territories and sold usually on a commission basis to the users. Occasionally they sold also to supply firms. Sales by supply firms were reported usually to be small because the supply firms' salesmen did not have the technical knowledge necessary to advise concerning the proper machine for a particular job, or because salesmen were reluctant to devote considerable time to demonstrating a single product of a large line.

The advertising of competitors followed two general practices. Some companies used technical copy like that written for the Hustlers; others preferred less technical copy like that of a company which stressed the idea of a "rotary file."

A sales manager with headquarters at the company's New York office devoted his time exclusively to Hustlers. He visited the five agents from time to time to assist them in selling Hustlers. Exclusive agencies for the Hustlers had not been granted the five agents, and the company made some sales through mill supply firms and directly to users. Five men employed by the company to demonstrate its installation machinery also attempted to sell Hustlers. On sales of Hustlers they received a commission of 15%, as also did the five agents for the heavy machines, to whom the company shipped Hustlers on consignment. Those agents were expected to purchase outright stocks of accessory tools for the machines.

Users ordinarily ordered only one or two Hustlers at a time, although large manufacturers sometimes purchased in greater quantities. Sales of Hustlers, including commissions, were $60,500 in 1924, $76,600 in 1925, and $112,000 in 1926. The gross margin was approximately 56% of the selling price. The cost figures on which this gross margin was calculated included a portion of the factory overhead but did not include any selling or administrative expense of the Waverly Manufacturing Company. In 1926 the company made 70% of its sales of Hustlers through the five distributors for its heavy machinery and 30% to supply firms or directly to users.

The mill supply firms, through which Hustlers were sold occasionally, might be described as distributors of products to industrial users. They stocked a large variety of articles for which there was a wide demand, such as general factory supplies, hardware, belting, standard fittings, small tools such as files

and hammers, and small accessory machinery such as electric drills and small lathes. Some of the companies were territorial distributors for certain small machines; many of the small machines which they sold were obtained from territorial representatives, who maintained stocks, after the mill supply house had received the order. Catalogues were published to facilitate mail orders, and salesmen were employed to call on mills, manufacturers, and machine shops. Occasionally, a mill supply house specialized in supplies suitable for a specific industry; generally, however, these firms sold to any type of industry which had use for the merchandise they stocked.

In 1927 the company recognized that with its existing method of selling the grinders it was not developing the market adequately. The five agents for the large Waverly machines reached comparatively few of the potential customers for the grinders. None of them attempted systematically to cover the market for grinders. Small machine shops and many industries, such as furniture manufacturing and stonecutting, were not visited by the agents' salesmen, since their primary interest was in the installation machinery. The small amount which a salesman received for selling a Hustler, as compared with a heavy installation machine, also tended to lead to neglect of the grinders. The company knew of one instance in which a prospective customer who visited one of the agents for a demonstration of the Hustler was forced to wait two hours before the agent could locate the machine in the warehouse. Salesmen who were accustomed to selling high-priced installation machinery, moreover, found difficulty in selling the inexpensive machines. Whereas in selling the installations it was necessary to see the executives of the purchasing company, in selling the Hustlers the foremen or superintendents had to be interviewed. Some dissatisfaction on the part of the agents' salesmen also had arisen from the fact that, after they had introduced the Hustlers to a prospective customer, that customer sometimes bought the machine from the supply firm from which he customarily obtained his supplies and small accessory machinery. The five agents, moreover, had shown some unwillingness to purchase sufficient stocks of accessory tools for the Hustlers to provide prompt service in replacing worn-out tools. This service the company deemed essential to a successful marketing plan.

In 1927 the executives of the Waverly Manufacturing Company were undecided as to the advisability of granting exclusive agencies for Hustlers and also, although the company was in a strong financial position, as to the credit policy to follow. Sales of Hustlers, in the company's opinion, could not be expected to be sufficient to support sales branches or salesmen exclusively for those machines. In judging the merits of other plans of distribution, the company considered the adequacy with which each could be expected to cover the potential market; the probable aggressiveness of the selling under each; the investment required in inventories; and the ease with which users would be able to secure accessory tools for replacement.

Three possibilities were under consideration:

1. Exclusive territorial agencies might be granted to a large number of supply firms, which would either purchase stocks of the machines for resale or sell on a commission basis.
2. Numerous supply firms might be selected as distributors without exclusive territorial rights. It was thought that it would be necessary to sell on a commission basis under this arrangement.
3. Exclusive-agency arrangements might be made with manufacturers' agents selling similar, noncompeting machinery, such as air compressors, and small pneumatic tools. The manufacturers' agents could either buy the machines outright for resale or sell on a commission basis.

1. What method of distribution should the Waverly Manufacturing Company have adopted in marketing its bench grinding machines?
2. What advertising program should have been undertaken?

12. FULLER BRUSH COMPANY

ADVERTISING TO PAVE THE WAY FOR CANVASSERS

Since commencing consumer advertising in 1914, the Fuller Brush Company had devoted a large proportion of the space ordered to establishing a reputation among housewives for the honesty and courtesy of its salesmen.[1]

[1] For many years the Real Silk Hosiery Company has carried on extensive advertising campaigns devoted in considerable part to paving the way for its canvassers. It has been an extensive advertiser not only in magazines but also through radio.

The Fuller Brush Company was organized in 1906 by Alfred C. Fuller in the belief that household brushes should be considered tools and that household work could be made easier if the tools were exactly designed for the uses to which they were to be put. Until this time, household brushes had been made from the point of view of the manufacturer rather than from that of the housewife. The Fuller Brush Company, however, developed a line of twisted-wire brushes, each one of which was designed to perform from one to three specific household tasks. In 1926 the line of Fuller brushes consisted of 45 distinct types of brushes which could be used to perform 69 different household tasks. In it were special brushes for the kitchen, brushes for cleaning corners, under furniture, and about radiators, cleaning brushes, clothes-brushes, toothbrushes, complexion brushes, and bath brushes. The brushes, most of which with the exception of the broom were constructed on the twisted-wire principle, were made of that substance which, after exhaustive tests of practical application, had proved to give the best results in performing the task for which the brush was designed. Some brushes were made of bristle, some of fiber, some of hair, and some of cotton. Each brush was stamped with the Fuller trade-mark. Although among them were a few special patented brushes, the majority of the brushes were similar in their construction to any twisted-wire brush. The Fuller brushes, however, were, in the opinion of the executives, of better quality than competing makes and consequently of longer life. Their retail prices, which ranged from 40 cents to $8, were slightly higher than those of other brushes.

The Fuller Brush Company commenced the manufacture of brushes in 1906 in a small shop in Hartford, Connecticut. At this time Mr. Fuller had no employees. He sold brushes from house to house in the morning and returned in the afternoon to manufacture the brushes to fill the orders which he had taken. As the business grew, Mr. Fuller employed men to work in the factory, while he devoted his entire time to selling in the North and Middle Atlantic states. In the cities and towns in those states where there were newspapers, Mr. Fuller advertised for sales agents, and, if one was secured, turned the territory over to the agent upon leaving. In 1910 the Fuller Brush Company employed 6 or 7 men in its factory and from 20 to 25 sales agents, many of whom worked only part time for the Fuller Brush

Company. Its total sales for that year were $20,000. In 1911 the company commenced advertising for sales agents in four-line space in a general national magazine; this advertising was very successful. At the end of the year, distribution by means of sales agents had been gained in the more important markets throughout the country. By 1912 the sales volume of the company had increased to $129,974.

In 1914 the executives of the company realized that if the method of appointing local sales agents was to be extended and raised to its highest point of efficiency, an elaborate organization for supervision would have to be erected. This system was inaugurated in the following year by the establishment of a branch office in Boston. The manager of this branch had the full responsibility for hiring, training, and maintaining the salesforce for a limited territory around Boston. He, like the salesmen beneath him, was paid upon a commission basis. Other branch offices were quickly added. These branches were grouped into sales districts under the supervision of district managers, and these sales districts in turn were grouped into sales divisions under the supervision of division managers. The entire sales organization was placed under the supervision of a sales manager and vice president in charge of sales at the home office in Hartford.

In 1926 the sales organization of the Fuller Brush Company consisted of 5,341 salesmen working from 200 branch offices, which were divided into 26 sales districts; the sales districts were in turn segregated into 6 sales divisions in the United States and Canada. The record of the growth of the sales of the company from 1912 to 1926 is as follows:

1912	$ 129,974	1920	$ 4,301,312
1913	184,525	1921	8,370,637
1914	256,860	1922	11,452,373
1915	290,216	1923	14,874,735
1916	413,872	1924	15,263,238
1917	806,094	1925	12,834,938
1918	992,694	1926	13,142,497
1919	2,491,234		

The Fuller Brush Company had always sold its brushes direct to housewives by means of house-to-house salesmen. Its experience had shown that the way in which its line of brushes could be most effectively sold was by demonstrating their use to house-

wives as tools for the performance of definite household tasks. This method of selling required that the salesmen be carefully and thoroughly instructed in the manufacture and use of each of the 45 brushes made by the company. In the opinion of the executives, no retail clerk would take the pains to acquire this knowledge, which was necessary to sell Fuller brushes intelligently. Consequently, the executives of the company believed that house-to-house canvassing with its own salesforce was the type of distribution which it could employ to best advantage.

In 1915, when the company wished to expand and build its sales organization rapidly, the problems of hiring, training, maintaining, and supervising a house-to-house salesforce which was to operate upon a national scale were many and complex. House-to-house selling at this time was not looked upon favorably either by business firms or by the public. Too often a house-to-house canvasser was a man who could find nothing else to do or who, because of his habits, was otherwise unemployable. The first type of man seldom remained long upon the job. The second type of man was not readily admitted to the homes, or if admitted, did not reflect repute upon the firm by which he was employed.

The executives of the company recognized that it was essential to the success of the product not only that it be good of itself but also that it be sold by intelligent, responsible, and trustworthy men. The reputation of house-to-house canvassers among housewives, added to the fact that many housewives did not like to be solicited in their homes, made the first sales approach difficult. Consequently, the executives believed that if a territory was to yield the sales volume of which it was capable, it would have to be consistently worked by one salesman who would be able to cultivate the friendship and respect of the housewives. The fact that house-to-house selling did not have the reputation which would naturally attract this type of man made it hard to obtain such men. Therefore, the executives of the company believed that, in order to obtain the type of salesmen required and in order to get them into the homes, they must both raise and dignify the task of selling in the home and break down public prejudice against house-to-house salesmen—they must merchandise the Fuller salesman as well as the Fuller brush.

National advertising played an important part in accomplishing this task. The first advertising undertaken by the company

was a half-page advertisement in the October, 1914, issue of *Good Housekeeping*. The executives of the company felt that this magazine enjoyed among housewives an excellent reputation, which the company at that time did not have, and that the *Good Housekeeping* certificate, which was awarded by this magazine, after severe tests, to reputable manufacturers of high-quality household products, was recognized by housewives as being a guaranty of the stability and integrity of the manufacturer to whom it had been awarded. The executives further believed that the reputation of this magazine among housewives could be transferred in some measure from the magazine to the Fuller Brush Company by advertising. When the first advertisement appeared, the salesmen were instructed to show it to the housewife when she answered the doorbell. The display of this advertising proved to be effective in many instances in gaining for the salesman an admittance which he otherwise would not have gained.

As the sales of the company increased, national advertising also was increased, as shown in Exhibit 1.

EXHIBIT 1
Advertising Expenditures—Fuller Brush Company, 1914–1926

Year	Expenditures	Percentage of Sales
1914	$ 2,500	0.9
1915	4,000	1.3
1916	5,000	1.2
1917	6,000	0.7
1918	6,000	0.6
1919	18,600	0.7
1920	55,900	1.3
1921	218,338	2.6
1922	329,000	2.9
1923	337,889	2.2
1924	426,822	2.7
1925	327,220	2.5
1926	225,400	1.7

In 1926 the Fuller Brush Company was using a full schedule of six insertions in four colors in the *Ladies' Home Journal*, six insertions in two colors in *Good Housekeeping*, and thirteen insertions, one every four weeks in two colors, in the *Saturday Evening Post*. The executives concentrated the entire expenditure for consumer space in these three magazines in the belief that they were the three strongest among general and women's magazines and

that complete use of them would carry more weight with the consumer than the use of smaller space in a larger number of magazines. Practically every fourth advertisement was devoted to

Exhibit 2: Typical Advertisement of Fuller Brush Company.

winning the acceptance of the housewife for the Fuller man. A typical advertisement designed for this purpose is reproduced in Exhibit 2. The remaining advertisements featured the product

and its uses and in addition usually contained a paragraph of copy and a small illustration which featured the Fuller salesman. A portfolio, which contained a facsimile of the *Good Housekeeping* certificate and reproduction of all the year's advertisements, was provided each salesman. The salesmen were instructed to exhibit this advertising to the housewife before commencing their regular sales demonstration. In this manner, since every housewife knew of the magazines in which the advertising was appearing, the company obtained full value for its advertising, whether the housewife regularly subscribed to them or not. As this advertising appeared and the portfolios were given to the salesmen, the executives of the company noticed that the most successful salesmen were those who made the most frequent use of their portfolios in calling upon prospects.

The use of national advertising in this way had, in the opinion of the executives of the company, been successful in building the sales organization rapidly to its present size, in creating an acceptance among housewives for the Fuller man to the point where he was known throughout the United States and Canada, and in establishing the repute of the Fuller job so that it attracted the type of men desired by the company as salesmen for Fuller brushes.

What are the significant features of this case?

13. RAND COMPANY

ADVERTISING OF VACUUM CLEANERS

In 1914 the Rand Company, a large manufacturer of industrial equipment, commenced to make electric vacuum cleaners. It sold them exclusively to an electrical wholesale firm which operated throughout the United States and distributed the machines under its own name. Because of war-time conditions, the company was forced to abandon the manufacture of these machines in 1917. When the Rand Company resumed the manufacture of vacuum cleaners, in 1922, the electrical supply firm to which it had previously sold its entire output was purchasing another vacuum cleaner and could not reestablish its relationship with the Rand Company.

Furthermore, from 1917 to 1922 several competing vacuum cleaners had been placed upon the market. These devices had been widely advertised to consumers and were sold either by house-to-house salesmen or by agents or retailers, who were usually under exclusive contracts with the manufacturers.

Because these competitors had secured many of the desirable retail outlets on a selected-dealer or exclusive-agency basis and because the vacuum cleaner of the Rand Company did not have at that time the recognition and prestige that competing machines had among consumers, the Rand Company was not successful in an attempt to distribute its vacuum cleaners through the established wholesale and retail channels. The company believed that, in order to secure satisfactory distribution through the regular channels, approximately $1,000,000 would have to be spent in consumer advertising. Since the company did not wish to expend this amount, it abandoned after two years its attempt to distribute its vacuum cleaners through the ordinary trade channels and decided in 1925 to attempt to sell them directly to consumers by mail-order advertising in magazines and newspapers.

In 1922 the Rand Company had adopted the brand name "Whisk" for its cleaner and had set a retail price of $65 for the cleaner complete with all attachments. Although the Whisk vacuum cleaner had no distinctive characteristics that would differentiate it from competing machines, its efficiency and durability compared favorably with other machines of the same price.

The sales of vacuum cleaners were made chiefly in the fall, winter, and spring, with a distinct sales peak in the early part of December.

The Rand Company decided to commence its policy of selling the Whisk vacuum cleaner directly to consumers by mail-order advertising in the fall of 1925. The company retained an advertising agency which prepared copy and planned advertising schedules. The company estimated that by mail-order distribution it could reduce the retail price of its cleaner from $65 to $40, without lowering quality, and still receive a satisfactory profit, provided the advertising cost per sale could be kept to one-third of the $40 retail price. The copy written by the agency featured this lower price and stated that, because of the company's policy of eliminating middlemen and of selling directly to consumers, the consumer could save $25 and still buy a vacuum cleaner equal in quality

to the competing machines priced at $65. The copy also stated that upon receipt of an attached coupon the Rand Company would ship the Whisk cleaner to the sender for a 10-day free trial. At the end of this trial period the consumer could return the machine at the expense of the company or remit a first payment of $5 and subsequent payments of $5 a month for seven months. The express charge, which was to be paid by the customer, would be remitted by the company upon the return of the machine. The coupon was arranged so that the person using it could either order a machine or request further information.

Upon the recommendation of the agency, this copy was run as a test in full-page space in the October, 1925, issues of three leading women's magazines.

A larger number of direct orders than inquiries for further information were received from these advertisements, but, by means of a series of six follow-up letters, 50% of the consumers who marked the coupon for further information were induced to order machines. The advertising cost for each sale that could be directly traced to magazine advertising, however, was greater than the maximum figure at which the company could make a satisfactory profit by selling the cleaner for $40. There were, of course, many sales that could not be traced to any particular medium as well as some sales made by circular letters. Since these additional sales were made with little additional expense, the advertising cost, divided by the total number of sales, was within the established limit and satisfactory to the company. These results, in the opinion of the company and the advertising agency, indicated that the cleaner could be successfully marketed by mail-order advertising.

At the suggestion of one of the executives of the company, a 500-line newspaper advertisement, with copy similar to that which had appeared in the magazines, was inserted on the Sunday before Christmas in the first news section of three Sunday newspapers in the city in which the factory of the Rand Company was located. The advertising cost of each machine sold as a result of these newspaper advertisements was approximately one-third of the maximum figure set by the company, and was much lower than the advertising cost of each machine sold by the magazine advertisements.

Inasmuch as the series of follow-up letters used during the fall campaign had induced purchase from 50% of the consumers who had asked merely for further information, the Rand Company decided to test whether the cost of sales could be reduced through the use of 55-line and half-page advertisements whose purpose would be to produce only inquiries for further information. It was thought that inquiries for information might be readily obtained with the smaller space; therefore, without increasing its advertising appropriation, the company could use small space in many more magazines than was possible with use of full-page space. Consequently, 55-line or half-page advertisements were placed in issues of 15 women's magazines and 3 general consumer weekly magazines during February, 1926. The expected inquiries, however, did not materialize, so that the space cost for each sale which resulted from these advertisements did not prove to be so low as the space cost for each sale which had resulted from the full-page advertisements that had appeared in the fall. The Rand Company therefore decided that full-page advertisements which had the double objective of both making actual sales and eliciting inquiries for further information were the more economical. Accordingly, in April, 1926, the company again inserted full-page advertisements, with approximately the same copy that had been used in the fall, in the three leading women's magazines and the two general weeklies which in the past had produced the lowest cost per sale. Half of the appropriation, moreover, was spent in 1,000-line advertisements inserted on the first and third Sundays in April in the first news section of the 3 leading newspapers in the city in which the Rand factory was located. While the space cost for each sale resulting from the magazine advertisements was somewhat lower than that for the preceding fall, it was higher than the cost for each sale resulting from the newspaper advertisements. But again many sales could not be traced to a particular publication, and, moreover, these nonclassified returns were noticed to have increased in number as the advertising had been continued. The advertising cost when divided by the total number of sales, however, gave a figure which was satisfactory for the first six months of 1926.

Because the Rand Company believed that it had found by test the most efficient copy appeal, size of space, and media for selling

its product, it determined, in the fall of 1926, to adopt a heavy schedule of advertising during this selling season, in order to obtain a large increase in sales. This schedule was equally divided between magazines and newspapers. The magazine schedule consisted of a half page in the September, October, and November issues of five leading women's magazines and a half page once in each of those months in each of two general weekly magazines. Full pages were used in these magazines during the month of December. The newspaper schedule consisted of one 500-line black and white advertisement inserted in the first news section of the Sunday edition of three newspapers in the city in which the factory was located and in one other large city on the Atlantic seaboard each Sunday from September 1 until the Sunday before Christmas.

The magazine advertising of this campaign was not so successful as had been the previous magazine advertising of the company. The advertising cost for each sale made through women's magazines of high grade was more than double the maximum advertising figure set by the company. The cost for each sale made through the women's magazines of low grade was also high. The decreased effectiveness of the magazine advertising, in the company's opinion, probably could be attributed to the use of a new style of copy which the agency had recommended after the schedule had been determined. The larger city newspapers, on the other hand, again sold at a cost which was considerably less than the maximum figure set by the company. In January, 1927, a summary of the fall campaign indicated that the average cost for each sale for both magazine and newspaper advertising was approximately equal to the maximum figure at which the company could realize a satisfactory profit.

Because of the poor results obtained from the magazine advertising during the fall of 1926, the advertising agency recommended to the Rand Company that the advertising during the winter and spring of 1927 be confined to newspapers located in the six large cities in the United States near which the Rand Company had branch offices where stocks of Whisk vacuum cleaners could be kept. Four of the cities, including the city in which the factory was located, were near the Atlantic Coast, one was in the Middle West, and one was on the Pacific Coast. On the basis of this recommendation, an insertion was ordered for the Sunday edition

of the leading newspapers in each of these cities on the middle Sunday in February. This schedule, in the opinion of the agency, would not reduce the volume of sales that had been attained with former advertising schedules, which had included the use of magazines, but would yield the company a greater profit, since past results indicated that the lowest cost for each sale had been obtained through newspapers.

The advertising cost for each sale which resulted from four newspapers in cities on the eastern seaboard was particularly low. The cost for each sale in the two other cities was the highest yet reached for newspaper advertising. This result was attributed by the Rand Company to the fact that delivery was slower in the latter cities than in the others. These two cities, therefore, were dropped from the schedule for the spring season of April and May, 1927. The schedule was revised, and a 500-line black and white advertisement, in the news section of three leading papers in the city in which the main factory was located and in one tabloid newspaper in the three other large cities on the eastern seaboard, was ordered for the eight Sundays in April and May.

The sales of the Whisk vacuum cleaner steadily increased after the Rand Company had adopted the policy of selling its product directly to consumers by means of mail-order advertising. During the six months from January 1, 1926, to July 1, 1926, they increased 36% over the preceding six months. From July 1, 1926, to January 1, 1927, they increased 67% over the first six months. During this time only 10% of the machines sent out in response to coupon orders were returned. The loss from bad debts was less than .5%.

The profitable market in which the company could sell its product by mail-order newspaper advertising, however, seemed to be limited, and, in the opinion of the advertising agency, even this limited market could not be intensively developed by this means of selling. The Rand Company, therefore, devised a supplementary plan for selling Whisk cleaners which combined mail-order advertising with selling by means of exhibitors. Under this plan exhibitors were to be appointed, each of whom would be required to purchase one Whisk vacuum cleaner at a reduced price. All orders were to be sent to the Rand Company, which then would fill them in the same way in which the coupon orders obtained by advertising were filled. If at the end of 60 days an exhibitor

should wish to discontinue the relationship, he would be given the choice of either keeping the machine or returning it to the Rand Company, which would refund the original purchase price.

In order to obtain exhibitors, the Rand Company circularized 5,000 hardware, radio, and electrical supply retailers located on the Atlantic seaboard whose names were obtained from the mailing list of a large publisher of trade and technical magazines. From this mailing the company obtained 100 exhibitors, of whom only 20% proved to be active in securing orders. The Rand Company believed that the other retailers wanted the Whisk cleaners for their personal use and became exhibitors only that they might take advantage of the reduced price. The sales efforts of the active exhibitors, however, were satisfactory. In a second attempt to obtain exhibitors the Rand Company inserted one-quarter page advertisements in the March, 1927, issues of the leading trade journals in the hardware, radio, and electrical fields. Few replies were obtained from this advertisement. The reason for the failure of this advertising, in the opinion of publishers of these magazines, was that it had not been maintained long enough. But, because neither direct-mail nor trade-paper advertising had proved successful in obtaining active exhibitors, the Rand Company decided to employ two representatives to travel in New England to interest and appoint exhibitors in the towns and small cities in this territory. The advantage of this plan was that the representatives could select high-grade stores as exhibitors which were likely to be active, whereas it was practically impossible to make such a selection when exhibitors had been appointed as the result of inquiries to the exhibitor advertising.

Comment upon the significant features of this case.

14. CARMEN CHOCOLATE COMPANY

DISCONTINUANCE OF CONSUMER ADVERTISING BY A CHOCOLATE CANDY MANUFACTURER

In 1927 the Carmen Chocolate Company decided that the appropriate time had arrived for it to develop further its market in the South. The company had secured distribution for its products in other parts of the United States through its own retail

stores and through selected independent stores, but in the South it operated no stores and was represented by few retailers. In developing the southern market, the company decided to undertake to secure denser distribution in independent retail stores rather than to open stores of its own. After this decision had been reached, the company still was faced with the problem of determining what advertising should be used to supplement its sales efforts in the South.

Expansion at this time was deemed wise in view of the fact that the number of manufacturers of high-grade candy had been decreasing and that competition among the leaders in the industry was becoming more keen. During 1919 and 1920, when the demand for candy had been greatly increased, many manufacturers of candy had unwisely expanded their plants and several manufacturers of medium-grade candy had added high-grade candy to their lines. By 1927, however, the number of producers of high-quality chocolates had decreased substantially. Many of the companies had incurred debts in order to expand their plants and had been unable to stand the strain of financial readjustment following the fall in the prices of raw materials, in which, in numerous instances, they had speculated. The few prominent candy producers who remained had in the past concentrated their sales efforts primarily in the territories where their factories were located, but in recent years they had sought wider distribution. No candy producer, in the company's opinion, occupied a dominant position in the South.

The Carmen Chocolate Company had been in business for over 40 years. Its growth had been gradual and it was in a strong financial position. From the time of its organization the company had produced none but chocolates of the highest quality. These it sold in packages under the trade-mark "Carmen." When the company could not obtain the proper materials for a particular variety of candy, it did not employ substitutes but discontinued the manufacture of that variety until it could secure the needed materials.

At one time, prior to 1916, the company had depended for distribution upon retailers to whom it granted exclusive agencies. It had ceased to grant exclusive agencies, however, judging that larger sales would result if the candy were stocked and displayed by several retailers in each locality. After this change in policy,

the company sought to be represented in as many as possible attractive and well-managed stores selling high-grade candy.

To keep in contact with and carry on promotional work among retailers selling Carmen candy and to secure distribution in other stores which it had selected as satisfactory outlets, the company employed "distribution managers." These distribution managers did not solicit orders, nor did the company employ any salesmen for that purpose. The retailers mailed their orders directly to the company, and the distribution managers' remuneration was in no way dependent upon the number of orders sent in. This plan was designed to avoid overstocking of retailers; the product was perishable, and it was essential to the company's reputation that no stale Carmen candy be sold. Some retailers had objected to sending their orders in by mail, preferring to give them to salesmen, but the company had continued its policy of making no personal solicitation of orders.

In order to further the distribution of its product, the company owned and operated 32 retail stores in the United States. These stores were attractively arranged and, in the company's opinion, had acquired considerable prestige. The company completed the assembly of perishable candies such as hand-dipped chocolates at four branch factories located at points strategic in its distribution. The materials for the branch factories were supplied by the central factory.

The company had employed no distribution managers for the South, nor had it made any effort to develop that market. The sales which it made there were upon orders received by mail without solicitation. After deciding to undertake to develop the southern market, the company had considered the advisability of opening a few retail stores of its own there but had decided not to do so. New markets sometimes had been developed in this way, but in general the company had found stores opened in territories where its product had not previously been sold unprofitable during the early years of their existence; sales volume was built up slowly, and the overhead was high for the sales obtained. In some localities the company's stores were very profitable. In other cities, however, the stores barely paid their expenses, although they seemed to have an advertising value, since the total of retailers' sales in those cities was large. The company's stores had been most successful in those communities where retail

distribution had been secured before the stores were opened. Invariably, sales of the independent retailers had increased with the establishment of the company's store.

After deciding to undertake to secure representation in additional stores in the South, the company hired an experienced candy salesman as sales director and four other experienced candy salesmen to assist him in carrying out the expansion program. The sales director and the salesmen, subject to the approval of the company, selected retailers as distributors for the company's products and also, contrary to the company's usual practice, took the initial orders and revisited the retailers for replacement orders. The sales director was paid a commission of 15% of net sales, and the salesmen were paid a smaller commission on their sales. These men were allowed drawing accounts from which they paid their expenses.

In 1916 the company had discontinued the advertising which, for several years prior to that time, it had done in metropolitan newspapers and in magazines of national circulation.[1] The burden of this advertising, which had cost $150,000 annually, had been threefold: in a measure it had substituted for salesmen by reminding the retailers of Carmen chocolates; it had acquainted the public with the chocolates; and it had assisted the distribution managers in securing new retailers and in stimulating the existing retail representatives to greater effort. The company had found it impossible to measure the results of its national advertising. It believed, moreover, that one of the greatest advertising

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[1] Six confection and ice cream advertisers, reporting their expenditures for 1934 in *A Survey of 299 National Advertising Budgets, 1934–1935,* published by the Association of National Advertisers, indicated an average advertising expenditure of 5 65% The largest expenditure was for dealer helps All six companies reported expenditures for this form of promotion, ranging from 2% to 45% of the advertising appropriation, with an average figure just under 40% The space media employed were magazines, newspapers, and radio The range of expenditures for different media indicated a wide variation in the advertising plans of different companies

While at different times certain manufacturers of high-grade chocolates have advertised in national magazines, only the Stephen F Whitman Company of Philadelphia carried on a continuous program of advertising in this medium in the 10-year period 1926–1935, with its annual appropriation at times exceeding $400,000, although during the depression it dropped to less than half this sum The Robert A Johnston Company of Milwaukee employed appropriations ranging as high as $150,000 in magazines between 1928 and 1931, but was not listed in *Leading Advertisers* for the years 1932–1935 inclusive, although it did employ newspapers

In certain metropolitan centers, candy chains have at times used large space featuring a variety of candy specials with a price appeal Representative of such advertising is that of Loft stores and Mirror stores in New York City.

forces was the personal recommendation of its satisfied customers, since the product was one which had to be sampled in order to prove its quality. The first purchase, the company was convinced, tended to establish a preference for Carmen chocolates which was conducive to a steady volume of sales.

After discontinuing its advertising in magazines and newspapers, the company had sought to secure the goodwill of consumers by improving the quality of its chocolates and by arranging with its retail distributors for attractive store and window displays. In place of the former national advertising, the company had substituted booklets describing the factory and the product. These booklets were sent to retailers for distribution among their customers. The amount spent for the booklets and for display materials for retailers was small compared with the cost of advertising in magazines and newspapers.

The company was firmly convinced in 1927 that its existing advertising program was sound. Annual increases in sales had enabled the company to maintain a position in the industry equal to that of the largest competing firm, which advertised extensively in general magazines and which, by 1926, had increased its advertising appropriation to $350,000 a year. The company's sales volume had not decreased seriously even during the general business depression in 1921.

The company believed that it would be justified in spending $100,000 in developing the southern market during the first year. This amount was based on an estimate of sales possibilities in the southern territory as determined by a study of the company's current sales in the territory and by common trade knowledge of the high-grade candy business there.

In 1927 it was suggested that the company should aid its sales director and his assistants in securing distributors in the South by advertising in local newspapers. Such advertising, it was thought, might hasten the introduction of the product; retailers would be more ready to purchase the candy if the manufacturer through advertising helped create a consumer demand for it, or if the salesmen at least could point out that the company proposed, by advertising, to aid the retailers in selling Carmen chocolates. In spite of these points in favor of newspaper advertising, there were several reasons for using only the booklets and store displays. Conditions in the South, it was pointed out, were not much differ-

ent from conditions in other districts, so that the success of the current advertising policy elsewhere would be a strong sales point when the salesmen approached prospective distributors in the South. What sales volume the company had in the South, moreover, had developed almost without sales effort on the part of the company. Retailers had mailed their orders either because of the recognized quality of Carmen chocolates or because tourists had asked for Carmen candy. Newspaper advertising in the South, it was thought, might lead eventually to national advertising. The executives, however, did not want to advertise nationally, since they believed that the prestige of Carmen chocolates probably would be reduced if they became popularized.

The company decided that it was not necessary to modify its advertising program even though it was attempting to increase its distribution in a relatively undeveloped market.

Did the Carmen Chocolate Company follow a sound policy in not advertising to consumers?

15. CLAYBON COMPANY

ADVERTISING POLICY FOR CHEESECLOTH

In 1925 the Claybon Company, which manufactured cheesecloth and similar textiles, wished to increase the sales of the trade-marked cheesecloth which it marketed in package form. It was a question whether the company should direct its sales promotion activities to consumers or to wholesalers and retailers.

Cheesecloth was a highly competitive commodity. The Claybon Company had four large competitors manufacturing cheesecloth equal in quality to its own. The product was used commonly for making polishing, dusting, and straining cloths, curtains, mosquito netting, cloths for use in surgical work, and dairy cloths. New uses, however, constantly were being discovered; for instance, it had come to be used in making table cloths, napkins, and towels for picnics. The Claybon Company manufactured the cloth in 13 grades which were distinguished by the number of threads to the square inch, and which sold at retail from 7¢ a yard for the

coarser grades to 20¢ for the finer. The prices of the popular grades ranged from 8¢ to 12¢ a yard.

Prior to 1919 the company's sales of cheesecloth to dry goods wholesalers and retailers represented one-tenth of its total output; the other nine-tenths consisted of cheesecloth and similar textiles sold directly to industrial users. At the close of the World War, when the demand for its products decreased 50%, the company found itself with an expanded plant. A survey of the markets indicated that the dry goods market for cheesecloth was the only one that might be developed to take the production of the company's surplus plant capacity. The company's distribution of cheesecloth in retail trade had been limited primarily to department stores.

Until 1919, manufacturers had sold cheesecloth in bulk exclusively. Retailers bought it in bolts of 60 yards, and from these bolts they cut the lengths required by their customers. Because of the difficulty of cutting cheesecloth evenly, it was estimated that customers generally received 5% more than they paid for. Cheesecloth was a comparatively profitable line for retailers, but the sales manager of the Claybon Company stated that they did little to promote its sale. The advertising manager of the Claybon Company suggested that the company might be able to increase sales of the product by marketing it in packages containing 5 or 10 yards each. Use of packages would eliminate waste from cutting and, by simplifying the retailers' work of selling, would permit sales through types of stores that would not stock the bulk product.

Acting upon this suggestion, the company introduced cheesecloth in package form in 1919. Five of the most popular grades were selected and put up in attractive packages of two sizes, one containing 10 yards and the other 5 yards. The width of the cloth contained in both packages was 36 inches. The retail price of cheesecloth sold in packages was, on an average, one cent more a yard than that sold in bulk. Other manufacturers followed the example of the Claybon Company and sold the same popular grades in packages.

During the first few years in which the Claybon Company sold cheesecloth in packages, the annual percentage increase in sales of the packaged product was greater than that of cheesecloth sold in bulk. Nevertheless, in 1924, three-fourths of the

company's sales of cheesecloth were still in bulk. In packaged form cheesecloth cost slightly more than in bulk, but this cost was passed on to consumers, so that the profit both to the company and to the retailers remained the same. In 1919 the company sold 58,000,000 yards of cloth, of which 52,400,000 yards were low-grade textiles sold to miscellaneous industrial users. The remaining 5,600,000 yards were of cheesecloth sold to department stores and dry goods wholesalers, of which the company sold 4,800,000 yards in bulk and 800,000 yards in package form. In 1924 the company's sales of cloth were 96,000,000 yards, of which 64,000,000 yards were low-grade textiles sold to industrial users; 32,000,000 yards were cheesecloth sold to the dry goods trade, of which 8,000,000 yards represented the sales of packaged cheesecloth.

Previous to the introduction of packaged cheesecloth, the Claybon Company sold the product directly to department stores, as well as to a few dry goods wholesalers. The company offered the same quantity discounts to all customers. With the introduction of packages, the company changed its policy with regard to all sales of cheesecloth. It continued to grant quantity discounts to department stores and large retailers, but gave a trade discount, which was larger than any of its quantity discounts, to dry goods wholesalers, to induce them to promote sales of the item. While a majority of the retailers who previously had stocked cheesecloth in bulk had taken on the additional packaged line, many retailers who were prospective customers had not been approached by dry goods wholesalers. Such prospective customers included general merchandise stores, which were numerous in the southern and western states, hardware retailers, and drug stores.

The Claybon Company employed 14 salesmen who solicited orders for its products. It also employed seven missionary salesmen to cooperate with the wholesalers' salesmen in introducing packaged cheesecloth in localities where the potential volume of sales was considered sufficient to warrant such an expenditure. The company regarded the cost of maintaining these missionary salesmen as an advertising expense.

In addition to the cost of its missionary salesmen, the Claybon Company had spent $26,000 in 1924 and about $25,000 each year for the preceding five years in advertising its cheesecloth; it had

allotted no definite part of this amount, however, to advertising cheesecloth in packages. It had devoted 40% of the yearly appropriation to advertising in trade publications and had used 60% in direct-mail advertising to retailers and in dealer helps. The company was convinced that, although this form of advertising was slow in producing results, it should be continued. Twenty-six thousand dollars was more than the company wished to spend annually for advertising with the existing volume of sales. The company realized, however, that the cost of advertising might have to be high in proportion to the volume of sales during the introductory period. The company was of the opinion that it could devote a part of the appropriation to advertising packaged cheesecloth without interfering with its bulk sales.

In order to test the value of consumer advertising of cheesecloth, the Claybon Company, in November, 1924, persuaded the Cobden Department Store to carry a special display of Claybon cheesecloth in handy-sized packages for one week. The company inserted a half-page advertisement in the local paper on Sunday, and the department store displayed Claybon cheesecloth on two counters during the following week. During this test period the department store sold 25,000 yards which was 50% of its previous yearly sales. The advertising manager of the Claybon Company did not know how much of the increase had been caused by the newspaper advertising, but he believed that the attractiveness of the packages and the conspicuousness of the display were of greater influence than the newspaper advertisements.

In order to make a more thorough test of the value of consumer advertising, the advertising manager, in January, 1925, recommended an additional appropriation of $10,000 to be devoted to local advertising of cheesecloth in a single large city. He proposed to develop sales of the product by suggesting to housewives new uses for it. By educating consumers to regard cheesecloth as a household necessity, he hoped to induce druggists and hardware dealers to carry packaged cheesecloth. The convenience of the handy-sized packages could be expected to remove most of their objections to carrying it in bulk. The advertising manager planned to conduct this campaign for nine months, commencing with intensive advertising in the spring, decreasing it during the summer months, and finishing the campaign with increasing amounts in the fall. Advertising directly to consumers in that

locality would be continued after the campaign had terminated, because the advertising manager believed that satisfactory results could not be secured if the advertising were cut off abruptly.

The sales manager was convinced that the $10,000 might be used to better advantage in soliciting orders directly from retailers by means of additional missionary salesmen or by means of direct-mail advertising. The Claybon Company already had 300 retail and 500 wholesale accounts; the sales manager advocated undertaking to increase sales to those accounts by educating the retailers to the new uses for cheesecloth and to the value of advantageous display, and by furnishing dealer helps to retailers and wholesalers.

The Claybon Company decided not to appropriate $10,000 for a test campaign of consumer advertising and, for the present, to concentrate on advertising in trade papers, on missionary sales work, and on dealer helps, with the aim of improving relations with dry goods wholesalers and retailers.

The company also introduced a package containing three "handicloths," each a yard in length. It was expected that hardware stores, drug stores, and automotive equipment stores would be more willing to carry packages of this size than those of the larger sizes.

What advertising and promotional program should the Claybon Company have adopted?

16. GRAYBAR ELECTRIC COMPANY

ADVERTISING APPEALS FOR RADIO RECEIVING SETS

In August, 1928, the Graybar Electric Company decided to market radio receiving sets under its trade name "Graybar." In introducing Graybar radio receiving sets, the company was convinced that an advertising campaign directed to consumers was essential. The executives were uncertain, however, whether opening advertisements should emphasize specific characteristics of Graybar radio receiving sets or the company's reliability and its experience in the electrical field.

The Graybar Electric Company was a distributor of electrical supplies and equipment, including motors, generators, cables,

poles, switchboards, insulators, and a wide variety of similar goods; it also sold household electrical appliances, and radio loudspeakers and batteries. Its total line comprised approximately 60,000 items. The company operated 71 wholesale branches located in important cities of the United States. It had been in business for 59 years and was the largest wholesaler of electrical supplies in the United States. Sales in 1927 amounted to $68,000,000. The major portion of the company's sales were made directly to industrial users such as manufacturers, railroads, central power stations, and contractors. The remainder, made to retail hardware, electrical appliance, department, and radio stores, consisted principally of household electrical appliances.

Of the 60,000 products distributed by the Graybar Electric Company a few were sold exclusively by the company, but the majority were staples of the electrical industry. The products distributed exclusively by the company included some manufactured by the Western Electric Company and marketed under that company's trade-mark. Other products distributed exclusively were sold under the trade-marks of other manufacturers. All household electrical appliances sold by the company bore the Graybar name, but the radio equipment, which was made by the Western Electric Company, was sold under the manufacturer's name. The radio receiving sets were to be made for the company by an independent manufacturer, but were to be marketed under the name Graybar.

Prior to 1928, because of certain contracts and relationships, the company had refrained from adding receiving sets to its line. In the summer of that year, however, a decision to market a Graybar radio receiving set was reached.

The company's salesmen visited retailers, industrial users of the company's products, and wholesale users such as contractors. In selling household appliances and radio accessories, salesmen visited hardware, electrical appliance, department, and radio stores, and a few phonograph and music stores. To market the receiving sets it would be necessary for them to call upon an additional number of phonograph and music stores.

The company planned to sell its receiving sets to a few selected stores in each locality. The stores were to be chosen on the basis of their standing in their communities and their willingness to display the sets and to devote aggressive selling efforts to them.

Company salesmen were to start visiting retailers to sell Graybar radio receiving sets on or about September 10, 1928. By October 15, when the opening advertisement was to appear in the *Saturday Evening Post*, the company expected to have approximately 500 retail representatives throughout the United States for its receiving sets. The company planned to secure additional retail outlets during the progress of the advertising campaign, and it hoped ultimately to have for Graybar radio receiving sets one retail representative for each 40,000 of population in the United States. Because of the goodwill which the company believed to be attached to its name, it anticipated little difficulty in securing desirable retail representatives.

The introductory advertising campaign for Graybar radio receiving sets was to be run during the last three months of 1928. The campaign was to consist of monthly full-page advertisements in color in the *Saturday Evening Post* and monthly advertisements in the newspaper rotogravure sections in cities where the company maintained a branch office. In addition, dealer helps, such as signs, consumer catalogues, folders, and window-display material, were to be used.

The Graybar Electric Company possessed several advantages in the marketing of radio receiving sets. In the first place, it always had been closely associated with the Western Electric Company, having prior to 1926 borne the name of "Supply Department of the Western Electric Company." The Western Electric Company, in conjunction with the Bell Laboratories, had been prominent in developing equipment for commercial broadcasting stations and other commercial radio equipment. The Graybar Electric Company had acted as distributor for this equipment and consequently was more familiar with the radio industry than were many wholesalers.

The majority of manufacturers of radio receiving sets sold their products to retailers through wholesalers. Since wholesalers were in most cases independent, manufacturers had no direct control over their wholesale distribution and no direct contact with retailers. From this situation the Graybar Electric Company derived its second advantage. Not only was national wholesale distribution for Graybar radio receiving sets assured, but the company already had many contacts with suitable retail distributors of its sets.

In addition to these advantages, the Graybar Electric Company was known to consumers. For a number of years as the Supply Department of the Western Electric Company, and since 1926 as the Graybar Electric Company, the company had carried on an extensive consumer advertising campaign in newspapers and magazines, spending hundreds of thousands of dollars annually for that purpose. Both institutional advertising and advertising for specific products had been used. The institutional advertising had emphasized the size and reliability of the company, its many years of experience in the electrical field, and the quality of the merchandise distributed. The advertising of specific products had featured chiefly the Graybar brand of household electrical appliances. In addition, the company had spent several hundred thousand dollars annually for advertising and other sales promotional efforts directed to the electrical trade and to industrial users of its goods.

On the other hand, as compared with certain companies selling receiving sets, the Graybar Electric Company was at a decided disadvantage—all the radio apparatus which it had distributed prior to 1928 had been sold under the name of the manufacturer. However, in its advertising for Western Electric radio apparatus, the Graybar Electric Company always had identified itself prominently as the distributor.

Other companies selling radio receiving sets under their own brands advertised extensively; the advertising appropriations of some were known to exceed that of the Graybar Electric Company by a substantial margin. In their advertising of receiving sets these competing companies usually stressed specific features of the sets, such as tone quality, selectivity, and clear reception. The Graybar Electric Company could follow this practice in its advertising or it could emphasize its experience in the electrical field and the proved reliability of its other merchandise.

The general use in advertisements of radio sets of appeals based on specific features seemed to suggest that such appeals were effective. Appeals based on special features had the merit of providing prospective purchasers with positive reasons for selecting particular brands. It seemed to the executives, however, that the company's most valuable asset in entering the radio field was the familiarity of consumers with its name in connection with the development and sale of high-grade electrical merchandise.

By stressing its experience in the electrical field, including the sale of broadcasting equipment to leading broadcasting stations

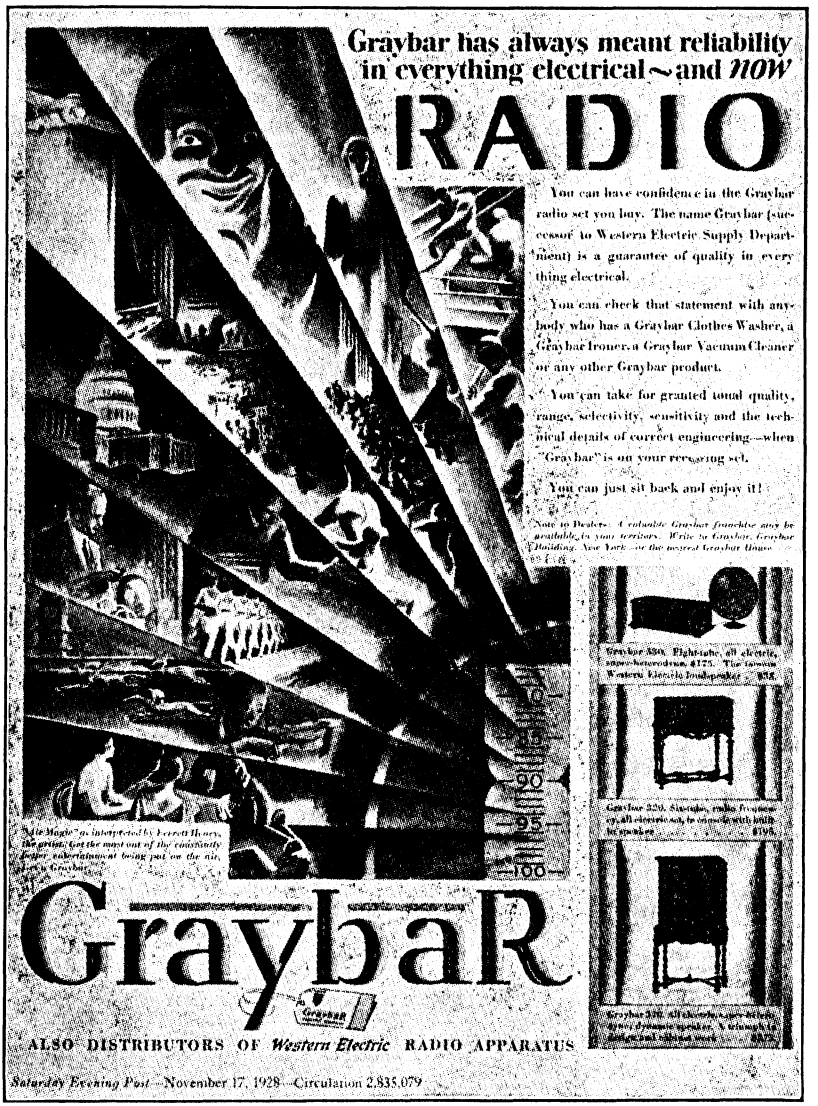

Exhibit 1: Example of 1928 Magazine Advertising of the Graybar Electric Company.

throughout the United States, the company in the executives' opinion could win the confidence of consumers for Graybar receiv-

ing sets. No other company selling radio receiving sets had had such wide experience in the electrical industry.

Belief in using appeals based on the company's experience and reliability was furthered by the experience of another company, well known to consumers, when entering the radio field. This company had emphasized the merits of its radio receiving sets in its advertising. Nevertheless, when a questionnaire was sent to consumers asking their reasons for having purchased the sets, it was found that 40% of those returning the questionnaire had purchased because of their reliance on the company's name. This reason was given twice as frequently as any other.

The Graybar Electric Company decided to emphasize its experience and the reliability of its goods in the introductory advertisements for Graybar radio receiving sets; the advertising of specific features of the radio sets was to be subordinated until after the introductory campaign or until exclusive features had been developed.

Exhibit 1, which is typical of the advertisements appearing in the *Saturday Evening Post* during the autumn of 1928 in the opening advertising campaign for Graybar radio receiving sets, demonstrates the company's attempt to link the name of Graybar radio with other Graybar products. Some of the advertisements sought to associate Graybar household electrical appliances with Graybar radio receiving sets, while others endeavored to form an association between the receiving sets and the company's activities in the field of broadcasting equipment.

1. What burden should have been placed upon advertising by the Graybar Company in the marketing of its radio receiving sets?
2. Did it adopt a sound copy approach?

17. CHILTON PEN COMPANY

ADVERTISING OF FOUNTAIN PENS

The Chilton Pen Company was organized in 1925, in Boston, Massachusetts, to manufacture and distribute a new type of self-filling fountain pen which had been patented and was trade-

marked under the name "Chilton." The inventor of this pen was the man who had invented the first pen making use of the ink-sac, self-filling principle. In the Chilton pen, he had perfected the application of the principle he had originated. With no presser bars or inside mechanism for filling purposes, a Chilton pen held twice the ink of other self-filling fountain pens of the same size. The mechanical operation of the pen was simple, and there was nothing to get out of order easily.

In 1928, the company decided to carry on an advertising campaign. The advertising possibilities were definitely restricted by the company's limited financial resources. This fact and the extensive advertising that had been done by other manufacturers of pens made it difficult for the company to decide what copy approach to employ in attempting to interest the public in another brand of fountain pen.

The Chilton pen consisted of two barrels or cylinders, the outer barrel fitting tightly over a metal inner barrel that held a rubber ink sac. An air hole extended through the tops of the two barrels down to the rubber sac, thus allowing air to enter the inner barrel. When the outer barrel was pulled upward, it became filled with air. Then, when the user placed his forefinger over the air hole and pushed the outer barrel down over the inner barrel, the air was forced gently around the ink sac, completely deflating it of ink. The final operation was to lower the pen point into a bottle of ink and then to lift the finger from the air hole, thus causing the sac to expand and suck up the ink.

Because of the absence of levers, buttons, springs, or presser bars and packing to take up space inside the inner barrel, any Chilton pen, size for size, held at least twice the ink held by the leading self-filling pens, all of which, it was stated, used levers or similar devices. The Chilton pen was made from materials of high quality and was unconditionally guaranteed. The company obtained the parts for its pen, such as the barrels, pen points, caps, and clips, from one or two large manufacturers of those parts. Like many other fountain pen manufacturers, it merely performed the function of assembly.

Other pen manufacturers claimed in their advertising that their pens were superior because of the special flexibility of the pen points, the special type of caps or clips, the variety of colors and materials used, or the fact that the pens were unbreakable.

Several manufacturers of high-quality pens guaranteed them for a lifetime. It was the belief of the Chilton Pen Company, however, that the Chilton pen represented the only vital fountain-pen improvement since the original self-filling pen was made in 1894.

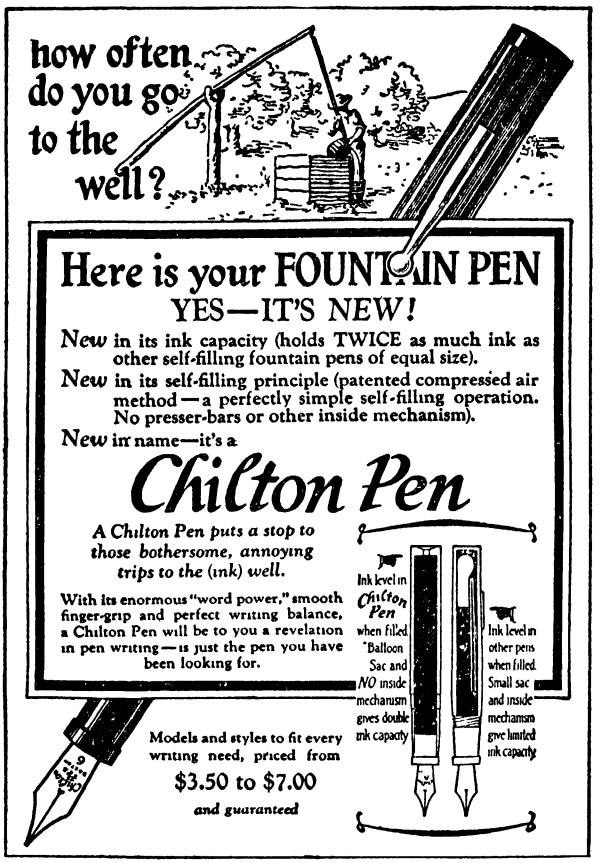

Exhibit 1 Example of Newspaper Advertising of the Chilton Pen Company

Because of the company's limited resources, the pen at first had been marketed only in the New England States. A few salesmen under the personal supervision of the sales manager called on department, jewelry, and stationery stores, and, in some instances, drug stores. Liberal discounts of from 35 to 50% were granted to retailers; the 50% discount was granted on quantity purchases only. The company offered a complete line of pens, pencils, and desk pen and holder sets in a variety of styles, sizes, pen points,

and colors. In 1928, the company had introduced pens with mountings of ostrich, lizard, and other leathers. Prices ranged from $3.50 to $30. The most important product in the company's line, however, was a $7 pen. The company believed that its chief competitors were manufacturers whose pens retailed for approximately this price.

The company had done some newspaper advertising in the cities in which the pen first was marketed. For those advertisements small space, usually not more than 2 columns by 6 inches, was used. Exhibit 1 is a typical advertisement of this series.

The company believed that by 1928 the pen had been successfully tested as a new product. The need for carrying on an advertising program was judged an obvious one, since other pen manufacturers were advertising in both newspapers and magazines. The success of any advertising that it might do, in the opinion of the company, depended largely upon the selection of an effective copy approach.

1. Do you agree with the opinion expressed in the preceding paragraph that Chilton pens should have been advertised to consumers?
2. If advertising were undertaken, what should have been the copy approach?

18. PROVIDENCE CLOCK COMPANY

TRADE-PAPER CAMPAIGN FOR SMALL MANUFACTURER OF HIGH-GRADE CLOCKS

The Providence Clock Company of Providence, Rhode Island, had been manufacturing high-grade clocks since 1895. Sales volume always had been small; in 1927, sales were approximately $360,000. In October, 1928, the president of the Providence Clock Company was considering the advisability of an advertising campaign in trade papers to increase the company's volume of sales.

In September, 1927, the Providence Clock Company had begun an advertising campaign to consumers in the quality group of magazines in an effort to increase the company's volume of

sales. No appreciable increase in sales had resulted, however, and the campaign was discontinued in July, 1928, after an expenditure of $12,000. The president of the company believed that improper distribution was the chief reason for the lack of success of this campaign. The company employed a single salesman who sold only to metropolitan cities in the United States as far west as Minneapolis and south to Washington.

The company seldom had more than one account in a city. Exclusive agencies were not granted, but since Providence clocks were sold only by retail stores of the highest grade, only in a few of the largest cities in the United States was more than one retailer eligible to sell the company's line. Approximately 200 retail jewelry stores, most of them located in the northeastern states, carried in stock at least 12 models of the Providence line of house clocks. Five hundred additional retailers were agents for the company, but most of these carried in stock not more than two or three clocks.

In the opinion of the management, this number of retail agencies was too few to warrant national advertising, since even if the advertising interested consumers they could not readily find a retailer who carried Providence clocks. As a result of the advertising campaign to consumers in the quality group, moreover, the president concluded that when consumers wished to purchase a fine clock they relied chiefly upon the advice of their jewelers. He believed that the best way to sell more clocks was to achieve the recognition and goodwill of retail jewelers and to secure more retail outlets. The management believed that this prestige among retailers might be created most effectively by advertising in trade papers.

By using space in trade papers the company intended to emphasize the fact that the Providence Clock Company had manufactured timepieces of the highest quality for more than a quarter of a century. It was believed that the advertising could be made to appeal to retail jewelers by calling their attention to the large commissions to be made on such a high-priced line of clocks. Providence timepieces, moreover, did not require any installation service in customers' homes; and jewelers' selling costs, therefore, were not increased. Finally, Providence clocks seldom needed attention, and retailers would not be required to provide service.

If the Providence Clock Company undertook a campaign in trade papers, full pages were to be used and the illustrations and copy were to be designed to achieve an association of quality with Providence clocks. It was planned that the company would continue to advertise its clocks as "The Ocean's Timepiece."

The retail jewelry field in the United States was completely covered by five monthly magazines and one weekly magazine. The following is illustrative of a program in these trade papers:

Name of Magazine	Times Published per Year	Suggested Number Full-page Advertisements	Total Cost
Jewelers' Circular	52	13	$1,235.00
National Jeweler	12	6	504.00
American Jeweler	12	6	160.02
Keystone	12	6	660.00
Mid-Continent Jeweler	12	6	255.00
Northwestern Jeweler	12	6	288.00
Credit Jeweler	12	6	540.00
Total	124	49	$3,642.02

Before advertisements were to appear in any magazines, the Providence Clock Company intended to gain distribution throughout the United States by securing several wholesalers to solicit retail jewelers outside the cities covered by the company's salesman. The president expected to obtain the services of wholesalers by personal interview. In October, 1928, one wholesaler had been secured to solicit retailers in small cities in the East not covered by the salesman of the Providence Clock Company and to cover all cities in the southeastern territory.

Wholesalers were to be furnished with folders illustrating the Providence line of house and marine clocks and, upon request, material for distribution among retailers. The pamphlet describing the line of house clocks of the Providence Clock Company was a small leaflet of several pages which displayed eight of the most popular designs of Providence clocks set up in attractive homes. The folder describing the line of marine clocks merely illustrated the various models. Both pamphlets listed prices at retail.

The company planned to continue exhibits in the boat shows of New York and Boston which it had begun in January, 1928. The

total cost of the exhibit in the Boston show had been $200; in New York the cost had been $500. The president believed that these shows not only afforded an excellent means of advertising to users of marine clocks, but also served to inform those who already knew the reputation of Providence marine timepieces that the company manufactured house clocks as well.

Should the company have attempted the proposed advertising campaign in trade papers?

19. COLTON CARD COMPANY

ADVERTISING POLICY FOR A GREETING CARD MANUFACTURER

The Greeting Card Association, a national organization to which all the important producers of greeting cards in the United States belonged, had been formed for the purpose of standardizing practices in the trade. Before the formation of the Association, manufacturers had recognized no definite time for the opening of the Christmas card season, and each manufacturer had attempted to display his samples a day or so before competitors displayed theirs. The Association had fixed upon February 1 as the opening date, and all members were prepared to show their new samples on that date.

The Greeting Card Association inserted full-page advertisements each month in women's magazines and general magazines with national circulation. The advertising done by the Association was for the purpose of educating the public to a more extensive use of greeting cards. No mention of the members of the Association was made in the advertisements. Members contributed to the Association on the basis of their sales of greeting cards. One per cent of sales was the assessment for firms with annual sales of $25,000 or more. Firms with sales of less than $25,000 paid the minimum assessment of $250 a year. The member with the largest sales contributed approximately $10,000 annually.

Although there was nothing in the by-laws of the Association to prohibit independent national advertising of greeting cards by members, no member prior to 1922 had advertised cards nation-

ally. In that year, however, the Colton Card Company, one of the five largest members of the Association, engaged in some national advertising of greeting cards. Other members of the Association objected to this independent advertising, and it was necessary for the Colton Card Company to decide whether or not to discontinue the advertising.

In addition to the greeting cards which it manufactured, the Colton Card Company sold novelties, such as letter openers, lemon forks, and card cases, put up in gift boxes. The company did not manufacture the novelties, but it did prepare the gift boxes, printing them with appropriate verses.

The company sold directly to retailers. In 1921 its 30 salesmen made sales to approximately 6,500 stationery and gift shops throughout the United States. A few retailers mailed their orders to the company. The salesmen received a commission of 15% on gross sales. The company's prices allowed retailers a gross margin of about 50% on greeting cards and of about 40% on gift boxes. The salesmen solicited orders for Christmas cards during February, March, and April; the company produced and shipped the Christmas cards during the summer, usually receiving payment for them in January of the following year. The credit terms for gift boxes and for cards other than Christmas cards were 2% 10 days, net 30 days, but most of the retailers took 60 days. The credit losses of the company were less than 1% of gross sales. The company's competitors, most of whom specialized in greeting cards, also sold to retail stationers and gift shops through traveling salesmen.

Sales of the Colton Card Company in 1920 and 1921 had been:

	1920	1921
Gift Box Sales	$455,000	$ 456,000
Greeting Card Sales	450,000	600,000
Total Sales	$905,000	$1,056,000

The company's contributions to the Greeting Card Association in those years, consequently, were $4,500 in 1920 and $6,000 in 1921. The company had been a member of the Association since 1918.

In June, 1922, the Colton Card Company engaged an advertising agency to plan an advertising campaign for its gift boxes, sales of which had grown less rapidly than had sales of cards. The company had appropriated $20,000 to be used for advertising during October and November, 1922. Acting upon the advice of the advertising agency, the company contracted for full-page advertisements in the October 15th issue of *Vogue;* in the October issues of the *Review of Reviews, World's Work, Scribner's, Harper's* and the *Atlantic Monthly;* and in the November issues of *Modern Priscilla* and *Good Housekeeping;* the company also contracted for a column in the November issue of the *Ladies' Home Journal.* The advertisements would feature the gift boxes, but would mention incidentally that the company also sold greeting cards. Coupons would be included in the advertisements, and the company would mail booklets showing Christmas cards and gift boxes to persons who sent in the coupons. The company also contracted for a three-inch advertisement of a special 50¢ box of Christmas cards in the *Ladies' Home Journal* of November. It was the company's plan to advertise greeting cards more extensively in 1923.

At a convention of the members of the Greeting Card Association held in the third week of October, 1922, the Colton Card Company was criticized for advertising greeting cards. Several of the Association members, including the largest one, accused the company of attempting to gain unfair advantage over competitors by inserting advertisements of greeting cards in the publications used by the Greeting Card Association. An executive of the Colton Card Company stated that there was nothing in the by-laws of the Association to prohibit independent advertising of greeting cards by members. Several of the members, including the president of the Association, replied that there was an implied agreement that members would not advertise greeting cards independently.

In the fall of 1922, for the purpose of stimulating discussion of the question, the Colton Card Company wrote to one of the leading advertising trade papers asking its opinion as to whether a contributor to an association for cooperative advertising should advertise independently. In answer to the letter, the paper printed an article which stated that associational advertising campaigns rarely were sufficient to give an industry all the pub-

licity required, and that some cooperative advertising campaigns failed because they were not supported by the individual advertisements of the members. The advertising paper held that the more advertising an industry received, both cooperatively and individually, the more business there would be for all members of the industry. The article stated that some cooperative associations made every effort to induce contributing members to publish advertisements over their own names and cited instances of individual advertising by members of the paint and varnish associations, the association of davenport bed makers, the vacuum cleaner association, and the association of coffee manufacturers.

Because of the possibility that it would be forced to withdraw from the Greeting Card Association if it continued to advertise greeting cards independently, the Colton Card Company decided to eliminate from its advertisements all references to cards. The company believed that it should support the Association, inasmuch as the Association's advertising had decreased the company's advertising expenditures, and since it was possible that the company's withdrawal would weaken the Association and lead to a renewal of cut-throat competition.

EXHIBIT 1
Sales and Advertising Expenditures of the Colton Card Company, 1922–1924

Item	1922	1923	1924
Gift Box Sales	$ 430,000	$ 532,000	$ 465,000
Greeting Card Sales	800,000	900,000	1,200,000
Total Sales	$1,230,000	$1,432,000	$1,665,000
Total Advertising Expenditures	20,000	20,263	6,127
Contributions to Greeting Card Association Advertising	8,000	9,000	12,000
Dealer Helps	11,086	29,993	42,753

The sales of the Colton Card Company and the amounts which it devoted to advertising and to dealer helps during 1922, 1923, and 1924 are given in Exhibit 1.

In 1924 the Colton Card Company's largest competitor stated that it intended to advertise greeting cards during the fall of that year. Despite the fact that the Colton Card Company raised no objection, the competing company changed its plans and did no greeting card advertising. The other members of the Greeting

Card Association still were averse to independent advertising by members.

Waiving the question of the understanding among Association members not to advertise, should the Colton Card Company have advertised to consumers?

20. CONTOOK MANUFACTURING COMPANY

CONSUMER ADVERTISING FOR A SPECIALTY TEXTILE FABRIC

In the summer of 1936, one of the directors of the Contook Manufacturing Company submitted to the other officers a plan for promoting the company's textiles under the name "Doeweave." The plan included the use of a consumer advertising campaign as part of the manufacturing and merchandising program of the company. Although the registered trade-mark, Doeweave, had been applied for several years to all grey goods manufactured by the Contook mills, it never had been advertised to consumers. In the discussion of the director's plan, objections were raised and several other proposals were suggested.

The Contook Manufacturing Company, which was among the smaller units in the cotton textile industry, operated the Contook mills, located in one of the leading eastern textile manufacturing centers. For many years prior to 1929 the company had produced cotton grey goods, which it sold to converters who carried out the processes of bleaching, printing or dyeing, and styling. In 1929 a number of considerations impelled the executives of the company to change the business over to the fabrication of rayon and silk yarns and the weaving of silk-rayon, wool-rayon, and cotton-rayon grey goods.

In the manufacture of cotton grey goods the product was standardized; there was a narrow spread between its price and that of raw cotton; and the grey goods producer, who manufactured a standard fabricating material, was subordinated to the converter, who bleached, dyed or printed the grey goods, styled them, and gave them individuality. The sale of grey goods was subject to severe competition between mills on a comparative price basis. The manufacturer of grey goods had to manufacture for stock and

accordingly to assume a heavy inventory risk because of the purchasing policy of converters. These considerations, together with the dependence on successful speculation in cotton for the profitable operation of the mills and the generally depressed condition of the cotton-textile industry in the preceding decade, caused the executives of the Contook Manufacturing Company to believe that a small company manufacturing standard cotton grey goods was in a poor competitive position, which would become increasingly disadvantageous.

By the introduction of rayon and silk weaves, the officers hoped to individualize the company's product and lift it out of the intense price competition which they believed permitted no independence for a small unit. They also hoped to capitalize on the growing popularity of rayon and rayon weaves. Beginning in 1929, therefore, the officers of the Contook Manufacturing Company replaced some of the cotton-preparing machinery with silk-finishing equipment. By 1936 the machinery of the company was about equally divided to produce cotton grey goods, silk and rayon fabrics, and rayon yarn. Many mills engaged in the fabrication of various fibers purchased rayon yarn and performed their own weaving. The Contook mills, however, purchased spun rayon fiber and manufactured the rayon yarn before proceeding with the weaving process. Raw wool yarn and silk thread were also purchased. In fabricating its rayon yarn, the company was able to create unusual effects by mixing wool, silk, or cotton with the rayon fiber. With these mixed yarns the company created distinctive weaves as well as weaves similar to those produced by other mills. The name Doeweave, which was applied to all fabrics produced by the Contook mills, was stamped on shipping containers and was generally used by the company's salesmen in dealing with their customers. All fabrics were in the grey and were not finished by the company.

The Contook Manufacturing Company sold its product to converters who, after bleaching and printing or dyeing, sold the goods to cutters-up and designers. New styles in materials were brought out three times a year, in November, June, and August. The Contook mills usually prepared approximately 100 weaves for each new season's showing. A small quantity of most of these weaves was purchased by converters who finished short lengths of the material to display to cutters-up. Only a few of these

weaves were expected to become popular. The majority were discarded soon after the first showing. Sales of the Contook Manufacturing Company varied from year to year in accordance with the converters' success in selling their finishes of Doeweave fabrics. A new material was commonly purchased from converters first by exclusive designers of expensive dresses, usually at high prices ranging up to $1.50 a yard. If the style was successful, the material was rapidly popularized by volume cutters-up selling to manufacturers of low-price garments, and the price would fall as low as 20 cents a yard. Thus Doeweave was used in dresses which sold at retail at prices varying from $4 to $200 each. The ultimate purchaser was not aware of the use of Doeweave fabrics in certain dresses, however, for the weave lost its identity in passing through the converting and cutting-up processes. No special qualities were attributed to Doeweave by department store buyers, to most of whom the name had no significance.

Operations of the Contook Manufacturing Company had not been consistently profitable in the years preceding 1936. The annual sales volume had varied between $10,000,000 and $19,000,000 as shown in Exhibit 1. The company maintained its own sell-

EXHIBIT 1

Contook Manufacturing Company, Operating Statements, 1929–1935 (Add 000)

	1929	1930	1931	1932	1933	1934	1935
Sales	$15,267	$14,266	$16,107	$11,463	$19,994	$17,683	$10,475
Less Returns & Allowances	926	788	559	556	876	588	698
Net Sales	14,341	13,478	15,548	10,907	19,118	17,095	9,777
Cost of Goods Sold	13,710	13,784	14,771	10,252	16,945	17,153	10,514
Gross Profit	631	306*	777	655	2,173	58*	737*
Less Allowances for Claims	0	0	386	208	0	0	0
Final Gross Profit	631	306*	391	447	2,173	58*	737*
Selling Expense	452	421	465	383	608	503	346
Administration Expense	81	127	100	25	21	25	21
Total Expense	533	548	565	408	629	528	367
Balance	98	854*	174*	39	1,544	586*	1,104*
Other Income	400	212	240	360	628	451	367
Balance	498	642*	66	399	2,172	35*	737*
Other Charges	34	97	16	25	337	36*	127
Net Operating Profit	464	739*	50	374	1,835	99*	864*
Interest Charges	182	175	209	199	309	299	196
Balance for Capital	282	914*	159*	175	1,526	398*	1,060*

* Loss.

ing organization in New York City. The staff of 10 in the New York office included the treasurer of the company, who also served as sales manager; a stylist; 2 salesmen, who remained in the office and also performed clerical and bookkeeping work; and 6 outside

salesmen, who called on the 60 to 70 converters who formed the market for the Contook mills.

In his proposal to promote Doeweave fabrics the director pointed out that the company had experienced some difficulty in the styling of its merchandise. The mill's stylist, who had held that position for more than 15 years, had been fairly successful in some years in producing weaves which were accepted, but unsuccessful in other years. Inasmuch as the volume of operations depended directly on the success of the company in offering weaves which would meet with ready acceptance by its customers, this situation appeared to the director to be at the heart of the company's operating difficulties. Although the company possessed through one of its officers an excellent personal contact with two of the leading New York designers and cutters-up, one of them being among the best-known American stylists, no extensive use of this connection had been made.

The director urged the officers to recognize the importance of correct styling in promoting the sale of the company's products. He suggested that the Contook Manufacturing Company employ a new and skillful stylist. To prevent Doeweave from losing its identity in the converting process, he proposed that the company associate itself with a finishing mill selling directly to cutters-up.

In the past Doeweave had been used chiefly for evening and afternoon dresses selling at medium and high prices. The director suggested that it would be possible to make Doeweave more basic than just a style the success of which would depend upon popular fancy. To widen the market, he proposed to adapt it to dresses at lower prices and to make consumers aware of the distinctive weave and quality of the material in these dresses.

He advised that knowledge of Doeweave be carried to the retail trade and to consumers through two advertising campaigns. One, in trade papers reaching buyers for department stores, mail-order houses, and chain variety stores, would carry the message that Doeweave was manufactured by the Contook Manufacturing Company and could be purchased from cutters-up; that it was a fabric which possessed certain distinctive qualities, such as its ability to blend successfully with woolens, mohairs, and alpacas; and that it possessed in itself unusual smoothness, adaptability to various temperatures, freedom from crushing, and a rich and costly appearance. Trade advertising would also emphasize

the wide variety of fabrics woven or knitted with Doeweave. The consumer advertising campaign would carry much the same message, emphasizing Doeweave as a new fabric of beauty which could be identified by the Doeweave label in dresses.

EXHIBIT 2

Contook Manufacturing Company, Balance Sheets, December 31, 1929–December 31, 1935 (Add 000)

	1929	1930	1931	1932	1933	1934	1935
Assets:							
Land	$ 104	$ 104	$ 104	$ 104	$ 104	$ 107	$ 107
Building	1,726	1,737	1,737	1,739	1,739	1,768	1,760
Machinery	5,236	5,426	5,309	4,933	4,360	4,555	4,558
Accessories	190	216	143	148	338	237	187
Total Fixed Assets	7,256	7,483	7,293	6,924	6,541	6,667	6,612
Reserve for Depreciation	3,159	3,424	3,559	3,468	2,805	2,881	3,058
Net Fixed Assets	4,097	4,059	3,734	3,456	3,736	3,786	3,554
Prepaid Expenses	122	114	120	13	18	8	31
Current Assets							
Cash	381	416	221	239	226	257	207
Accounts Receivable	472	473	164	164	317	86	196
Inventory	3,351	3,346	2,337	2,486	4,844	3,903	3,360
Total Current Assets	4,204	4,235	2,722	2,889	5,387	4,246	3,763
Total Assets	$8,423	$8,408	$6,576	$6,358	$9,141	$8,040	$7,348
Liabilities:							
Current Liabilities							
Notes Payable to Banks	1,200	1,040	520	520	1,092	546	1,429
Notes Payable for Machinery	47	18	5	.	267	159	1,022
Accounts Payable	295	237	291	520	1,190	1,257	229
Acceptances Payable	350	1,588	374	.			55
Accrued Liabilities	138	156	52	67	81	104	44
Notes Due		712	797	797	489	438	328
Provision for Taxes		..			260	86	5
Provision for Contingencies	780	16	62		151		13
Total Current Liabilities	2,810	3,767	2,101	1,904	3,530	2,590	3,125
Notes Payable (Not Current)							
Prior Preferred					.	99	
Cumulative Stock	2,730	2,730	2,730	2,730	2,730	2,730	2,730
Preferred Cumulative Stock	1,066	1,066	1,066	1,066	1,066	1,066	1,066
Common Stock	1,053	1,053	107	107	107	107	107
Surplus Previous Year	449	764	208*	572	551	1,708	1,448
Surplus Earned	315	972*	166*	21*	1,157	260*	1,128*
Paid in Surplus		.	946		...	.. ..	..
Total Liabilities	$8,423	$8,408	$6,576	$6,358	$9,141	$8,040	$7,348

* Loss.

To insure the inclusion of the Doeweave label in dresses, it would be necessary for the Contook Manufacturing Company to get greater control over the finishing of its fabrics. The director thought this could be accomplished, by contracting to sell all the company's production to one large finishing mill. The finishing mill would sell through its own salesforce and the Contook Manu-

facturing Company would have the benefit of the skill and experience of the mill's stylist on styling Doeweave fabrics.

A number of officers of the company objected to the promotional program outlined in this plan. Many of them were influenced by their long experience with the company in the manufacture of cotton grey goods and were more interested in production and costs than in styling. These executives were inclined to emphasize the quality of the product. They argued that to associate the company with a finishing mill would place it in a very dangerous position because it would be dependent on the styling success of one finisher, whereas under its present plan various converters finished Doeweave fabrics differently. To the proposal that Doeweave be adapted to and widely promoted for use in low-price dresses, particularly those going into mail-order houses and variety chain stores, it was objected that this branch of the trade was characterized by low margins and that an extremely large volume of sales would be necessary to make such operations profitable.

Although the proposal to initiate trade and consumer advertising campaigns was not accompanied by detailed statements of the estimated costs of such a promotional program, investigation indicated that textile manufacturers undertaking consumer advertising spent from $40,000 to $180,000 for magazine space. In addition considerable sums were spent in trade publications and in mail directed to retailers. A number of executives doubted whether even an extensive advertising campaign could firmly establish Doeweave as the name of individual and distinctive textile fabrics. There were also some fears of the danger of establishing a brand name in a field where styling was so important.

Comparative balance sheets for the period 1929–1935 are shown in Exhibit 2.

21. H. R. MALLINSON & COMPANY

ADVERTISING POLICY FOR A SILK MANUFACTURER

In 1926 H. R. Mallinson & Company, one of the largest manufacturers of high-quality dress silks in the United States, decided to place upon the market in the spring and summer of 1927 a new

series of designs, the motifs of which were to be derived and developed by the company's style experts, from several well-known spots of scenic grandeur in the National Parks. The company, therefore, was faced with the problem of introducing this new series both to the trade and to consumers.

H. R. Mallinson & Company, primarily because of the excellence of both its fabrics and its designs and also because of its aggressive and sustained sales and advertising efforts, enjoyed a nation-wide reputation in the trade and among consumers as a creator and style leader of fashionable silk fabrics. While the company manufactured all types of high-quality silks, approximately two-thirds of its production consisted of special weaves, both plain and printed, which it had developed itself. These weaves, which were among the most expensive upon the market, were called novelty silks and were registered in the United States patent office and sold under special trade names.

The company had sales offices in New York, Chicago, and San Francisco and, by means of its own salesforce of about 40 men, sold one-third of its production to cutters-up and two-thirds to the piece-goods departments of department stores and dry goods stores throughout the United States whose clientele had sufficient purchasing power to be logical prospects. The retail sales season for dress silks extended from May until October.

Although the silks manufactured by the company could be used in many ways, such as for parasol tops, hats, scarfs, shoe tops, and bathing suits, the larger proportion was used for dresses. During the past few years, silk had come into style not only for evening and afternoon but also for morning and sports wear. The company, therefore, had been active in promoting the use of silk for dresses for all occasions and had been the first to feature its use as an outdoor garment.

After the expenditure of a great deal of time, effort, and money, the style department of H. R. Mallinson & Company was successful in creating from the specified motifs a series of 12 designs in from 6 to 8 different color combinations which were printed on 3 of the most popular of the special weaves manufactured by the company. The executives believed that these silks would be especially suited for use in sport and afternoon dresses. The series was named the National Park series and this name, together with that of the weave and that of the company, was stamped upon the

selvage. The designs were patented. The retail price of the silks in this series varied between $3.50 and $5.50 a yard, depending upon the quality of the silk and the number of colors in the design.

The National Park series was first introduced to the trade at a silk show which was held for a period of one week during January, 1927. This show was composed of exhibitions of different garments made by practically all the manufacturers of women's apparel in the United States. Although no sales were made, it was widely attended by cutters-up and the buyers for piece-goods departments of department stores throughout the United States who wished to ascertain the style tendencies in women's dresses during the coming spring and summer buying season. Immediately following the silk show the salesmen of H. R. Mallinson & Company started to make sales calls and take orders from the trade. They were provided with samples of the National Park series and portfolios that illustrated the consumer advertising which the company was going to conduct and also the advertising and sales promotional aids which the company had available for use by the advertising departments of the various department stores that were customers.

The sales and advertising departments of the company also called into consultation the style departments of the leading women's fashion magazines. These style departments developed special patterns for making sport and afternoon dresses from National Park silks and, in turn, featured the patterns in their magazines and sold them both to the pattern departments of department stores and to consumers.

The company further placed orders for two full-page rotogravure advertisements, one of which was to appear in January and the other in February, in several of the leading newspapers in the larger cities in the United States and orders for full-page advertisements which were to appear monthly from May until October in nine of the leading women's fashion magazines.

The executives of the company, however, believed that the most effective advertising of the National Park series would be that which individual department stores would carry on themselves. Therefore, in order to facilitate and encourage this type of advertising, the advertising department prepared a booklet which contained complete advertisements, individual illustrations,

and many paragraphs of suggested copy. This book was mailed to the advertising departments of the department stores which sold the products of H. R. Mallinson & Company, with the statement that the electros or matrices necessary for reproducing these advertisements would be sent to them free upon request. In addition to this booklet, the advertising departments of department stores were supplied with counter cards and photographs of suggested window displays.

The company also advertised in all the principal millinery trade journals and supplied these magazines and the fashion pages of consumer newspapers with publicity articles about the National Park series.

In May, 1927, the reception given by the trade to the National Park series indicated that this series was going to be a success.

The H. R. Mallinson & Company advertising plan described differed from plans currently featured by other silk manufacturers. Certain of these followed the policy of advertising in such magazines as *Harper's Bazaar*, *Vanity Fair*, and *Vogue*, showing models wearing fashionable gowns made of their silks and featured by leading department and specialty stores; or expensive art was employed, picturing grand dames in fine surroundings who typified those persons devoted to the brand advertised.

Did H. R. Mallinson and Company follow a sound advertising and promotional policy?

22. HEWES & POTTER, INC.

ADVERTISING MEN'S TIES

In 1921, as a result of the postwar deflation and a marked style trend away from the use of suspenders and garters by men, Hewes & Potter, Inc., of Boston, engaged in the business of manufacturing and selling suspenders, garters, and belts, was faced with a declining sales trend and consequent lowered profits. Suspenders were the most important item in the Hewes & Potter, Inc., line at that time. They were sold throughout the United States under the brand name "Bulldog," which had been advertised and was well known to the trade and to consumers.

The products of Hewes & Potter, Inc., were distributed by 23 salesmen operating in definite geographic territories covering the United States. Sales were made only direct to retailers by these salesmen, who were paid on a straight commission basis with drawing accounts.

Among the various products considered for the purpose of reviving the sales volume of Hewes & Potter, Inc., was a ready-tied bow tie. The initial reaction of the executives to the suggestion to add this item to the line was unfavorable. In 1921 the ready-tied bow was regarded as the standard joke of fun makers, fit only to be mounted on its brother in absurdity, the celluloid collar. This attitude toward the ready-tied bow tie indicated that considerable sales resistance would have to be overcome.

An estimate placed the total value of ready-tied bow ties manufactured and sold in the United States in 1921 at $150,000. The bulk of such ties were dress ties. No brand of ready-tied bow ties had ever been advertised and no brand of ready-tied bow ties was known to consumers. In fact, up to this time there had been practically no advertising of any brand of men's neckwear except that done by Cheney Brothers. Most manufacturers of neckwear apparently believed that ties were purchased by consumers on the basis of their attractiveness in pattern and color rather than on the basis of brand discrimination and that retail display, together with the maintenance of attractive patterns and colors, was the determining element in neckwear sales.

Despite the prejudice which the sale of ready-tied bow ties would have to overcome, executives of Hewes & Potter, Inc., decided that it might be possible to develop a large volume of sales for such a product. It was believed that many men looked better in bow ties than in four-in-hands and that bow ties were more convenient and more suitable for sports wear. A bow tie could neither get in the way nor blow around while the wearer was playing golf or motoring. However, many men did not wear bow ties, despite their apparent desirability, because of the difficulty of tying an attractive bow. Few men had valets and many men did not want to depend on their wives, mothers, or sisters to tie the bow.

Experimentation had convinced executives of Hewes & Potter, Inc., that a ready-tied bow tie, which was considerably better

looking than the average bow a man tied and which was convenient to put on, could be manufactured. A new type of inner form called the "H-shaped Innerform" and consisting of a soft, easily molded strip of copper was developed and patented by the company to be used for the base of the tie. The tie was so arranged that it could be molded to suit the fancy of the wearer after being put on. It could be made to look either prim and formal or nonchalantly disarranged. Furthermore, there was no reason why ready-tied bows could not be offered in patterns and colors as attractive as any other type of neckwear. Hewes & Potter, Inc., decided that the ready-tied bow held sufficient hope of developing sales to justify the experiment of introducing it in a limited way. Consequently, in 1921, the ready-tied bow tie was introduced in the New England territory.

Hewes & Potter, Inc., recognized that neckwear was sold to men on the basis of its attractiveness of pattern and color and that attractive retail display of its new product was essential. Accordingly, a means of selling the product which would assure adequate displaying was adopted. Instead of sending the ties out boxed, they were mounted on attractive display cards which would stand on retailers' counters. The ties were sold only when mounted on these cards, so that it was natural for the retailer receiving them to stand them on his counter instead of placing them on a shelf.

The ready-tied bow was manufactured in three grades to retail at 50 cents, 75 cents, and $1 respectively. The price to retailers permitted a retail mark-up of from 38 to 43% on sales at these prices.

In considering the use of advertising in the introduction of the Spur Tie, executives of Hewes & Potter, Inc., believed that the principal considerations affecting choice between various ties offered at the point of retail sales were design, pattern, and color. Moreover, they believed that, given up-to-date and attractive styles and patterns, it was necessary to have the ties on sale in the stores where men made their purchases and that it was desirable to have them constantly and attractively displayed in windows or on counters. Brand was and probably would continue to be an influence secondary to the factors of style, pattern, color, and retail display in the marketing of neckwear. Even with extensive advertising it was not believed that most men could be induced

to change their buying habits to the extent of going to a store and asking for a tie of *x* brand and *y* pattern. Although the executives believed that the advertising of a manufacturer of ties could not accomplish for his brand what advertising had accomplished for the brand of a manufacturer of canned soups, for example, they did believe that effective use of advertising might be made in the marketing of their new product.

Advertising might not influence many consumers to buy ties entirely on the basis of brand, but it might result in a favorable reaction toward a tie with a known brand when the style and pattern were equal to the style and pattern of ties competing with it for consumer choice at the point of purchase. Moreover, a very little active consumer demand for a particular brand was believed to exert a considerable influence on alert retailers in a field such as the marketing of ties where most purchases were not made on this basis. It was believed that consumer advertising exerted a great deal of influence on retailers and that it could be used to induce them to stock the product and to display it on their counters.

Advertising might play another rôle in the introduction and promotion of the new product of Hewes & Potter, Inc. A prejudice existed in the minds of consumers against the ready-tied bow tie. Advertising might be used to break down this prejudice. Moreover, advertising could be used to increase the primary demand for bow ties for sports and other uses. Advertising presented the only means of overcoming the prejudice and developing a primary demand, which were regarded as essential to success in the new venture. Consequently, $35,000 was appropriated for advertising in the *Boston Post* and eight other New England papers during the test of the product in New England.

The five New England salesmen were supplied with samples of the Spur Tie mounted on the display cards, together with a portfolio describing the projected advertising. Their efforts resulted in small orders from many retailers throughout the New England territory.

The newspaper advertising which was used during the year 1921 advertised the Spur Tie, not as a substitute for the ordinary bow, but as a new style in itself. The attractiveness of the tie and the advantages of the patented H-shaped Innerform which was used only by Hewes & Potter, Inc., were described.

The results of the experimental campaign of advertising and selling the new product in New England were sufficient to justify the extension of the area in which these ties were sold. Accordingly, it was decided to extend distribution of the tie throughout the United States in 1922. Salesmen carried with them a complete and attractive portfolio describing in detail the company's projected advertising for 1922. The advertising plans aroused the interest of retailers and were effective in obtaining distribution. On their first calls with the Spur Tie, salesmen were satisfied to obtain an order for a trial assortment of two dozen ties mounted on the display cards. The importance of displaying the new product was stressed by the salesmen. These efforts resulted in placing the cardboard display cards of Spur Ties on the counters of many men's furnishing stores throughout the United States.

Despite the experimental success of the use of newspaper advertising in the initial introduction of the ready-tied bow tie, it was not believed that Hewes & Potter, Inc., could afford to continue this method of advertising when distribution was extended throughout the entire United States. In 1922 approximately $49,000 was spent for space in the *Saturday Evening Post*, which was selected because of its large circulation, its prestige as an advertising medium, and its influence on retailers. Appropriations were concentrated in this medium because it was believed that a greater impression could be made than by diffusing the small appropriation more widely.

Every Spur Tie advertisement showed a picture of a well-dressed man wearing a Spur Tie. The copy which appeared in one- and two-column space stressed the idea, "Here at last is a ready-made bow that the well-dressed man will wear." The copy also stressed the advantage of the ready-tied bow and described the patented inner form used in Spur Ties, which gave them an appearance that other manufacturers had not attained.

In 1923 similar advertising policies were followed, and $51,805 was spent for half-page space in the *Saturday Evening Post*. A similar appropriation was made for space in 1924 but the all-fiction field, as well as *Sunset* and *American Boy*, was used in addition to the *Saturday Evening Post*. In 1925 a similar policy was followed. In 1926 full-page space in the *Saturday Evening Post* was used for the first time, and a small appropriation was used for space in *Liberty*.

In 1927 the entire appropriation was again concentrated in the *Saturday Evening Post.* In this year a cycle of 13 four-color pages was used. The cost of a four-color page in the *Saturday Evening Post* was $11,500, making a total space cost of $149,500 for that year.

During this entire period the importance of the cooperation of retailers in the display of the product, and in coordinating their efforts with the company's advertising, had been stressed. In general it was the company's policy to spend about $1 for placing its advertising before retailers and in securing their cooperation for every $2 of space cost.[1]

The company used a number of ways to make the advertising effective with retailers. The company's salesmen were supplied with portfolios describing the advertising and the latest patterns. These portfolios were kept up-to-date and changed at least twice a year in order to maintain the salesmen's interest and to give them something new to talk about. Direct mail was extensively used to keep both salesmen and retailers in close touch with activities of the company, but the most aggressive efforts were devoted to the obtaining of adequate display by retailers. In 1923, a trade character, consisting of a small plaster man standing about 15 inches high and wearing a real Spur Tie on his neck, was christened Spur Tie Jim and was distributed to those retailers who placed substantial orders. By this time cut-price competition of unadvertised ready-tied bow ties had begun to make itself felt, and it was not desired to place the Spur Tie dealer helps in the hands of retailers who might use them as a basis for selling unadvertised

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[1] In *Printers' Ink* for March 29, 1928, J. K MacNeill, Sales Manager of Hewes & Potter, Inc , describes the reasons for this policy in the following words "Ever since we started to advertise the Spur Tie we have felt that in order to get maximum results from the advertising we must do something besides send the plates to the publisher and wait for the business In this regard we have been given a homely but none the less effective keynote by our sixty-eight-year young president, Mr Hewes, who all through his forty-odd years of piloting this business has been much addicted to the phrase, 'Holler your heads off' Figuratively speaking, we have been hollering our heads off about Spur Tie advertising ever since it started, along the lines I am about to describe.

"There will be some who will criticize the policy of ballyhooing advertising but I am frank to say that I believe a certain amount of exaggeration is necessary to get home the point you desire, provided such exaggeration takes the form of suggestion rather than that of unsupportable claims.

"In 1926 the results we got from our collateral advertising or merchandising assumed such importance that we have since designed our advertising actually to fit in with the former."

ready-tied bow ties. Interest in window displays was maintained among salesmen and retailers by various prize contests.

In 1927, when Hewes & Potter, Inc., first began to use full-page space in four colors in the *Saturday Evening Post*, these colored pages became an important means of tying in the company's advertising with the display at the point of consumer purchase. A display stand was devised, the central portion of which held a reproduction of a month's full-page advertisement in the *Saturday Evening Post* with wings on each side holding Spur Tie display cards. This stand, which could be placed in retailers' windows without necessitating the use of a whole window, resulted in associating the individual retailer directly with the company's advertising. In each four-color advertisement a particular pattern known as the "pattern of the month" was shown. It was particularly important to have this pattern in the hands of all retailers of Spur Ties. In order to accomplish this objective, retailers and salesmen were advised in advance of the particular pattern and urged to stock it. In some cases salesmen obtained standing orders from retailers for a certain number of the "pattern of the month" Spur Ties to be delivered each month. Direct mail from the home office was also used to obtain orders between the calls of salesmen, which were made on the average about once a month, in order to insure the stocking of the "pattern of the month" Spur Tie.

In 1927, Hewes & Potter, Inc., changed its advertising somewhat from that used in the earlier period. With the full-page space in color it was possible to use more attractive illustrations and give better display to the ties. Instead of simply showing the head and shoulders of a man wearing a Spur Tie, a well-dressed man in attractive surroundings, usually with a girl, was used. The illustrations in these advertisements were usually of stars of the stage or screen. However, the advertisements were not of a testimonial character; they simply aimed to surround Spur Ties with an atmosphere of appropriateness and distinction. The patented inner form was no longer stressed, the main appeal being devoted to the attractiveness of the patterns and the appropriateness of Spur Ties. Printed copy was of less importance in the advertisements and illustrations played a larger part.

The company had continued to sell its Spur Ties to retailers at prices which would permit a retail gross profit of 38 to 40% on

sales price when the ties were sold at the advertised price of 50 cents, 75 cents, or $1. No quantity discounts were allowed. The salesforce had been increased from 23 salesmen to 60 salesmen, and Spur Ties were being manufactured and distributed on a royalty basis by a leading Canadian distributor of haberdashery items. The Spur Tie had grown in importance to the point where it accounted for nearly 75% of the total sales of Hewes & Potter, Inc.[1] On the average, the company's advertising appropriation during these years had amounted to 8% of sales. The appropriation had grown from $35,000 in 1921 to nearly $250,000 in 1928. During the year 1928, the advertising in national magazines again consisted of a cycle of 13 full four-color pages in the *Saturday Evening Post*. The copy approach and illustrations were similar to those used in 1927. The use of this advertising in securing retail outlets was continued with unabated enthusiasm by methods similar to those employed in previous years.

What do you consider the bearing of the experience of Hewes & Potter, Inc., on the question of more widespread advertising to consumers by other manufacturers of men's neckties and similar furnishings?

23. NAUMKEAG MILLS

ADVERTISING OF SHEETS TO OFFSET INCREASING COMPETITION

The Naumkeag Mills, located in Salem, Massachusetts, were the largest manufacturers of cotton sheets and pillow cases in the world. The mills, which had been established since 1839, produced in 1927 approximately 30,000,000 yards of sheeting; about 2,000 workers were employed. When producing at capacity, 5,000 dozen sheets and pillowcases could be produced daily. All the

[1] In a speech before the Advertising Club of Boston on May 3, 1927, John L. Brummett, Vice President of Hewes & Potter, Inc , made the following statement concerning the results of the effort to make a style of ready-tied bow ties "According to testimony that was given at the patent trial to which I referred, it was estimated that there were about $150,000 worth of ready-made bow ties sold in this country in 1920, most of them for wear with dress suits After five years of advertising the Spur Tie, we were able to conservatively estimate that in 1927 there were over twelve million dollars' worth of ready-made bow ties sold in this country, which I believe is a remarkable and striking tribute to what advertising may do in creating a style."

operations necessary for converting raw cotton into a finished sheet were carried on in the factories of the Naumkeag Mills The company operated its own bleachery located in Peabody Massachusetts, where another 1,000 workers were employed, and made up the sheets and pillowcases in its own workrooms.

Practically the entire output of the Naumkeag Mills was sold under the brand name Pequot, which the company had applied to its sheeting and tubing for over 65 years. No material was sold unbranded or under retailers' or other private brands. A paper label with the Pequot trade-mark was pasted on each sheet or pillowcase and the Pequot label was placed on the end of each bolt of piece goods as well as on the wrapping in which goods were shipped.

The product of the Naumkeag Mills had been sold only as piece goods until about 1902, when the company commenced to make up sheets and pillowcases in its own workrooms. Naumkeag was one of the first manufacturers of sheeting to adopt this policy. In 1927, sales of finished sheets and pillowcases constituted over two-thirds of the sales of Pequot sheeting.

The sheeting manufactured by the Naumkeag Mills and sold under the brand Pequot was of excellent quality. It was moderate in weight and durable. The number of threads per inch of material was 68 sley, 72 pick. This cloth had been developed after experimentation and testing by the Naumkeag Mills. The manufacturers believed that this sheeting possessed advantages of moderate weight, long wear, easy laundering, and smoothness characteristics which would provide a strong appeal to the majority of sheet purchasers.

Although the Naumkeag Mills had been the first to adopt the 68-sley, 72-pick material, these specifications had been copied by many other manufacturers. In 1927 the executives of the Naumkeag Mills believed that Pequot was regarded as the standard of quality among sheets in its price class. Cotton sheets manufactured in the United States were classified roughly as follows:

Below 64 Sley	Cheap sheets: usually unbranded.
64 Sley	A large group including such brands as Salem and Pepperell.
68 Sley	This group comprised Pequot and many other good-quality branded sheets as: Utica, Dwight-Anchor Lady Pepperell, Cast Iron.
Above 68 Sley	The finest quality of cotton sheets.

For many years Pequot sheets had been the oldest and largest-selling brand of bed linen on the market. The company had advertised since the production of torn and hemmed sheets and pillowcases in 1902. Until 1920, good-quality, mill-branded sheets had been placed on the market and advertised by only a few textile manufacturers, but since that date the competitive situation had been changing rapidly. In the years subsequent to 1920, several mills placed their marks on their sheeting and began to push their brands aggressively with advertising. With the exception of Wamsutta, these advertised brands were manufactured to sell at about the same price as Pequot sheets and were of similar texture.

The following figures, taken from the Curtis Publishing Company's compilation *Leading Advertisers*, indicate the space cost of consumer advertising in leading magazines by manufacturers of sheets during the period 1920–1926.

Year	Dwight Anchor	Pequot	Pepperell	Utica	Wamsutta	Total
1920		$19,365	$ 789			$ 20,154
1921		19,973	11,805		$41,000	72,778
1922		21,516			66,000	87,516
1923		21,332			66,000	87,332
1924		21,557	30,368	$21,902	55,850	129,677
1925		30,660	64,428	59,761	44,810	199,659
1926	$24,479	49,688	54,073	65,052	77,360	271,252

Pequot sheets appealed to housewives who wanted comfortable sheets which would be durable in use and economical to purchase. The hotel and institutional markets also were important outlets for this product. Although sales to hotels, hospitals, and other institutions were made in large volume, sales to such users were small in proportion to total sales of Pequot sheets. The market for Pequot sheets covered the entire United States and included small towns and country districts as well as the large urban centers. Sheets were purchased by housewives when their supplies of bed linen ran low on account of the discarding of worn-out sheets or from increases in the size of families. They were sometimes purchased in relatively large quantities when new homes were established. Housewives could not always tell the quality of a sheet by inspection and some makers of poor-quality sheets "filled"

their sheets to make them feel smoother. For this reason, housewives were likely to favor brands whose reputation and quality were known to them.

In the marketing of Pequot sheets the Naumkeag Mills utilized the services of a selling agent with offices in New York and Boston. The salesmen of this selling agent called on selected wholesale distributors and large retailers throughout the United States. The same salesmen were used to reach the hotel-supply and so-called "institutional" markets but resultant sales were made through jobbers.

A plan of selected wholesale distribution was followed. Selection of wholesalers to handle the Pequot line in each marketing area was made on the basis of the particular situation existing in the locality. It was the company's policy to select such wholesalers as were in a position to cover completely the retail outlets in each section.

Because of the established reputation and universal usefulness of Pequot sheets, they had frequently been used as price leaders by retailers. The problem of price cutting was a serious one, but no effective means of meeting this problem had been developed. In some cases, wholesalers had brought pressure to bear on retailers who were particularly active in price cutting.

Manufacturers of certain products in other lines which were frequently used as price leaders and sold at cut prices found it increasingly difficult to induce retailers to sell their goods because of this type of price competition. In order to avoid price-cutting competition, many retailers preferred to carry and push their own private brands or lines for which they were exclusive agents. The executives of the Naumkeag Mills believed that the consumer demand for Pequot sheets was so strong as to induce retailers to offer Pequot products to their customers. They desired to avoid price cutting, however, on the Pequot line and to make the handling of their sheets profitable to retailers.

In order to solve the problem of retail price maintenance another large mill had adopted a plan of exclusive wholesale and retail distribution for its lines of branded sheets and pillowcases in 1927. According to reports, however, this plan had not been in operation for a sufficient length of time to permit judgment of its success. In any event, since the production of the Naumkeag Mills was so great that a limited retail distribution of its product

would probably not be able to secure the necessary volume of sales, such a plan was not deemed applicable to the Pequot line.

The Naumkeag Mills had been advertising its Pequot sheets and pillowcases consistently for over 25 years. Prior to 1920 the company had used space in the women's magazines and in trade and institutional media. Color had not been used, and less than page space had usually been purchased for consumer advertising.

As competition in the field of sheetings became more keen on account of the introduction of new brands and the extensive use of advertising by competitors, the Naumkeag Mills enlarged their advertising to meet these new conditions. In 1927 and 1928 the Naumkeag Mills were spending about $150,000 for advertising.

Although a full record of the company's advertising expenditure is not available, the following figures, extracted from the Curtis Publishing Company's compilation, *Leading Advertisers*, give an indication of the cost of consumer advertising space in advertising Pequot sheets during the period 1914–1926.

1914	$ 7,971	1921	$19,973
1915	5,788	1922	21,516
1916	10,941	1923	21,332
1917	9,035	1924	21,557
1918	9,119	1925	30,660
1919	15,400	1926	49,688
1920	19,365		

The Naumkeag Mills had not purchased color space until the spring of 1927. At that time the company commenced to use a full page in color every other month in the *Ladies' Home Journal*. The company felt that, in view of the competitive situation and the extensive use of advertising by competing manufacturers of sheets, the increased effectiveness and attention value of color would justify the greater cost.

The original 1928 advertising schedule of the Naumkeag Mills was drawn up to include the following:

6 pages in color in the *Ladies' Home Journal.*
6 half pages in the *Woman's Home Companion.*
6 two-thirds pages in *Good Housekeeping.*
13 insertions in the *Dry Goods Economist.*
12 insertions in the *Merchants Dry Goods Journal.*

12 insertions (or more) in the *Daily News Record.*
12 insertions in *Hotel Management.*
12 insertions in *Modern Hospital.*

Smaller items in other publications, including magazines reaching the hotel and institutional markets, were also used.

In 1926, a consumer questionnaire was prepared by an outside agency in order to determine the standing of various brands of sheets with consumers, to determine the geographical concentration of sales of the various brands, and to obtain information for use in the advertising of Pequot sheets. The questionnaire was mailed to a list consisting of names picked at random from the subscription list of a leading women's magazine. The names were chosen so that each state was represented by a number of names proportional to the percentage of this magazine's total circulation in each state. The questionnaire was sent out in such a way as not to suggest its connection with the manufacturer of any particular brand of sheets.

The questionnaire was worded as follows:

1. Do you use made-up sheets or do you hem your own?
2. What brand of sheets are you using at the present time?
3. When you next buy sheets will you try this brand or some other brand?
4. Space for comments.

Ten thousand questionnaires were sent out in the first mailing, to which about 500 replies were received. Fifty-eight per cent of those who replied indicated that they were using Pequot sheets. The executives felt that this return might not have afforded a representative sample, and another 10,000 questionnaires were sent out in the same manner. The proportion of replies and the results of this second questionnaire corresponded closely to the results of the first.

In addition to indicating that 58% of those who replied were users of Pequot sheets, the returns indicated that the Naumkeag Mills had obtained distribution of Pequot sheets throughout all sections of the United States. Moreover, the comments included with the returns furnished the company with valuable information on the motives which had prompted housewives to buy Pequot sheets. Effective uses of the results of this questionnaire were made by the Naumkeag Mills in its subsequent advertising to consumers and to the trade.

In 1927, in order to give continuity to the campaign, a similar type of art work and typography was used in each piece of copy and the message, "Good Night! Sweet Dreams," as well as the Pequot shield, was included in each advertisement. Color was used in the full-page advertisements in the *Ladies' Home Journal* for its attention value. In some of the advertisements the consumer questionnaire was described and the comments of users of Pequot sheets were quoted. Consumer advertising was concentrated in the *Ladies' Home Journal*, *Woman's Home Companion*, and *Good Housekeeping*, because it was believed that these media reached the majority of housewives who were potential buyers of Pequot sheets. It was believed that a greater impression could be made by concentrating in the media best suited to reaching the company's market than by diluting the appeal by wider diversification.

The results of the consumer survey were used to prove the extent of the consumer demand for Pequot sheets and pillowcases. The consumer advertising being done by the manufacturers of Pequot sheets was also described in the trade advertising. The primary emphasis of the trade advertising was, however, placed on the idea that Pequot is the sheet that women want. The Pequot trade-mark was prominently displayed in the trade advertising.

The Naumkeag Mills supplied retailers with dealer helps, including cards for counter and window display, booklets containing a small sample of Pequot sheeting and a description of its advantages for distribution over the counter or through the mail, and electros and suggested copy for newspaper advertising. Orders for these dealer helps were taken by the Pequot salesmen, and retailers were sent a form letter several times a year describing and soliciting orders for the helps offered by the Naumkeag Mills. No charge was made for any of the material supplied to retailers. The company did not pay any part of the cost of advertising Pequot sheets by retailers in newspapers, although requests for this type of assistance were frequently received by the Naumkeag Mills.

There was no way of definitely evaluating the results of any particular advertising done by the Naumkeag Mills. The questionnaire sent out in 1926 had demonstrated that the Pequot brand was used by 58% of the housewives replying. The Pequot brand was unquestionably the most widely recognized and largest-

selling brand of sheets on the market. The executives of the Naumkeag Mills believed that Pequot had come to be regarded as synonymous with bed linen of good quality, excellent durability, and reasonable price. The Pequot texture had become the standard for competing brands. Sales of the Naumkeag Mills had been such as to maintain the plant at practically capacity production during most of 1916 to 1927. During this period several increases in the capacity of the mills had been made, production in 1927 being at nearly twice the 1916 capacity. Increase in sales of Pequot sheeting, 1916–1926, is shown in the following tabulation:

Sales in Linear* Yards, 1916–1926, Naumkeag Mills

Year	Number of Yards	Index of Yardage 1916 = 100	
1916	16,139,296	100.0	
1917	19,285,524	119.0	
1918	19,363,376	119.5	Capacity increased
1919	17,315,963	107.0	
1920	18,379,083	113.2	
1921	20,718,771	127.5	
1922	22,566,142	139.2	Capacity increased
1923	22,474,026	138.5	
1924	21,660,499	133.8	
1925	22,650,216	138.5	
1926	24,678,119	152.5	Capacity increased

* Bed sheets ranged in width from 63 to 90 inches.

EDITORIAL NOTE ON SUBSEQUENT ADVERTISING AND SALES

A record of magazine advertising of sheeting in leading magazines, as shown in *Leading Advertisers*, for nine years subsequent to 1926 is shown in the following table:

Year	Dwight Anchor	Pequot	Pepperell	Utica and Mohawk	Wamsutta	Cannon	Total
1927	$80,942	$ 81,434	$45,588	$78,281	$ 75,715		$361,960
1928	86,004	128,395	59,578	69,528	91,673	$ 8,217	443,395
1929	57,492	153,210	72,581	92,489	119,311	31,874	526,957
1930*	....	149,418	36,400	54,640	77,426	.. .	371,014
1931†	. .	111,235	7,800	38,000	63,755	... .	226,565
1932†	. .	76,275	19,150	25,075	47,855	. .	176,355
1933	10,149	90,513	43,550	36,525	28,715	.	209,452
1934	10,200	122,933	53,080	54,787	40,185	8,800	289,985
1935	37,205‡	100,539	34,890	38,592	26,965	109,365	347,556

* The Penny Company spent $53,130 on magazine advertising of sheets in 1930.
† Sears, Roebuck & Company spent $5,775 on magazine advertising of sheets in 1931, and $8,000 in 1932.
‡ Included advertising of Nashua blankets and Indianhead cloth also.

Sales of sheeting by the Naumkeag Mills during the years indicated in the preceding table were as follows:

Sales in Linear Yards, 1927–1935, Pequot Mills

Year	Number of Yards	Index of Yardage 1916 = 100	Sales Receipts
1927	30,766,299	190	$10,583,100
1928	20,397,142	126	7,273,535
1929	21,058,163	130	7,887,608
1930	20,335,881	126	7,162,267
1931	19,460,503	120	5,895,004
1932	18,466,233	114	4,184,758
1933	16,744,588	104	3,811,826
1934	21,614,043*	.	4,386,189
1935	15,367,074*		5,717,286

* Production, rather than sales figures.
Source. *Moody's Manual.*

An idea of the total volume of fabrics produced for bed sheets and pillowcases can be had from the Census of 1935, in which a breakdown, "Sheetings for Domestic Use Wider than 40 Inches," reported a production of 322,990,811 square yards, with a value of $34,166,385. A small amount of this sheeting was sold in the grey to manufacturers, to be made into bedspreads, but it is estimated that not over 10,000,000 to 15,000,000 square yards was used for this purpose.

Inasmuch as census reports previous to 1935 gave a combined figure for sheetings for industrial and domestic use, no data are available to show the trend of sheetings for domestic use. The production in square yards and the value of these sheetings for both domestic and industrial use for the period 1927–1935 are reported below:

Sheetings Wider Than 40 Inches for Domestic and Industrial Use

Year of Census		Square Yards	Value
1935	Domestic use	322,990,811	$34,166,385
	Industrial use	249,976,399	16,060,459
	Total	572,967,210	$50,226,844
1933		603,728,220	43,085,514
1931		443,637,000	31,400,000
1929		517,859,634	53,916,903
1927		648,054,009	73,939,456

1. What was the basis for establishing among consumers the brand discrimination apparently enjoyed by Pequot sheets?

2. Should the Naumkeag Mills have continued to increase advertising expenditures with the increase in competition from other sheeting manufacturers?

24. KALAMA HOSIERY COMPANY

TYPE OF ADVERTISING FOR WOMEN'S HOSIERY

In December, 1935, when the officers of the Kalama Hosiery Company were engaged in drawing up the operating budget for 1936, a difference of opinion arose between the advertising manager and the sales manager over the disposition of the appropriation for consumer advertising. For many years prior to 1929, the Kalama Hosiery Company had advertised extensively in national magazines its silk hosiery for women, sold under the Regnet brand. This practice had been discontinued in 1930, and in the following years, aside from a small expenditure in *Harper's Bazaar*, *Vogue*, and *Good Housekeeping*, the only expenditure for consumer advertising had been for cooperative advertising with department stores in local newspapers. The Kalama Hosiery Company paid 50% of the total cost of this advertising. In 1935, the company spent approximately $10,000 for advertising. space in *Vogue* and *Harper's Bazaar*. The advertising manager proposed to increase this to $25,000 in 1936. The sales manager disagreed sharply with this proposal. He stated that advertising in national magazines was of little value. He suggested instead that the entire appropriation be spent for cooperative advertising in newspapers.

The Kalama Hosiery Company, a wholesale dry goods company which had been established for over 50 years, had national distribution for its men's, women's, and children's hosiery, all of which was sold to retailers under the name Regnet. Approximately three-fifths of the hosiery sales of the company were of women's hosiery, one-tenth were of men's hosiery, and three-tenths were of children's hosiery. The retail prices of the women's hosiery ranged from 25 cents per pair for cotton to $3.50 per pair

for silk hosiery, although a majority of the sales were concentrated in the price range between 85 cents and $2 per pair.

All the hosiery sold by the Kalama Hosiery Company, which had been among the first to adopt a trade name, was manufactured in accordance with rigid specifications. The entire output of one hosiery mill and part production of several mills was purchased under a verbal agreement between the mills and the Kalama Hosiery Company. Because it was believed that specialization was conducive to the manufacture of the highest quality of hosiery, it was customary for each mill to devote all its resources to the production of one grade of hosiery. Every precaution was taken to maintain the high quality of the Regnet brand. The wages paid to the employees pairing Regnet hosiery were higher than the wages usually paid for that kind of work. In addition the inspectors of Regnet hosiery paired only 35 dozen pairs instead of the 100 dozen pairs a day required of union employees.

In 1935, the company employed 80 salesmen, paid by commissions of from 4% to 5%, to sell its hosiery to retail shoe stores, department stores, hosiery shops, and dry goods stores throughout the United States. These representatives also sold the company's brand of men's, women's, and children's underwear. Sales offices and warehouses were maintained in New York and Boston. The company had 8,000 accounts. The selling expense was 18% of sales, and a margin of approximately 20% was secured. Retailers usually placed a mark-up of 38% on the hosiery purchased from the Kalama Hosiery Company.

For many years the Kalama Hosiery Company had been one of the largest wholesale distributors of hosiery in the United States. It was not the general practice of the company to grant exclusive agencies. Except in a few states in the western part of the country, where exclusive agencies were granted, sales were made to any retailer desiring to buy the hosiery. Since the company entered into no written contract, the agency was terminable at the option of either party. Of the four largest competitors of the Kalama Hosiery Company, one granted exclusive agencies whereby sales were made to but one retailer in a city; one granted semi-exclusive agencies, whereby sales were made only to a few retailers in each city; and the remaining two sold to any retailer desiring to purchase hosiery. The president of the Kalama Hosiery Company stated that to his knowledge the company had never lost an

account because a retailer had accepted an exclusive agency from a competitor. Although department stores usually sold one nationally advertised brand of hosiery, the practice of featuring unbranded merchandise or merchandise under private brands was widespread.

With the exception of the statement that the company sold its own brand of underwear, the advertisements of the Kalama Hosiery Company were devoted solely to Regnet hosiery. Approximately $150,000 a year had been spent by the company from 1901 to 1913 for advertising in seven women's magazines and five trade papers during the months of March, April, May, September, October, and November. The buying motive of durability had been consistently employed.

All national advertising except that appearing in the five trade papers had been discontinued in 1913 because the executives of the company believed that sales would continue to increase despite the failure to advertise to consumers. In 1918, the advertising agency which had been employed during previous campaigns suggested that the company advertise the fact that it had maintained the high quality of its hosiery despite the general decline of standards of workmanship and materials during the World War. The purpose of the advertising would be to impress upon women the advisability of purchasing good-quality rather than cheap hosiery. The agency pointed out that few hosiery manufacturers were advertising high-grade brands of hosiery at that time and recommended that the company again advertise in consumers' magazines and that additional advertising be done in newspapers.

The amounts which four of the Kalama Hosiery Company's largest competitors had expended for advertising in national maga-

EXHIBIT 1

Cost of Space Purchased in General Magazines by Four Competitors of the Kalama Hosiery Company 1914–1917

	1914	1915	1916	1917
Walker Hosiery Company... ...	$116,500	$97,500	$61,500	$73,500
Delby Hosiery Company..... .	13,500	4,500	1,000	2,000
Duncan Hosiery Company	40,000	40,000	29,000	19,000
Winsor Hosiery Company.. .	15,500	.....	5,000	500

zines from 1914 through 1917 appear in Exhibit 1. The executives of Kalama Hosiery Company decided to devote $200,000 to advertising during 1918. This amount included the salaries of the personnel of the company's advertising department as well as the cost of space and materials. In the previous five years, approximately $4,000 a year had been spent for advertising in five trade papers and for dealer helps such as signs, posters, and other display material. This advertising was continued in 1918. Part of the $200,000 appropriation was devoted to purchasing space in the *Ladies' Home Journal*, *Woman's Home Companion*, *Harper's Bazaar*, and *Vogue*. The size of the advertisements appearing in these publications varied from one-fourth page to a full page. Newspaper advertising in certain leading cities appeared at intervals during the buying season. Advertising appeared during the months of March, April, May, September, October, and November. The copy emphasized the attractive appearance and the fine quality of Regnet hosiery.

During the period 1918–1924, the company spent approximately $200,000 a year for advertising. The advertising expenditure as a percentage of total hosiery sales varied from 1.5% to 2%. The same media were used during the succeeding years as in 1918. Exhibit 2 shows the amount which the Kalama Hosiery Company and its five largest competitors spent for space in general magazines with a national circulation from 1918 through 1923.

EXHIBIT 2
Space Used in Leading Magazines with National Circulation by the Kalama Hosiery Company and by Five Leading Competitors, 1918–1923

	1918	1919	1920	1921	1922	1923
Kalama	$ 2,500	$ 5,500	$ 7,500	$ 12,000	$ 40,000	$ 97,500
Walker	38,000	57,000	60,000	166,000	160,000	197,000
Delby	19,500		24,000	60,000	100,500	103,000
Duncan		7,000	45,500	168,500	112,000	179,500
Winsor	19,000	18,000	72,500	99,000	135,500	105,000
Woodlawn					63,500	175,000
Rondo*					63,600	174,800

* Distributed through canvassers.

The trend of the value of hosiery sales of the Kalama Hosiery Company between 1900 and 1935 is shown in the following table.

Index Number of Hosiery Sales of the Kalama Hosiery Company in December, 1900–1935
1900 = 100

1900	100
1905	140
1910	200
1913	230
1916	265
1917	385
1920	385
1925	400
1929	425
1935	200

The increase in the sales of hosiery from 1900 to 1917 was due largely to a change in style. Prior to the World War, a majority of women wore cotton hosiery which cost 25 cents to 50 cents a pair. When silk hosiery became popular, it was sold at $1 to $2.50 a pair. The average wholesale price of hosiery in 1912 was $2.15 a dozen and in 1918 it had increased to $7.50 a dozen. In addition there were many more retail distributors of hosiery after the World War than before, principally because shoe stores and specialty clothing shops had begun to sell hosiery.

The president of the Kalama Hosiery Company stated in 1924 that national advertising as a means of increasing sales was overrated, although the company had sold more hosiery in 1922, 1923, and 1924 than it had in any year before 1917. He said that in no year during the period 1918–1924 had sales increased sufficiently to warrant a belief that the advertising was paying for itself. He thought that 90% of the credit for each sale by the company was due to the quality of the hosiery and the service rendered and that advertising should receive a credit of only 10%. He said that the company would not advertise to consumers if it were not for the fact that some of them did ask retailers for a particular brand of hosiery. The measure of the value of advertising, as he saw it, was the difficulty retail salespeople had in substituting another kind of hosiery for that requested by customers. Since the large department stores generally did a substantial volume of business on their own brands of hosiery, it was apparent that retail salespeople did not experience great difficulty in practicing substitution. He added that the company's salesmen had never reported that the national advertising done by the company was sufficiently valuable to justify the cost. The salesmen did not purchase on their own account the publications in which the

advertisements appeared; and it had been necessary for the company to present copies to its representatives, in order that they might use them in selling hosiery to retailers.

Beginning in 1924, the silk-hosiery industry experienced a period of rapid expansion. Knitting machines for manufacturing full-fashioned hosiery were sold on extremely liberal terms to small organizations, generally composed of former workingmen who had saved enough money to purchase and operate a few machines. This development rapidly broke down the relatively stable character of the industry by introducing a large volume of uncontrolled competition. The sales volume secured by manufacturers and distributors of the nationally advertised brands suffered to some extent.

The total value of hosiery production in the United States between 1923 and 1933, as reported in the Census of Manufactures, was as follows:

1923	$390,273,178
1925	421,180,221
1927	456,913,137
1929	528,700,187
1931	331,208,531
1933 (preliminary figure)	251,147,000

With the sharp decline in hosiery prices which began in 1930, the competition noted above increased. The price appeal in retail selling replaced almost entirely the previous appeals of quality and appearance. Quality, in fact, was no longer stressed even in advertising, while practically every outlet for women's hosiery endeavored to maintain its volume of sales by holding low-price promotions. Manufacturers of branded lines believed that they could not afford to let the quality of their product deteriorate, and for the most part they were unable to meet the competition on a price basis. The price decline was accentuated by a sharp drop in the raw-silk market and by a substantial decline in wages. Many banks which had acquired the plants of small bankrupt producers were willing to sell them very cheaply to new organizations, which thus began operations with low overhead costs.

The average wholesale price declined from $15 a dozen in 1929 to a low of $6 a dozen in 1932. Almost every type of retail store catering to women had undertaken to sell silk hosiery. It was

easy to sell; only a small stock was necessary; little space was occupied; and a high turnover could be secured.

Expenditures for consumer advertising in national magazines by the Kalama Hosiery Company and its five leading competitors from 1924 to 1934 were as shown in Exhibit 3. In 1930, all maga-

EXHIBIT 3
Expenditure for Advertising Space in National Magazines by Six Leading Distributors of Women's Hosiery, 1924 to 1934*

Year	Delby	Duncan	Kalama	Walker	Winsor	Wood-lawn	Rondo
1924	$ 50,400	$250,000	$64,300	$109,900	$ 65,800	$146,400	$238,900
1925	16,000	294,800	60,300	112,400	81,900	174,400	393,300
1926	116,400	272,700	65,300	119,900	60,000	160,700	280,700
1927	112,500	260,200	57,500	108,900	115,400	152,200	305,500
1928	. . .	143,400	93,400	119,000	31,000	53,600	252,000
1929	. . .	40,000	77,600	81,600	44,000	91,000	221,600
1930	26,800	61,300		81,400	. . . .	. .	339,700
1931	.	21,700			. .		201,900
1932	.		.		. .	. .	63,700†
1933		.			20,900	52,900	48,300†
1934	.		.			55,700	†

* Expenditures of less than $20,000 per annum were not reported in the source from which these data were drawn.
† Employed radio advertising.

zine advertising except a small amount in *Harper's Bazaar*, *Vogue*, and *Good Housekeeping* was discontinued. Between 1924 and 1929, the total advertising appropriation of the Kalama Hosiery Company, including the salaries of the personnel of the advertising department, had been approximately $300,000 a year. In common with its competitors, the company had undertaken a large amount of cooperative advertising, paying 50% of the cost of advertisements for Regnet hosiery published in local newspapers over the names of retail stores. Although the company's advertising department prepared layouts and copy for newspaper advertisements, most retail stores which undertook to join with it in cooperative advertising preferred to prepare their advertisements. Between 1924 and 1929 the Kalama Hosiery Company spent in excess of $50,000 a year for cooperative advertising.

In the depression years following 1930, both the sales and the advertising of the Kalama Hosiery Company decreased sharply. The total advertising bill dropped to approximately $75,000 in

1933. One-third of this sum was regularly spent for cooperative advertising.

The sales manager stated that the success of a nationally advertised brand of hosiery in a department store in his opinion depended entirely on the cooperation of the merchandise manager and the buyer in arousing the enthusiasm of the salespeople. If the buyer for a hosiery department were merely seeking volume, he would hold a series of special sales and would make no attempt to encourage the saleswomen to try to sell the higher-price branded lines. Until 1929, he added, the Kalama Hosiery Company had received excellent cooperation from most department store buyers. In the years of price competition which followed, the drive to maintain volume with the falling price level had forced the adoption by most stores of a policy of holding frequent sales at extremely low prices. In the previous few months, however, the sales manager had noticed a decided change in the attitude of a great many buyers, and he felt confident that the practice of building volume on cheap hosiery was being generally abandoned.

In planning the disposition of the advertising appropriation for 1936, he suggested that no more than $10,000 should be spent for purchasing space in magazines, this for advertisements in *Vogue* and *Harper's Bazaar*.

25. GEORGE HOST COMPANY

PROPOSAL TO INCREASE MANUFACTURE FOR PRIVATE BRANDS

The George Host Company of Baltimore, Maryland, prepared and distributed baked beans under its Saturday Night brand in Baltimore, Washington, Philadelphia, and smaller cities and towns located within 200 miles north and west of Baltimore. The company sold direct to the A-1 Stores Company, the Blue Stores Company, and the Harrison Stores Company, the most important chain grocery organizations in that territory, as well as to smaller chains, to voluntary chains, and to the largest independent grocery stores. It secured the rest of its distribution through wholesalers who sold to a large number of independent retailers. The company also packed beans of the same quality for distribution under the private brand of the A-1 Stores Company.

In April, 1936, the president of the George Host Company was approached by one of the grocery buyers for the Blue Stores Company, who said that he was terminating the contract with the company which manufactured the baked beans sold under the private brand of his organization. He asked if the George Host Company would undertake to prepare beans under the Blue brand of the same quality as Saturday Night beans and packed in cans of the same size. He suggested a net delivered price of 95 cents per case, which was equal to the price then charged the A-1 Stores Company for beans prepared under its private brand. The George Host Company had ample capacity to handle the new business, which it was estimated would be slightly in excess of $100,000 for the first full year. In April, 1936, Saturday Night baked beans were being sold to chain stores at a net delivered price of $1.43 per case less a 5% advertising allowance, and to wholesalers at a net delivered price of $1.32 per case.

The George Host Company had had a comparatively rapid expansion in its volume of business in the years after 1925. The total sales of the company in 1935 were in excess of $750,000. Thirty-five per cent of the total volume was sold to the three leading chain store organizations and to a few large independent grocery stores. The company had regularly expended 5% of sales for advertising, concentrating its promotional work largely in the use of car cards in the larger cities in which it distributed its product. It had used newspapers only intermittently and from time to time had undertaken missionary work with independent retailers. Beginning in 1930 the company had begun to prepare beans under the private label of the A-1 Stores Company. Inasmuch as the chain store company owned the brand, conducted its own promotional work, and purchased under a yearly contract, the manufacturer sold the A-1 private brand of beans at a price substantially lower than that of the Saturday Night brand although the beans were identical in quality and quantity. In 1935 the volume of sales of beans to the A-1 Stores Company under its private label was approximately $75,000.

The sales of all brands of baked beans had increased steadily for several years throughout the area in which the George Host Company distributed its product. Among the leading competitors of Saturday Night baked beans were two nationally advertised brands, Heinz's and Campbell's—the former selling in an 18-

ounce can at about the same retail price as the Saturday Night brand, the latter in a smaller can at a considerably lower price—and one brand locally advertised, packed in a 19-ounce can similar to the Saturday Night can, and distributed over an area

EXHIBIT 1

A-1 Stores Company, Comparative Sales of Brands of California Baked Beans*
(Cases)

	Brand A† (Nationally Advertised)	Saturday Night	Brand B (Locally Advertised)	A-1 Private Brand
April, 1932	712	1,002	1,206	411
May ...	632	593	487	923
June.... . .	418	582	902	1,264
July	651	1,412	1,170	993
August	593	871	1,973	462
September	759	733	313	738
October	718	1,419	869	1,545
November	682	1,635	1,346	1,238
December	511	268	868	1,092
January, 1933	651	1,472	1,422	859
February	506	860	1,113	1,460
March	570	543	1,270	442
Total, April, 1932–March, 1933 ..	7,403	11,390	12,939	11,427
April, 1933	618	1,311	636	577
May .	627	1,002	912	1,390
June ..	572	580	1,352	1,212
July	509	977	1,466	861
August	463	1,521	1,213	948
September	667	1,392	338	1,933
October	680	995	769	2,037
November	531	1,411	1,708	748
December	512	449	644	1,124
January, 1934	692	1,600	1,333	1,082
February	619	862	1,006	817
March	406	487	937	465
Total, April, 1933–March, 1934	6,896	12,587	12,314	13,194

* Figures for other varieties of beans, such as Yellow Eye and Kidney, revealed similar trends.

† The other competing nationally advertised brand of baked beans had a negligible sales volume in A-1 stores.

roughly similar to that of Saturday Night beans. Both Heinz's and Campbell's beans had been advertised for a number of years in general magazines and in newspapers throughout the country and had probably gained in consumer acceptance through their association with other well-known products of the two companies.

The competition of chain store private brands in the local area had become increasingly severe after 1930. These beans were usually of good quality and attractively labeled and were

EXHIBIT 1 (*Continued*)
A-1 Stores Company, Comparative Sales of Brands of California Baked Beans*
(Cases)

	Brand A† (Nationally Advertised)	Saturday Night	Brand B (Locally Advertised)	A-1 Private Brand
April, 1934	628	1,584	502	787
May	657	639	1,713	1,365
June	564	644	656	665
July	689	1,773	1,073	2,148
August .	665	691	1,706	772
September	659	879	544	1,156
October	746	1,756	2,207	2,215
November	502	1,723	794	955
December	334	342	1,083	1,141
January, 1935	657	1,750	1,183	1,343
February	486	930	850	1,967
March	299	523	1,450	625
Total, April, 1934–March, 1935....	6,886	13,234	13,761	15,139
April, 1935	415	1,344	591	1,910
May .	586	948	1,692	1,147
June	496	1,073	691	1,634
July	490	1,667	1,839	3,795
August	611	1,046	833	2,407
September	716	1,408	118	1,369
October	414	1,125	1,522	1,883
November	608	1,659	1,965	1,837
December.	280	383	1,097	576
January, 1936	494	1,022	1,575	1,899
February .	428	1,318	757	3,648
March	308	536	1,501	153
Total, April, 1935–March, 1936.....	5,846‡	13,529§	14,181§	22,258§

* Figures for other varieties of beans, such as Yellow Eye and Kidney, revealed similar trends.
† The other competing nationally advertised brand of baked beans had a negligible sales volume in A-1 stores
‡ Regularly featured in one sale annually.
§ Regularly featured in four sales annually.

sold to consumers at a price differential of from 1½ cents to 3 cents a can. Inasmuch as the chain store companies purchased private brand merchandise on very favorable terms, they were able to obtain a higher gross margin on private brand than on other mer-

chandise and regularly encouraged clerks to bring private-brand merchandise to the attention of customers.

The president of the George Host Company considered that the proposal to manufacture for the private brand of the Blue Stores Company brought to a head a problem which had been growing in importance for several years: should the company continue to promote the Saturday Night brand or should it recognize a local trend toward private brands and the influence on sales of substitution as practiced by store managers and clerks? Although prices were changed frequently, the price relationships existing in April, 1936, were typical of those common to the trade. At that time total manufacturing costs for Saturday Night beans were 90 cents a case of 12 cans. The regular chain store price for Saturday Night baked beans was 16 cents a can, while the A-1 private brand was selling at 14½ cents a can.

Through the cooperation of one of the buyers for the A-1 Stores Company the president of the George Host Company was able to examine comparative sales statistics for the several brands of baked beans sold in A-1 stores. These figures, which are shown in Exhibit 1, substantiated his belief that sales of Saturday Night baked beans in A-1 stores had been increasing more rapidly than the sales of any other advertised brand, but that they were being far outstripped by the sales of beans under the A-1 private label.[1] He believed that there were at least three forces working to perpetuate the existing sales trend in favor of A-1 baked beans:

[1] Sales reported by the A-1 Stores Company should not be accepted as typical of brand preferences in other cities Kitchen inventories and consumer purchase analyses carried on by newspapers and research organizations have indicated that nationally advertised brands have been most widely used in most cities Among the best known of these consumer-use surveys are those of the *Milwaukee Journal* and of the *Cleveland Press* The consumer preferences in the leading brands of canned beans in greater Milwaukee in 1936 were given by the *Milwaukee Journal* as follows:

Campbell	69 6%	Van Camp's	1 8%
Heinz	19 5	Servee Right	1 3
Armour's	2 0	Libby's	1 2
Ann Page	2 1	Miscellaneous	1 5
Roundy	1 9		

The *Cleveland Press* Kitchen Inventory for 1935 showed a different distribution Campbell's was first, with slightly over one-third of the families reported using it; Heinz's was second, with somewhat over one-fourth the families using it, A & P brand (Ann Page) was third, with approximately one-sixth of the families reporting its use; Country Club was fourth, with about one-twentieth of the families reporting its use; Edwards was fifth, with somewhat over 3% of the families reporting its use;

1. Customers must, over a period of years, recognize the similarity in quality between Saturday Night baked beans and A-1 baked beans;
2. In accordance with chain policy, clerks in A-1 stores would endeavor to promote the sale of A-1 beans in preference to the advertised brands;
3. The price differential favoring A-1 would continue to exist.

In his opinion conditions in the A-1 stores resembled those existing in other chain stores.

In the fall of 1935 the sales manager of the George Host Company had drawn up a plan for increasing the advertising appropriation so that during 1936 the company might spend approximately $25,000 for newspaper space in Baltimore, Washington, Philadelphia, and 20 smaller communities. He suggested that the company promote Saturday Night beans in small space advertisements featuring copy of a testimonial character similar in many ways to that which had frequently been used in the car-card advertisements. The other officers of the company had not approved of the plan at the time. The sales manager again brought it to the president's attention in April, 1936, arguing that an expansion of the company's private brand business would be unprofitable and would place the company eventually in a position where it would be dangerously dependent on one or two chain store organizations for a large proportion of its sales. He pointed out that the sales of Saturday Night baked beans had advanced more rapidly than the sales of either of the nationally advertised brands and at least as rapidly as the sales of the local competing brand. A wiser procedure, he said, would be to attempt to buttress the company's position against private brand competition by increasing the advertising appropriation. Action of this character would make it possible to open new markets and would lead in a few years to national distribution.

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and 35 other brands followed with small percentages, those having more than 1% of reported users being Van Camp's, Baxter, and Weideman.

26. WEYENBERG SHOE MANUFACTURING COMPANY

ADVERTISING A NEW LINE OF MEN'S STYLE OXFORDS

After 30 years' experience in the manufacture and distribution of work shoes, the Weyenberg Shoe Manufacturing Company of Milwaukee decided, in 1924, to add a line of men's style oxfords which would retail in the medium-price range. Theretofore, the company had been manufacturing men's work shoes, high-top boots, and a small line of staple dress shoes. The reputation gained for the manufacture of these nonstyle products, however, was of little value in the introduction of the new line. In fact, it may have been a handicap because retailers were somewhat skeptical of the company's ability to produce fashionable shoes. The company, therefore, faced the problem of making effective use of personal and advertising promotional efforts to bring about a distribution and sale of its style line of oxfords.

Sales of work shoes, in 1924, were approximately $5,000,000. The shoes were distributed to retailers by the company's salesforce which sold in the western and southern states, by a distributor who sold in the New England states, and by another distributor who sold in the Pacific Coast states. The approximate retail price of the company's work shoes was $3 a pair; of its boots, $9 a pair; and of its dress shoes, $5 a pair. The retail outlets for these shoes were principally the general stores of rural towns and small cobblers. Since practically all the shoes carried the company's name or special brand, usually only one dealer in a town would stock Weyenberg shoes. The company had approximately 11,000 accounts, while the distributors had many additional accounts.

The salesmen started their trips through their territories in February and August. On these trips they took orders for 30-day delivery from their regular customers and called on prospective dealers whom they encouraged to carry Weyenberg shoes. The salesmen listed all calls on retailers on report sheets which they sent to the company. Fill-in orders for immediate delivery were taken also, but the majority of fill-in orders were received by mail during March to July and September to January.

Because of the noticeable change in buying habits of men wearing medium-priced shoes, the company undertook the manufacture of the new line of style oxfords. In the past, workmen

and farmers had purchased work shoes for daily wear and had provided themselves with other shoes for dress occasions. With the wider usage of style shoes, however, laborers began to wear their old dress shoes on the job instead of purchasing work shoes. It was thought, therefore, that style shoes would have a larger demand in the future.

In adding the new style oxfords, the executives decided to make their line more complete than that of competitors as a means of attracting patronage of retailers. They elected to produce shoes that would retail from $4 to $6.50 a pair. Competitors, who made shoes which retailed within this price range, usually made only two grades of style shoes. The Weyenberg Shoe Company, however, decided to make four grades of medium-grade shoes within this price range and to style each grade in five to eight lasts, whereas competitors usually made each grade in only two lasts. The executives also planned to offer sport shoes in 10 or more styles, as compared to 5 styles offered by competitors. This policy of a complete line was expected to give the company a competitive advantage, because some retailers might want one or more of the grades which they could not obtain from other manufacturers. Such orders might be small at first, but it was hoped that they would be an entering wedge for the complete line and that eventually the retailers would be converted to purchasing from a manufacturer who provided a full line of medium-priced shoes in a variety of lasts, patterns, and leather combinations.

The success of the new line, it was recognized, depended upon the designing of the individual shoes produced. Styles could not be created deliberately by a manufacturer, inasmuch as the popularity of a particularly styled shoe was closely related to the prevailing styles in men's wearing apparel. Changes in the style of shoes, therefore, usually occurred with changes in the style of men's clothing, such as the widening or narrowing of trouser bottoms. Since last manufacturers, tanners, and pattern makers were continually studying style trends in shoes, a designer did not have to rely entirely upon his own judgment in predicting style trends. The result was that these various agencies and factors worked to stabilize the style movements and that the different manufacturers' designs varied in details rather than in radical deviations from the current vogue. The task was to put

out attractive designs on particular lasts that were likely to be in demand.

In the Weyenberg Shoe Manufacturing Company the styling was done originally by one designer. His duties, however, became so voluminous that it was necessary to provide him with an assistant. In the ordinary process of developing a style shoe, they produced a hundred or more designs from which a dozen styles might be selected. The shoes to be put into production were selected by a committee composed of the two designers, the general manager, the sales manager, the production manager, and the advertising manager.

On entering the new field, the executives recognized that the buying motives were different from those for work shoes and those for high-priced style shoes. With work shoes there was a considerable amount of brand preference, because men wished primarily to have shoes which they had found comfortable and durable. This same brand preference was believed to exist in men's high-priced shoes. With men's medium-priced shoes, however, it was believed that a different condition existed. Men purchased this class of shoes chiefly, it was thought, because they preferred the design and general appearance of the shoe. Popular acceptance of design, then, was a greater factor in influencing the purchase than was economy in purchase or durability of the shoe. Accordingly, brand was believed to play a smaller part in the selection of medium-priced style shoes than in the choice of work shoes. The lack of brand preference, it was thought, would tend to lead men to patronize their favorite store and rely upon the store for the style correctness of the shoes shown. The retailer, therefore, became a more important part now than he had been in the distribution of work shoes. Furthermore, since he purchased to sell at a specific price, his purchasing methods were an important consideration in the selection of medium-priced shoes which could be manufactured profitably. The company, however, not being regarded by retailers as a manufacturer of style shoes, had to try to establish itself as a source of such products.

Since the large market for style oxfords was thought to exist in the urban centers, instead of in the rural communities where the majority of its dealers were located, the company believed that the number of outlets in the cities should be increased. Although they preferred to secure shoe stores for the new outlets in the

cities, it made little difference to them whether the shoe stores limited their stocks to the medium-priced shoes or whether they carried high-priced shoes and wanted one or more grades of lower-priced shoes to complete their stocks. In order to break into the urban markets, the company had to place dealers' brands on some of the shoes sold. The practice was necessary, since the dealers through their reputation expected and demanded such a concession.

From 1924 through 1926 the company used its existing salesforce to distribute the new lines, but in the latter part of 1927 the salesforce was divided into those who sold work shoes and those who sold style shoes. This separation was considered necessary because the two general classes of shoes needed different selling methods and because they were distributed largely through different types of outlets. The style-shoe salesmen, who also traveled their territories twice a year, were provided with a new line for each trip through their territories. New styles and lasts, however, were added continually even while the salesmen were in the field. The salesmen usually took orders for 30-day delivery but also took some fill-in orders for immediate delivery. Fill-in orders, either by salesmen or by direct mail, were sent from an in-stock department. The regular stock of this department normally consisted of 50 dozen pairs of the leading styles in C and D widths and 25 dozen pairs in the same widths of the new styles that were being introduced. Salesmen received their usual commission on mail orders which came from their territory.

Competitors' advertising could not be taken as a guide in formulating the advertising plans which were contemplated for the new line of oxfords. One of the chief competitors in this field advertised extensively in the trade papers which circulated among shoe retailers and seldom employed direct-mail advertising. Another large competitor employed the opposite tactics by using direct mail extensively without advertising in trade papers.

In the company's early advertising for the new line, most of the advertising was placed in the *Boot and Shoe Recorder* and the *Shoe Retailer*, which were considered to be the leading shoe periodicals that circulated among retailers. Twelve pages a year were usually taken in each of these weekly journals. Most of the advertisements occupied single pages, although double-page spreads were used occasionally. The advertising was not distinctly different

from that of other shoe manufacturers. The theme presented was that the Weyenberg was a leader in style oxfords. It was summarized in the slogan—"Stylish to the last stitch—always." These advertisements usually displayed one or two of the new shoe models and described the leathers from which the oxfords were made. The illustrations of oxfords were printed in two colors. Retailers were instructed to place their orders for the illustrated oxfords, which were in stock, and to request the folder which described the Weyenberg oxfords. Direct-mail folders presenting this same theme and showing oxfords were also used a few times. Since only a few new accounts were added, neither the trade paper nor the direct mail advertising was considered to have been very successful.

In the spring of 1926, the company considered the suggestion that the company's Style Committee offer a means of individualizing the company as a style authority because other shoe companies did not advertise the way in which their styles were developed. The use of this theme, it was thought, would not only introduce a new copy approach in presenting the style appeal to dealers but also would characterize and differentiate the company from competing shoe manufacturers. Since the name "Style Committee," however, was not considered a strong title, an endeavor was made to find another that would introduce the group and explain its functions. Finally, "Weyenberg Style Guild" was selected as the name which the company sought. The trade-paper advertising campaign of 1926–1927 for the Style Guild appeared in the *Boot and Shoe Recorder* and the *Shoe Retailer*, costing approximately $4,750.

The first advertisement in the trade papers was devoted to interpreting the name and creating an atmosphere which the company wished associated with the duties of the group. Information about the old-time shoe guilds and their craftsmen was introduced to bring out the relationship between the guild and the functions of the style committee, an association which the company wished to have recognized. Retailers were urged to write for the folder which described the new creations offered by the salesmen.

Although the emphasis on the Guild was decreased in the succeeding advertisements of the campaign and stress was placed on new creations offered, each advertisement carried a small

picture of the Style Guild group. The advertising manager believed that this policy should be followed because the advertising featured shoes, the products purchased by retailers, while the Style Guild was retained as a means of establishing the authenticity of the creations. In August, he discontinued the earlier practice of using two colors for the illustrations of colored leathers and began to use three-color lithographed inserts when shoes of leathers other than black were illustrated. This was the first time that a manufacturer making medium-priced shoes had used lithography in trade-paper advertising. The lithographing cost slightly more than two-color printing, but was desirable because it reproduced the variations in color shades more accurately than did the color printing.

On July 24, 1926, the company used its first piece of direct mail for the Style Guild. The front page of this four-page folder announced the Weyenberg Style Guild in a way similar to the first trade-paper advertisement. A small illustration in the upper left-hand corner showed the Guild in session, as had the illustrations of the trade-paper advertisements. In the lower left-hand corner one of the new styles was reproduced and described. The three following pages of the folder illustrated and described 13 other styles of shoes which the company had in stock. The week following the mailing of this circular, the company received mail orders for approximately 2,300 pairs of shoes, which was approximately 1,500 pairs more than the mail-order sales of the previous week. These returns from the mailing were particularly pleasing to the company because July was considered a dull month for direct-mail orders.

The inquiries from the initial trade-paper advertising were not so pleasing to the executives as the returns from the direct mail. Many inquiries were received for the folder mentioned in the trade-paper advertisements and some orders were accepted. Approximately 75% of the inquiring dealers, however, were not placed on the permanent mailing list, because the credit department considered the firms poor risks which were trying to extend their credit. These experiences with the trade papers and the direct mail were taken to indicate that direct mail was more suitable and selective than trade-paper advertising for the company's campaign directed toward increasing the number of dealers. The advertising manager, therefore, advertised less

frequently in the trade papers after August and began to perfect the direct-mail system.

The mailing list for the direct-mail system had been compiled originally from the salesmen's reports on calls made without sales. The advertising manager believed that this list contained the names of many firms to which the credit department would not grant credit terms. Accordingly, he requested the salesmen to submit a list of the 50 best prospects in their territories. The credit department then rated the names submitted, and from the acceptable names a mailing list of approximately 5,000 prospects was compiled and added to the mailing list of 11,000 active accounts.

The direct-mail campaign then undertaken was directed toward acquainting dealers and prospective dealers with the new styles and toward stimulating direct-mail orders by both groups. The direct-mail material was generally a four-page folder, the front page of which was devoted to presenting the work of the Style Guild and establishing it as an institution. The remaining space of the folders illustrated and described new styles of oxfords which the company was offering.

The advertising manager believed that the full responsibility of selling oxfords and presenting the idea of the Style Guild could not be placed upon the direct-mail advertising. He did think, however, that the direct mail helped the salesmen in their educational work and produced orders at a low cost during the dull seasons. It also provided a quick means of introducing new styles, since closing dates for advertisements in trade papers were a week to two weeks in advance of publication dates. The small initial orders, which were often mailed for a particular style, moreover, provided the opening which helped the salesmen to increase the sales of other oxfords in the complete line.

The schedule and results of the 1926–1927 direct-mail campaign are given in Exhibit 1, which presents the mail-order sales for Weyenberg Oxfords, Curve *B*, and mail-order sales for another line of similar oxfords, Curve *A*, which the company distributed through a subsidiary company. Direct mail was used only twice for the Curve *A* oxfords, so that Curve *A* practically indicates the seasonal trends of dealer fill-in orders placed by mail. The spread between the two curves, therefore, indicates the extent to which mail orders were stimulated during dull seasons. The data are

plotted on a semilogarithmic chart, thus showing the vertical changes in percentages.

The executives were satisfied with the results obtained by the advertising undertaken in behalf of the Style Guild. The 1926 oxford sales increased approximately $2,000,000 over 1925, and mail-order sales reached an approximate volume of $250,000 in 1926. By August, 1927, approximately 4,000 new dealers had been obtained. Orders for oxfords bearing the dealers' brands,

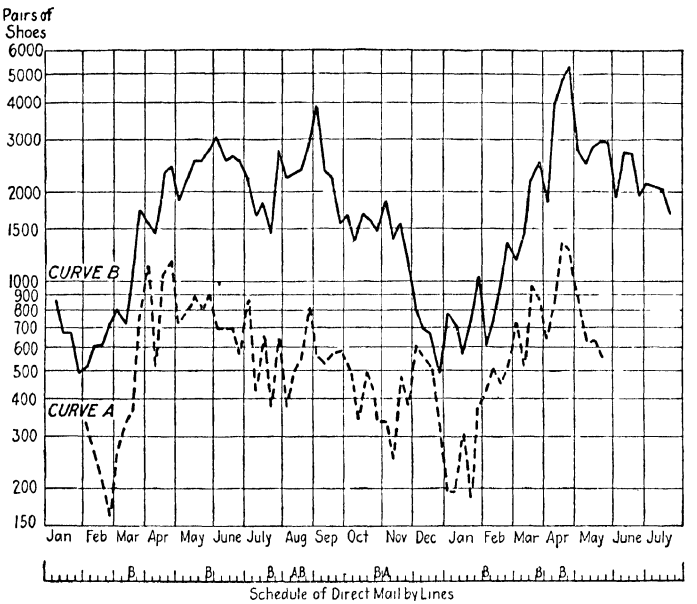

Exhibit 1 Mail-order Sales of Two Lines of Oxfords by Weeks during 1926 and 1927.

however, were 5% of the style-shoe volume and showed signs of further increase.

The 1926–1927 advertising appropriation was approximately $25,000, or less than 1% of the company's total gross sales. It was anticipated that the future appropriations would approximate this figure. The amount of direct mail to be used in the future was to be determined by considering the number of mailings necessary to attain a given objective planned for the year. For example, the company planned nine mailings for the 1927–1928 campaign which would take approximately 95% of the appropriation. The remainder of the appropriation was to be used for six pages in both the *Boot and Shoe Recorder* and the *Shoe Retailer*,

and a small quantity of dealer helps. The mailing list was to be revised periodically by checking it against the active accounts and by adding new names of good prospects.

In both the trade-paper advertising and the direct-mail material the advertising manager decided to continue the use of three-color lithography. This process not only afforded more accurate reproduction of colored leathers than was attained through two-color printing, but was believed to make the Weyenberg advertising distinctive inasmuch as competing medium-price shoe manufacturers were continuing two-color printing in their advertising material.

Did the Weyenberg Shoe Manufacturing Company follow a sound policy in directing its advertising to the trade only?

27. ADVERTISING TO THE TRADE

An indication of the variation in the use of business trade papers and industrial publications by national advertisers is shown in a study made by the Association of National Advertisers for its members, *A Survey of 299 National Advertising Budgets, 1934–1935*. The percentage of the advertising appropriations expended in these publications by these national advertisers in 1934, classified by industries, is shown in the table on p. 210.

Examine and compare the part which trade-paper and direct-mail advertising to the trade played or might have played in the cases listed below and prepare a commentary regarding the use of advertising to the trade:

	PAGE
Tonto Drug Company	57
Expello Corporation	75
Lydia Pinkham Medicine Company	103
Sargent Dental Company	103
Claybon Company	145
Chilton Pen Company	154
Providence Clock Company	157
Colton Card Company	160
Contook Manufacturing Company	164
Hewes & Potter, Inc.	172
Weyenberg Shoe Manufacturing Company	201

Percentage of Advertising Appropriations in Business, Trade and Industrial Publications by Certain National Advertisers in 1934—Classified by Industries

Industry	Number of Companies Reporting	Number Reporting Use of Trade and Industrial Papers	Average Percentage of Advertising Appropriation for Trade and Industrial Papers*	Range in Percentage†
Agricultural Equipment	6	4	2.03	42.00– 0.84
Auto Accessories	7	5	4.41	17.40– 1.10
Auto Trucks	2	2	4.10	8.00– 0.21
Beer	4	1	.30	
Soft and Carbonated Beverages	4	2	.50	
Clothing and Accessories	8	7	3.13	7.60– 1.50
Confectionery and Ice Cream	6	1	5.00	
Drug Sundries	5	5	4.43	29.50– 0.87
Drugs and Toilet Articles	17	12	2.47	26.63– 0.39
Food and Grocery Products	39	24	1.66	14.49– 0.46
Footwear	8	8	2.23	7.62– 0.31
Hardware	3	3	19.41	22.84–15.82
Heating, Air-conditioning, and Refrigeration Equipment	10	8	6.95	22.05– 0.91
House Furnishings	7	7	2.94	21.00– 2.00
Household Electrical Equipment	7	7	4.28	18.28– 1.70
Knit Goods, Hosiery, Underwear	7	3	15.58	41.19– 0.54
Office Equipment and Supplies	6	3	4.49	9.58– 0.97
Paints, Varnishes, and Removers	8	4	6.41	11.10– 5.00
Petroleum Products	9	5	2.92	8.85– 8.00
Proprietary Medicines	8	3	1.90	2.88– 0.87
Silverware, Clocks, Pens, Pencils	6	5	4.00	8.37– 1.40
Sporting Goods	5	4	4.22	9.32– 2.00
Textiles	5	5	16.08	24.60– 4.40
Travel and Transportation	9	7	1.88	22.03– 1.00

* Of those companies using these periodicals, shown in column 2
† Interquartile average.

28. HARTLEY COMPANY

ADVERTISING OF UMBRELLA FRAMES

The Hartley Company was established in Baltimore in 1886 to manufacture small brass castings and pressed-steel goods and novelties. As the business grew, production became more and more specialized until, in 1905, the company decided to manufacture only umbrella frames, ribs, rods, runners, notches, caps, cane ferrules, and similar products. This decision proved to be a very wise one, and in a few years the company became one of the five largest manufacturers of these products. The executives considered advertising during the 1924 fall selling season the company's high-grade umbrella frames bearing the trade name "Drylea" in national media, in order to make the trade name popularly known and thereby to increase the sales of this special frame on which there was more profit and less competition than on its unbranded frames. The company did not expect its advertising to increase the total sales of frames greatly. During 1923 and 1924 competition was keen; sales were made mostly on a price basis, and conditions in the umbrella frame business were in general considered unsatisfactory.

There were about 140 manufacturers of umbrellas in the United States in 1924[1]; only about 10 of these were large manufacturers. Certain of the smaller manufacturers produced a very cheap product and were not considered reliable. Umbrella manufacturers did not make the frames they used but bought them from frame manufacturers, such as the Hartley Company. Most umbrella manufacturers were located in New York City, Baltimore, Philadelphia, and Lancaster, Pennsylvania.

One of the officers of the Hartley Company, acting as a salesman, visited the leading umbrella companies at least twice a year. The peak sales periods each year were from July to November and February to March. The better-grade frames were made and sold during the fall season, and the cheaper grades during the spring season. Sales of the company in 1923 amounted to approximately $1,200,000.

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[1] The *Census of Manufactures*, 1923, reported 141 establishments manufacturing umbrellas and parasols, with a product value of $23,532,735 It reported 46 establishments manufacturing umbrella and parasol covers, handles, parts, and canes, with a product value of $4,862,498.

Prior to 1924 the Hartley Company had manufactured 25-inch frames with eight ribs for women's umbrellas, 27-inch frames with seven or eight ribs for men's umbrellas, and a few 23-inch and 24-inch frames with eight ribs for women's umbrellas. There had been practically no style element in frames, and during the dull season of April, May, and June, the factory force had made up regular frames for stock. The only style element existent in umbrellas had been in the cloth covering of the frame and in the handle, which was not considered a part of the frame, but was a separate element in the assembly of umbrellas. The adoption of silk as a covering necessitated the use of a frame carefully made, because any rough edges at the joints would make small holes in the frail silk covering, even during shipment. To meet the demand for a fine-quality frame the Hartley Company had devised the Drylea frame of well-tempered steel, so carefully made that the frailest covering was not affected by rubbing against the joints. This frame was of the interlocking variety, with guards against shearing, which was likely to occur with the ordinary type of frame.

Umbrella frames were sold in lots of a dozen, the average price of which in 1924 was $3. The company received $3.50 a dozen, however, for its Drylea frames. In 1923, Drylea frames constituted only 25% of the Hartley Company's total sales of frames. All frames were guaranteed against defects, but no guaranty even on the Drylea frame was made against damage to the cover from the frame. The Drylea frame was protected by several patents covering the company's method of finishing the joints.

In considering whether or not to advertise the Drylea frame to consumers, the executives of the Hartley Company could find little precedent. One small manufacturer of frames in New York had attempted general advertising but was said to have discontinued it after spending $30,000, because he believed he was not securing results commensurate with the expenditure. The Fox Company, Ltd., the largest English manufacturer of frames, on the other hand, had advertised its frames in Great Britain for many years and had built up consumer recognition of its brand and retail cooperation in the sale of its product. According to reports made to the Hartley Company, if a customer in an English shop asked to be shown an umbrella but failed to specify a Fox frame or a Fox umbrella, the clerk frequently would show

an umbrella with a Fox frame and explain before quoting the price that the umbrella had a Fox frame and was, therefore, a very fine umbrella. The English company, it was stated, was in so strong a position that it refused to sell its product to companies making cheap and unreliable umbrellas.

The Hartley Company considered whether by advertising it could secure a standing in the American market somewhat similar to the position held by the Fox Company, Ltd., in England. To crystallize the problem, the sales manager was asked to draw up an advertising and selling campaign.

The sales manager of the Hartley Company believed that women purchased approximately 95% of all umbrellas sold and that, consequently, any advertising of Drylea frames should be directed toward them. The sales manager devised a plan calling for a campaign expenditure of $15,000, during the fall selling season of 1924, for quarter-page space in the *Woman's Home Companion* and the *Saturday Evening Post* and for small advertisements, one column by 4 inches deep, in Philadelphia and New York newspapers, to be inserted on rainy days. In addition the buyers for the umbrella departments in large stores throughout the country and the umbrella manufacturers were to be circularized with broadsides stressing the value of umbrellas with Drylea frames. Small advertisements in electrotype form, ready to be used in the newspapers, were to be offered free to all retail store buyers who desired them. The sales manager also planned in personal selling to stress to customers the advertising which the company was planning to do, and he hoped thereby to secure definite sales results from the advertising.

Because the opinion existed that women seldom examined the inside of an umbrella before purchasing it, the executives of the company believed that the advertising should stress as central ideas of the campaign: "Look into the umbrella before purchasing" and "The importance of the quality of the ribs in an umbrella."

Although the Hartley Company's best frame had borne the trade name Drylea for several years, it had never carried a trade-mark because of the difficulty of placing a trade-mark of any sort on the frame. One of the officers of the company suggested that a white dot be placed on the metal handle near the release spring; another suggested a special tip for the ribs; and a third

that a brass plate bearing the Drylea name be attached to one of the ribs.

The executives of the company believed there were certain objections to the plans for advertising. If the advertising was successful in securing consumer recognition for Drylea frames, it was feared that unreliable umbrella manufacturers who used Drylea frames might produce cheap umbrellas which, when the fabric proved unsatisfactory, would bring Drylea frames and any competitors' umbrellas equipped with the frames into disrepute. Confusion would result because the consumer would probably not differentiate between the frame trade name and the name of the umbrella. The important umbrella manufacturers who used Drylea frames extensively opposed the plan because of fear that the advertising would detract from their advertising and from additional advertising which they might undertake. In fact, it was argued that such advertising would harm rather than help them, because it would be assumed that all umbrellas made of Drylea frames would be of the same quality. In addition, numerous department stores followed the policy when possible of selling no trade-marked merchandise other than their own.

The executives were not certain how large an expenditure might be required to popularize Drylea frames or to induce umbrella manufacturers to purchase them in preference to competing frames. The sales manager believed, however, that even if the advertising did not bring the company a greater share of the total business of the umbrella-frame industry, a judicious expenditure in the trial campaign of $15,000 and active sales efforts might increase the proportion of Drylea frames in the company's total sales. If the major portion of the company's business could be diverted to Drylea frames, the sales manager estimated that profits would be increased $50,000 annually.

The Hartley Company decided to spend $15,000 in a test campaign of advertising during 1924. A small brass name plate was prepared to be attached to one of the ribs. The advertising plan finally decided upon was to use one-quarter page space in the *Saturday Evening Post* five times during the fall selling season, to run small advertisements in New York and Philadelphia newspapers, to send broadsides to umbrella manufacturers and buyers of umbrellas in the larger department stores in New York City and Philadelphia, and to furnish retailers with

electrotypes for use in local papers. The sales manager planned to devote a portion of his time to explaining to umbrella manufacturers the value to them of the advertising.

The first three one-quarter page advertisements which appeared in the *Saturday Evening Post* stressed "A new way to buy your umbrellas," "Look inside for proof of umbrella quality," and "How to choose a gift umbrella." The text of the last of the three advertisements was as follows:

Buy more than a pretty handle and fine cloth . . . *buy backbone.*

See that the umbrella has the improved, interfitting, sturdy Drylea Frame.

Then pride yourself on your choice of a token that will live long in usefulness as well as beauty.

You can recognize a genuine Drylea Frame by its narrow metal trade-mark, attached to one of the ribs inside.

Tough Swedish Steel ribs . . . simple, trouble-free joints . . . Japanned twice . . . rustless brass swivels and notches . . . swedged, brazed steel rods . . . even *copper-covered* steel rib-binding wire! The Drylea is the *only* frame with these advanced construction merits.

Yes, umbrellas are good Christmas gifts—but umbrellas with Drylea Frames are *surpassing.*

DRYLEA
Hartley Company

The following is a sample of the text of the group of one-column, 4-inch illustrated advertisements which appeared in the New York and Philadelphia newspapers over the Hartley Company's name:

THE LAST
thing to wear out about an umbrella with a Drylea Frame is the frame. It's a "quality" frame—that's why!
Next time ask for a Drylea Frame Umbrella.

Look for the name
Drylea on the rib.

DRYLEA
SUPER FRAME
Hartley Company

The series of advertisements in electrotype form for distribution to retailers had borders and devices with attention-gaining value. An example of these advertisements is shown on p. 216.

The campaign continued during the fall of 1924 until about $16,000 had been expended. The sale of Drylea frames increased from 25% of the company's sales to 50% of its sales, even though umbrella manufacturers did not approve of the advertising

(The illustration pictured a large number of people
in a rainstorm with umbrellas)
HIGH QUALITY
Umbrellas

Yet the prices are interestingly low! These umbrellas are not only handsome but are amazingly durable, because they have genuine Drylea Frames.

DRYLEA FRAMES
(Dealer's Name)

plans. Total sales also improved about 10% over 1923, but much of this increase was attributed to the general improvement in business and to more aggressive sales efforts. Only 25 retailers ordered electrotypes to run in their local newspapers. Umbrella manufacturers became accustomed to ordering Drylea frames by name and associated the Drylea name with the one style of umbrella frame. The executives of the company were not convinced, however, that the advertising per se had brought about the improvement in sales.

Early in 1925 the company decided to discontinue the advertising plans because of style elements which had unexpectedly entered into the demand for frames. No longer were the 25-inch and 27-inch frames with seven or eight ribs popular. A large demand had arisen suddenly for frames with 12 to 16 ribs, 19 to 20 inches long.

The popularity of Japanese parasols, which had been imported into this country in large quantities, the vogue of bobbed hair and small hats, and the convenience of an umbrella that could be packed in a suitcase were the reasons advanced for the sudden demand for the new type of umbrellas.

The management, realizing the trend toward a new style of frames, perfected a frame on which every piece of metal which had been exposed on the old-style frame was covered by a wood or composition material. The company secured orders on the new style of frame sufficiently large at fair prices to operate its plant at capacity.

By December, 1926, however, competitors were producing the new-style frame in quantity, and price cutting appeared. The executives of the company considered at this time whether it would be advisable to start advertising a second time.

Should the Hartley Company again have undertaken an advertising campaign to consumers in 1927?

29. GRATON & KNIGHT COMPANY

ADVERTISING OF SPECIAL-PROCESS SHOE LEATHER

The Graton & Knight Company of Worcester, Massachusetts, were leather tanners, makers of belts and other leather products. Since 1921, this company in common with most leather tanners had not made satisfactory profits. In 1927, Graton & Knight believed that the aggressive marketing of Spartan leather, a special tannage suitable for children's shoes, would prove profitable. This leather had been manufactured by Graton & Knight for over 20 years and sold for use as belting.

A method of branding Spartan leather so as to permit its identification when used in shoes was adopted; aggressive selling among manufacturers and retailers was begun in the summer of 1927; and, in conjunction with these efforts, a consumer advertising campaign was run for 12 weeks in the newspapers of 13 large cities. These efforts met with quick response from manufacturers and retailers, Spartan leather being used on over 2,000,000[1] pairs of shoes in 1927.

In February, 1928, the advertising manager of Graton & Knight had to determine the nature of the future advertising of this product. He had to decide particularly whether to continue advertising in newspapers or whether to contract for space in magazines of national circulation.

In 1907, chemists in the plant of Graton & Knight developed a special process for tanning leather. Since 1907, although this leather had been sold by Graton & Knight for use as belting, no attempts had been made to sell it for use as sole leather. Nevertheless, 700,000 pairs of Spartan-soled shoes were made in 1926 by various manufacturers who had begun to use the Spartan leather without aggressive selling by Graton & Knight. These manufacturers reported that Spartan leather was superior to the types of leather ordinarily used for soles, such as oak, union, chrome, or retan. It had greater and more uniform flexibility, longer life, higher water resistance, lighter weight, lack of surface oils causing stains, resistance to damage when dried by heat, better appearance than oak or union, and the characteristic of drying out soft and pliable after wetting.

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[1] Over 300,000,000 pairs of leather-soled shoes were produced in the United States annually

Since the process for the manufacture of Spartan leather was secret, other tanners could not make it. The experience of the manufacturers who used Spartan leather for soles indicated that its resistance to dampness, its flexibility, and its softness and pliability even after drying out made it particularly desirable for the soles of children's shoes. The process by which Spartan leather was made was more expensive than the ordinary processes for tanning sole leather, and Graton & Knight received a price for Spartan leather approximately 20% higher than that received for ordinary sole leathers.

One of the first steps in preparation for the aggressive marketing of Spartan leather was the development of a method of branding which permitted its identification in the finished shoe. The method of branding adopted was to tattoo the leather with small gold spots. Up to that time, no other brands of sole leather had been so effectively marked to permit consumer recognition.

In March, 1927, aggressive marketing of Spartan leather was begun. Efforts were directed particularly to obtaining its use on the soles of children's shoes. Five salesmen were sent out to call on manufacturers of shoes, and one sales promotion man working among retailers explained the advantages of Spartan leather and attempted to get retailers to specify it in orders of children's shoes.

Graton & Knight had found that retailers frequently specified the type of leather to be used in the soles of shoes which they bought. Retailers bought their stocks direct from manufacturers in most cases without the intervention of wholesalers and jobbers. Shoes were usually manufactured on the retailer's order rather than for the manufacturer's stock.

In conjunction with the efforts of its salesmen and missionary men, Graton & Knight undertook a campaign of advertising Spartan leather to manufacturers and retailers of shoes. Page and double-page space was used in the *Boot & Shoe Recorder*, *Weekly Bulletin Leather Shoe News*, *The Shoe Style Digest*, *The Shoe Retailer*, and *American Shoe Making*. Although Graton & Knight had long advertised other products to the trade, Spartan leather had not been previously advertised to this market.

The importance of the retailer in determining the materials of which shoes were made led Graton & Knight to consider a campaign of consumer advertising. It was felt that even a small

demand from consumers exerted on retailers would be effective in inducing them to specify Spartan soles. Graton & Knight appropriated $50,000 for consumer advertising of Spartan soles during the summer of 1927.

Prior to determining the type of campaign to be adopted, an investigation of the distribution of Spartan-soled shoes was made. This disclosed the fact that stocks of Spartan shoes were available in approximately 30 of the larger cities throughout the United States and that in 13 of these cities Spartan-soled shoes were offered by 5 or more retailers in each city. Accordingly, it was decided to spend the funds available for consumer advertising in the leading newspapers of these 13 cities. The first advertisement appeared in each of these cities in August and copy was run once a week for 12 weeks. An example of this advertising is shown in Exhibit 1.

The company had decided to market the Spartan leather as a particularly desirable sole for children's shoes; accordingly, the consumer advertising was directed at this market A survey among mothers of families in various income groups disclosed that comfort, healthfulness, and economy were the principal interests of mothers in purchasing shoes for their children. Therefore, the copy stressed the healthfulness, comfort, and long-wearing qualities of Spartan soles. Throughout the entire series, the idea of barefoot freedom for children's feet through the use of flexible Spartan soles was stressed. Each advertisement stated, "Genuine Spartan Soles have spots of gold tattooed in the leather." A Spartan sole with its unique brand was illustrated in every advertisement.

These advertisements did not mention the names of retailers offering Spartan-soled shoes. It was felt that some retailers offering this product might object to having their names included in the same advertisements with competitors, but an effort was made to get retailers to tie in with this advertisement by running one-inch ads next to the Graton & Knight copy. These efforts were carried on through the advertising departments of the newspapers used, and a number of retailers took advantage of this opportunity.

Graton & Knight provided retailers with a small booklet for consumer distribution telling of the advantages of these soles for children's feet; they also offered dealers free cuts and suggested copy for their advertising. Each one of the qualities of Spartan

Healthier, happier, little feet ... walk and run with *barefoot freedom* on Spartan Leather Soles

DOCTORS say the healthiest feet are BARE FEET, but because your children *must* wear shoes, their tender, plastic little feet should have shoes that give them just as much of the freedom and comfort of bare feet as possible.

Their little feet can only be as free and comfortable as the soles of their shoes allow them to be. That's why their feet will be happier and healthier if their shoes have Spartan Leather Soles. Spartan is an entirely different leather that is *damp proof, slip proof* and *long wearing*. But first and foremost, it is a more *pliant, flexible* leather that responds instantly to every movement of little foot bones. It gives their feet a new, healthier freedom and comfort they've never known before. It gives them the chance to grow strong and vigorous.

Because Spartan prevents damp feet and bad falls on slippery pavements, it safeguards the *present*, as well as the *future* health and comfort of your children's feet. And you'll find that youngsters will get longer wear out of Spartan Soles.

GRATON & KNIGHT COMPANY
Worcester, Mass.

Most quality department stores and shoe shops are now selling Spartan Soled shoes in various makes, styles and prices.

Genuine Spartan Soles have spots of gold tattooed into the leather. *Note—The gold spots have only been recently adopted so that at present many stores may have Spartan Soled Shoes without this identification. The dealer's word, however will protect you.*

SPARTAN Leather SOLES

Give barefoot freedom to little feet

Exhibit 1: Example of 1927 Consumer Advertising of the Graton & Knight Company.

leather was fully explained in the booklet. A page of the leaflet contained a blank form which could be kept for a record of the length of service given by Spartan soles. Display material was also prepared and distributed to retailers.

In localities where distribution of Spartan soles was not believed to be adequate to justify consumer advertising, retailers were sent proofs of the advertising which was run in the 13 cities. The object of this distribution was to indicate the eventual possibility of advertising Spartan soles in other districts and the desirability for retailers to prepare to meet this consumer demand.

As a result of these efforts Spartan leather was used for the soles of over 2,000,000 pairs of shoes in 1927. This represented three times the sales of Spartan leather for use as soles in 1926. Thirty manufacturers were using the leather in their products and 2,000 retailers throughout the United States were offering Spartan-soled shoes. It was impossible to estimate the degree of consumer recognition which had resulted from the advertising, but it was believed that the effect on retailers and indirectly on manufacturers had helped in making sales. It was thought that even a very few inquiries from customers of retailers for Spartan soles exerted considerable influence on these merchants.

Should Graton & Knight have extended its advertising of Spartan Soles to consumers?

30. RUBBER WIRE COMPANY

ADVERTISING OF APPLIANCE CORD

The Rubber Wire Company, of New York, developed in 1921 a type of flexible rubber insulation which had unusual wearing qualities. It would resist action from acids, oil, or water. The insulation was applicable to wires for three groups of uses. First, a field existed for portable cables in coal mines, quarries, and shipyards, in the contracting building field, and wherever flexible portable cables were necessary in connection with electrical machines and apparatus. Second, a smaller insulated portable wire cord had an extensive field for use with small electrical tools and extension lamps in factories, machine shops, and repair shops,

where the extension cord was subject to hard usage and frequent exposure to acids, oil, and water. Third, the company recognized an extensive field for small insulated cord to be used with household and office appliances and extensions.

From 1921 through 1925 the company had concentrated its advertising and sales efforts principally on portable cables and cords for industrial use in the first two fields. It had succeeded in establishing a reputation for its products in the industrial fields. In 1926 the company planned to advertise the rubber-insulated cord for use on household and office appliances. The advertising manager considered whether to direct his advertising to manufacturers of electrical appliances, to electrical wholesalers, contractors, and retail stores, or to consumers and users of household and office appliances.

The Rubber Wire Company for over 20 years had manufactured various types of insulated wire cord and cable. It had developed several types of insulation for use under special conditions and to each type it had given a trade name which could be used in advertising. The rubber insulation developed in 1921 had many virtues which the usual braided cotton and hemp insulated wires did not have. The construction of the insulation was similar to that of a cord tire. The rubber covering of the wire was of a special compound which did not absorb water, did not kink, and was from four to ten times as durable as the average wire with braided insulation. The new insulation was not patentable. Imitations of the new wire appeared some months subsequent to its introduction by the Rubber Wire Company. The company named its new insulation "Rub-Wear" and it standardized its production of the insulation to three groups of wires and cables which it called "Rub-Wear portable cable," "Rub-Wear portable cord," and "Rub-Wear appliance cord." It manufactured Rub-Wear portable cable for use in mines and other industries using heavy cables, in 17 sizes for either 1, 2, 3, or 4 copper conductors; Rub-Wear portable cord for use in factories, machine shops, and repair shops in 5 sizes for either 2 or 3 conductors; and Rub-Wear appliance cord in 2 sizes of 2-conductor cord for use on household and office appliances and light extensions.

The sales organization of the Rubber Wire Company consisted of the home office and five branch offices located in certain

of the principal cities of the United States. The home office and the branches at Chicago and at San Francisco carried stocks; other branches did not. Branches sold the company's products direct to central stations, to electrical wholesalers, and to a few large manufacturing companies. The company would sell its products to any electrical wholesalers, contractors, contractor-dealers, or consumers who wished to purchase. It protected electrical wholesalers, however, by offering them larger trade discounts than it offered to retailers.

In the case of stock products, such as small portable cables and insulated cords, most of the sales were made through selected electrical wholesalers who agreed not to carry products competing with the Rubber Wire Company's lines. The company granted to these special distributors an extra discount. About 40 of these special distributors, for example, purchased from the Chicago branch, and these distributors sold the company's products to electrical contractors, contractor-dealers, and retail electrical stores. These 40 distributors were so located as to cover practically every city and town throughout the Middle West. The wholesale distributors, for the most part, were wholesale electrical supply firms, although in a few instances they were hardware wholesalers, machinery supply firms, and mine supply firms. In addition to selling through its own branches and wholesale distributors, the Rubber Wire Company had seven manufacturers' agents located in the more distant territories of the United States. These agents sold the company's products on a commission basis to wholesalers, contractors, central stations, and to large manufacturing companies. They usually sold two or more other allied types of products, such as transformers or switchboards.

After the introduction of the new insulated rubber wire in 1921, the company first had directed its efforts to the sale of Rub-Wear portable cables. The principal market for these cables was in the coal-mine fields. These fields at that time were covered by manufacturers' agents, and in some instances by electrical wholesale houses.

The company advertised extensively in *Coal Age*, circularized the coal mines with mail material descriptive of the new cable, and sent specialty salesmen to visit mine superintendents and mine electricians in order to demonstrate the qualities of the new insulation. It also sent descriptive material to state mine

inspectors, who were responsible for the inspection of the measures taken by mines to promote the safety of workers. Although these mine inspectors were not prospective purchasers of the portable cable, in many instances they mentioned the safety advantages of the Rub-Wear cable to mine superintendents.

After the introduction of the cable to the mines, the company appointed in each district a mine supply house as its wholesale distributor in order that supplies of the cable might be at hand for quick delivery to the mines. After the introduction of the Rub-Wear portable cable had proved successful, the company had concentrated its efforts on Rub-Wear portable cord for use in industrial fields. It had advertised the portable cord to the electrical trade in such technical publications as the *Electrical World*. It also advertised to some extent to machine shops and factories through *The American Machinist*. In addition to this advertising, the company had adopted a campaign of circularizing selected lists of the larger prospective users of the cord. The circular letters had described the product and enclosed a stamped return postcard requesting a sample. When inquiries were received, the company had sent a workable sample of about 15 feet of cord to the inquirer and had turned the inquiry over to the electrical wholesaler who carried a stock of the company's cord in that territory. This method had resulted in what the company considered successful and favorable distribution of the Rub-Wear portable cord throughout the United States. The effect of the advertising campaigns in increasing sales had occurred about six months after the advertising had started.

By 1925, therefore, most electrical wholesalers, central stations, and many contractors and contractor-dealers throughout the United States were familiar with the name "Rub-Wear." Although during this period the Rub-Wear appliance cord had been manufactured, it had not secured extensive distribution, since most of the advertising and sales efforts had been directed toward the sale of the Rub-Wear portable cable and portable cord. The company sought, therefore, to concentrate its efforts in 1926 on the distribution of Rub-Wear appliance cord.

The company determined that the Rub-Wear appliance cord was especially adapted for use with washing machines, vacuum cleaners, dishwashers, desk fans, radio sets, battery chargers, refrigerators, office equipment, such as electrically operated

accounting machines, and for all sorts of extensions to floor lamps, droplights, and even telephone desk extensions. It was not applicable, however, to portable electric irons, toasters, or other heating appliances, since the National Board of Fire Underwriters required a special type of cord for these appliances and since the Rub-Wear insulation would be injured if it came into contact with a hot object.

There were three markets to which the company could direct its advertising and sales efforts. It could attempt to sell the product as a fabricating part to manufacturers of household and office appliances; it could attempt to distribute the product through retail dealers, contractor-dealers, central stations, and electrical repair men; or it could appeal directly to the consumers who, in this instance, were either office executives and clerks or women in their homes.

Since the total annual advertising appropriation of the company was about $40,000, the large cost of consumer advertising practically eliminated from consideration any direct appeal to consumers. The average householder, moreover, would buy cord separately from appliances so infrequently that the company doubted the wisdom of direct consumer appeal.[1]

The advertising manager of the company was of the opinion that the company should advertise to electrical wholesalers and retailers, that it should build up the advertising on the already established reputation of Rub-Wear portable cords, and that it should emphasize the service uses of the appliance cord rather than its decorative uses.

Consumers had become accustomed to silk-covered cords for floor lamps and other extensions where the cord was visible. The advertising manager feared that the smooth rubber surface of Rub-Wear cord, in spite of the fact that it could be produced in almost any color, would not meet with approval for use on extensions around the home. He believed, however, that after women had used vacuum cleaners and other household service appliances which were equipped with Rub-Wear cord, and after they had learned from experience that it did not kink, fray, or absorb

[1] During 1937 the Belden electrical cord, a product similar to that described in this case, was advertised to consumers in the *Saturday Evening Post* as a cure for "corditis, the dangerous disease of electrical cords; the symptoms are frayed wire and broken plugs, causing severe mental irritation and violent nervous disorders among electrical appliance users"

moisture or dirt, the prejudice in favor of the silk-braided cord for other household uses gradually would disappear. Manufacturers of silk-braided cord in their advertisements to wholesalers and retail dealers frequently showed the use of the wire on floor lamps and other electrical furnishings in well-furnished homes.

The advertising manager believed also that the appeal to electrical wholesalers and retailers, who already were familiar with Rub-Wear insulation, would be more effective than any appeal directed entirely to appliance manufacturers. Appliance manufacturers appeared content to equip their appliances with a cheaper cord so long as no pressure was exerted for a better-quality cord by consumers and dealers. The company had experienced this situation when it attempted to introduce Rub-Wear portable cable in the mining fields. It first had gone to manufacturers of portable mining apparatus with expectations of getting these manufacturers to equip their apparatus with Rub-Wear cable. The company had found these manufacturers unwilling to use the high-quality cable so long as mine operators were content to purchase the apparatus equipped with inferior cable. When, however, the Rub-Wear cable had been introduced to the mine superintendents and electricians and its superior qualities had been demonstrated, the mines began to request that apparatus come equipped with Rub-Wear cable. The result had been that most of the apparatus manufacturers who first had refused to use the cable later adopted it as a standard part of their equipment.

The company had been able through direct sales efforts to induce a few manufacturers of household equipment, such as vacuum cleaners, to equip their machines with Rub-Wear appliance cord, the price of which was about the same as that of a high-quality silk-covered cord. There were, however, numerous inferior cords which sold in some instances at about half the price of Rub-Wear.

The advertising manager believed that by advertising to the wholesale and retail electrical trade the company indirectly could exert some sales influence on manufacturers of electrical appliances. He held the opinion that if retail dealers and repair men stocked the Rub-Wear appliance cord and through experience demonstrated that its use in repair work reduced cord failures

and consequently complaints from customers, these dealers and their satisfied customers would exert an increasing pressure on appliance manufactures to equip their appliances with Rub-Wear cord. The advertising in electrical trade journals, such as *Electrical Merchandising*, would reach both the designing men and the advertising managers among manufacturers of electrical appliances. The men in charge of designing and improving the appliances frequently determined or specified the equipment to be provided with the appliances, although the purchasing agents of the companies did the actual purchasing. The advertising managers would notice the advertisements, since the manufacturing companies also advertised their appliances in the same publication. If the Rubber Wire Company stressed in its advertising to wholesalers and retailers the features of the cord which would increase the salability of appliances, the advertising managers of the appliance manufacturers would become interested. The advertising manager decided to develop a series of 10 advertisements which would emphasize the service features of Rub-Wear appliance cord. He planned to place this series in ten consecutive weekly issues of *Electrical World*, to place the three advertisements which he considered most effective consecutively in three monthly issues of *Electrical Merchandising*, and to place six of the advertisements in six bimonthly issues of the *Journal of Electricity*. If at the end of that time this advertising brought in a satisfactory number of inquiries, he planned to continue the series with new copy of the same general theme.

The December 31, 1925, Audit Bureau of Circulations' statements of circulation and trade distribution of subscribers for the publications *Electrical Merchandising*, *Electrical World*, and *Journal of Electricity* are shown in Exhibits 1 and 2.

The advertisements were to be full page, and the advertising manager planned to use in each advertisement a picture covering about one-half page. Each picture was to illustrate some service use of Rub-Wear cord, either in the household or in the office. Somewhere about the borders of the page the advertising manager planned to use 10 small cuts about one inch square. The cuts would illustrate the use of Rub-Wear cord on a washing machine, a vacuum cleaner, a large stationary electrical ironer, a sewing machine, droplights in an office, a desk fan, a dictaphone, a refrigerator, a dishwasher, a student's portable desk lamp, and a

radio. In addition to the cuts, the advertisements were to contain text which would describe the use and advantages of the cord and a paragraph which would state that the appliance cord was made exactly like the Rub-Wear portable cord.

The advantages to be stressed were cleanliness, freedom from dust and fraying, smooth outer surface, light weight, resistance to water and acids, inability to kink, and long life. An additional feature of the cord which the company did not plan to stress in advertising was the increased protection from short circuits and fires. Statistics by insurance companies indicated that

EXHIBIT 1

Geographical Distribution of Circulation of *Electrical Merchandising, Electrical World,* and *Journal of Electricity**

Geographical Districts	*Electrical Merchandising* December, 1925, Copies	*Electrical World* November 28, 1925, Copies	*Journal of Electricity* December 15, 1925, Copies
New England	1,211	1,540	37
Middle Atlantic	4,095	5,087	118
South Atlantic	779	1,293	22
East North Central	2,936	3,522	84
East South Central	312	450	6
West North Central	1,367	1,513	33
West South Central	402	634	17
Mountain States	392	584	394
Pacific States	1,217	1,367	4,867
Canada	393	611	36
Miscellaneous and Foreign	591	1,823	88
6 Months' Average of Total Net Paid Circulation	13,312	18,402	5,460

* *Standard Rate and Data Service,* February, 1926

many fires resulted from the use of light extension cords by persons who did not take proper insulation precautions. Persons frequently kinked the cords, fastened cords on metal hooks, or allowed frayed cords to go unrepaired. Rub-Wear cord reduced this fire risk because of the durability of the insulation and because the insulation did not crack when exposed to long wear under conditions which would kink and crack cords of poorer quality.

In one corner the advertisements were to contain a coupon requesting data and a sample of the cord, and stating the name of the inquirer, his address, title, and the company which he

represented. At the bottom of the advertisements were to appear the name of the Rubber Wire company and the location of its branch offices. The advertisements were to make no mention of wholesale distributors or agents.

EXHIBIT 2

Trade Distribution of *Electrical Merchandising, Electrical World,* and *Journal of Electricity**

Magazine	Distribution		
	Copies		Percentage
Electrical Merchandising			
Stores Operated by Electric Light and Power Companies, Their Appliance Sales Managers, Salespeople, Etc		2,389	17.8
Electrical Contractors and Contractor-Dealers		4,358	32.3
Electrical Dealers and Non-electrical Retailers, Department Stores, Hardware Stores, Etc., Selling Electrical Merchandise		2,475	18.3
Electrical Jobbers and Jobbers' Salesmen and Manufacturers' Agents		2,154	16 0
Manufacturers and Their Salesmen		1,215	9.0
Newsdealers, Booksellers, and Miscellaneous		594	4 4
Not Yet Classified		295	2.2
Total		13,480	100.0
Electrical World			
Electric Light and Power Companies Executives, Installation, Operating, and Commercial Men		9,091	49.48
Engineers Engaged in Consulting and Special Work Consulting Electrical Engineers, Telephone and Telegraph, Government, Mechanical, Civil and Illuminating Engineers, and Chemists and Engineers in Electrical Testing Laboratories		1,662	9 05
Industrial and Electrical Manufacturing Executives and Engineers			
(a) With Electrical Manufacturing Companies	1,849		
(b) With Industrial Works, Mills, and Factories	2,328	4,177	22 73
Engineers and Others Engaged in Contractors' and Sales Work—Sales Engineers with Electrical Manufacturing Companies, Electrical Contractors, and Electrical Jobbers and Exporters		809	4.40
In Allied Activities Financiers, Bond Houses, Patent Lawyers, Public Service Commission		811	4.41
Engineering Colleges, Professors, Instructors, Students		1,023	5.57
Newsstands, Booksellers, Miscellaneous		322	1 75
Connections Unknown (Subscribers Who Have Not Yet Reported Their Business or Position)		479	2 61
Total		18,374	100.00
Journal of Electricity			
Electric Light, Power, and Railways		3,568	62.58
Contractors, Dealers, and Jobbers		955	16 75
Electrical Engineers		173	3.03
Manufacturers and Sales Agents		464	8.14
Industrials		226	3.96
Libraries, Schools, Etc		216	3.79
Financial, Miscellaneous, and Unclassified		100	1.75
Total		5,702	100.00

* *Standard Rate and Data Service,* February, 1926.

The advertising manager expected to send, in answer to each inquiry, a sample of Rub-Wear appliance cord about six feet long.

He considered that six feet of cord would be a workable sample. He would turn over all inquiries to a wholesaler in the territory from which the inquiry came.

The advertising manager planned a pamphlet or sales prospectus which would include reprints of the 10 full-page advertisements along with other information regarding the Rub-Wear appliance cord. When the first of the series of advertisements appeared, the advertising manager planned to send copies of the sales prospectus to all wholesalers and to central stations and other customers who had purchased goods from the company directly. He planned to send this material not only to wholesalers who regularly purchased from the company but also to wholesalers who stocked the products of competing companies. In addition to this, he planned to send letters including stamped return postcards and descriptive material to a mailing list of about 4,000 contractor-dealers and 2,700 central stations. Samples of the cord were to be sent to all who returned the postcards, and a follow-up letter was to be sent once a month for six months.

After the campaign just described had been in operation three months, the advertising manager believed that the interest shown in the product as indicated by inquiries justified a continuance of the campaign another three months. The company did not keep a tabulated record of inquiries resulting from the trade-paper advertising. The inquiries were placed in a follow-up file along with inquiries from direct-mail advertising. The company did, however, keep a record of returns from the circulars. On the first letter, for example, which the company sent to a list of 4,000 contractor-dealers, there were received, within a month after the letter was mailed, 120 requests for samples, 24 requests for more definite information on prices and terms of sale, 30 requests for descriptive folders for distribution with the dealers' printed names, and 5 returns from persons not interested.

Examples of the trade-paper advertisements used in the first three months of the campaign follow:

Insurance against service costs

(Cut showing insurance policy)

RUB-WEAR APPLIANCE CORD
MAKES EVERY GOOD APPLIANCE BETTER

Rub-Wear Appliance Cord is made exactly like the well-known Rub-Wear Portable Cord, the only difference being that Rub-Wear Appliance

Cord is listed only in sizes No. 16 and No. 18, and that it is lighter in weight and smaller in diameter.

Rub-Wear Appliance Cord is the ideal cord for washing machines, vacuum cleaners, dish washers, office equipment, droplights, extensions, desk fans, radio sets, battery chargers, and office accounting machines.

For our new pamphlet and a sample piece of Rub-Wear Appliance Cord, just mail the coupon.

(Cut of a woman operating an electrical sewing machine in a living room)

HOURS OF SATISFACTION WITH A RUB-WEAR APPLIANCE CORD EQUIPPED SEWING MACHINE

The best-equipped devices are always the best sellers, and Rub-Wear Appliance Cord is an added selling feature of every good appliance. Many manufacturers have found Rub-Wear Appliance Cord such a good investment that they regularly equip their appliances with it.

Rub-Wear Appliance Cord is made exactly like Rub-Wear Portable Cord, the only difference being that Rub-Wear Appliance Cord is listed only in sizes No. 16 and No. 18 and that it is lighter in weight and smaller in diameter.

The best feature of Rub-Wear Appliance Cord is its long life. Because of this fact alone, it does away completely with any and all service-cost charges. This makes Rub-Wear Appliance Cord an invaluable aid to the dealer in making sales.

Check us on this Rub-Wear Appliance Cord. Mail the coupon today

31. MANLY ELASTIC COMPANY

ADVERTISING TO INTRODUCE A PATENTED CLOTHING SPECIALTY

In November, 1926, the executives of the Manly Elastic Company considered revision of selling and advertising plans for their product "Shirtsmooth," a patented webbing.[1]

The company's plants were located in New York City and Cleveland, Ohio. Total annual sales from 1920 to 1926 varied

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[1] A use of advertising similar in some respects to that described in this case is found in the extensive campaign launched by the Hookless Fastener Company in 1934, advertising the application of Talon Fasteners to men's trousers This company featured the improved appearance of trousers tailored with this appliance and outlined other advantages of this new use of the company's product.

between $3,000,000 and $6,000,000. The principal products manufactured by the company were cotton and silk elastic goods, and webbing of every description. The company sold most of its products directly to manufacturers. It had advertised several of its products in trade papers prior to 1926, but had not used consumer advertising for any of them.

In 1924, the idea was conceived of manufacturing cotton webbing with strands of exposed rubber woven through it, to use in men's trousers as the curtain, the strip of fabric that goes around the inside top of the trousers. The exposed rubber strands were to provide friction to keep the trousers and the shirt from slipping. Thus, such a fabric would serve to keep the shirt from working out and would tend to keep the trousers snug and neat at the waist.

Such a product was finally devised and manufactured by the company under the registered name "Shirtsmooth." Officials of the company and their friends who tried the product found it satisfactory. As Shirtsmooth could be used in every pair of trousers, the executives believed that there would be a wide market for it. Besides registering the trade name, the company also applied for a general patent covering the product. The company was prepared to market Shirtsmooth in quantity early in 1926.

In the years subsequent to 1920 the company had experienced extremely severe competition on its regular lines of products. Production capacity in the elastic webbing industry had been greatly expanded during the World War. After 1920, as a result of the decrease in demand for the company's products, its factories were not operating nearly at capacity. For several years the company had not been able to operate at a profit. Although in the latter part of 1925 it was in a sound financial condition, the executives were especially desirous of building up a demand which would enable its factories to operate near capacity in order that the company might show a profit for its stockholders. The officials desired, therefore, to introduce and secure wide distribution of Shirtsmooth as soon as possible in order to increase the scale of manufacturing operations.

It was decided that the sales manager and six of the company's eight salesmen should devote a large part of their time during the latter part of 1925 and during 1926 to the introduction of Shirtsmooth. The plan was to sell the product to the tailoring trade

through wholesalers and to sell directly to manufacturers of clothing and sporting goods. Packages containing enough Shirtsmooth to equip a single pair of trousers would be made available to consumers through retail clothing stores and department stores. The Shirtsmooth to be sold to consumers was narrower than that sold to tailors and clothing manufacturers and was meant to be sewed to the trouser curtains ordinarily used, whereas the wider Shirtsmooth, when used by manufacturers, served as the curtain itself. Counter containers holding a dozen or more packages of the narrow Shirtsmooth were to be made available to the retail trade through wholesalers. The company's main interest was in selling to clothing manufacturers, for therein rested a large volume of business, provided the leading clothing manufacturers adopted Shirtsmooth for inclusion in their men's clothing.

The salesmen who first interviewed manufacturers reported that although the manufacturers were interested in the product, they hesitated to adopt it because of the expense involved. It was estimated that it would cost the clothing manufacturers from 10 cents to 15 cents more to equip one pair of trousers with Shirtsmooth than with the usual curtain. On total output, this meant a fairly large sum which they did not believe they could get back in prices charged to retailers. Several of the clothing manufacturers would have been more interested in the product if they could have secured the exclusive right to use it. The company, however, had decided not to limit its market by giving to any one clothing manufacturer the exclusive right to use Shirtsmooth.

Although wholesalers were willing to handle the product, they showed no disposition to sell it aggressively to the tailoring trade or to retailers. They reported that the tailoring trade and retailers did not readily purchase the product.

An advertising agency which was consulted late in 1925 concerning marketing and advertising plans, after a study submitted a report which commented very favorably on the possibilities of securing a large sales volume for Shirtsmooth. An investigation conducted by the agency among manufacturers, wholesalers, retailers, and consumers of men's and boys' clothing was stated to prove two definite things concerning Shirtsmooth:

1. Its application to all kinds of trousers was both practical and desirable.

2. The principal resistance would be encountered from the manufacturers and wholesalers who would not add a patented feature to their lines at an extra cost until forced to do so.

The report stated that a reasonable degree of cooperation could be expected from retailers, who were always glad to secure an additional selling point, provided the cost was negligible. The resistance of consumers should be easily overcome inasmuch as the use of Shirtsmooth did not necessitate a change in any habits or customs of dress, but added to personal comfort and neatness of appearance. The disinterest of manufacturers, it was asserted, would be abandoned at the demonstration of a demand for the product.

In estimating the size of the potential market, the report stated that United States Census Bureau figures indicated that 75,000,000 pairs of men's and boy's trousers were sold annually. At least one yard of Shirtsmooth was required for a pair of trousers. The figure of 7% of the total potential market, or 5,250,000 yards of Shirtsmooth, was fixed by the agency as a conservative first year's objective. At 10 cents a yard, dollar sales would be $525,000. The price of 10 cents did not include a provision for advertising expense, and the agency suggested the addition of 2 cents a yard for promotional costs, a figure which, at the estimated sales volume, would yield an appropriation of $105,000, or 16⅔% of sales.

In the opinion of the agency a campaign in trade papers unsupported by consumer advertising would be inadequate to stimulate sales of 5,250,000 yards. Bold consumer advertising together with dealer-help material would be necessary. The trade campaign, it was stated, should start immediately with the following schedule:

Daily News Record, 1,505 lines (5 columns), 6 times, at 20 cents a line	$1,806
600 lines (¼ page), 8 times, at 20 cents a line	960
Total	$2,766

The foregoing advertising would run through November, 1926. A similar schedule should be repeated the following spring before the opening of the new season.

Cost of fall and spring schedules ($2,766 × 2)		$ 5,532.00
Rate holder to obtain lowest rate, 1 inch, 303 times, at 20 cents a line		848.40
Total fall and spring schedules		$ 6,380.40
Men's Wear, Chicago Apparel Gazette, double-page spreads, each issue for one year (24 issues)	$4,838.40	
Short rate saved by using up old contract	360.00	4,478.40
Total		$10,858.80

Trade advertising would be designed to acquaint manufacturers and distributors with the possibilities of Shirtsmooth.

To strengthen the effect of the campaign it was recommended that an enlarged selling force should call on all manufacturers in the ready-to-wear manufacturing circles, prepared to describe the complete merchandising plan for Shirtsmooth. In addition, free samples would be mailed to more than 2,000 manufacturers, as well as to the wholesalers of tailors' trimmings who supplied the trouser curtaining used by all except the very large clothing manufacturers.

Coincidental with this work the agency recommended that the men's custom tailors be approached through the following media:

Sartorial Art Journal and *American Tailor and Cutter*, 9 pages, including semiannual issues in February and September, at $60	$ 540
National Tailor, 10 pages, 1 page in each of their issues, at $35	350
Progressive Tailor, 1 page in each of their 2 issues, special position facing title-page, at $250	500
Total	$1,390

In addition, direct mail would be used to reach tailors with samples, folders, and reprints of advertisements.

For advertising to the consumer the agency outlined the following objectives:

1. Reach the largest number of men who would wear Shirtsmooth.
2. Reach a proportionately large number of women who influence the purchase of men's and boys' clothing.
3. Assert an influence on the manufacturing and retailing trades.

With these objectives in mind, the agency suggested the following schedule of consumer advertising:

Saturday Evening Post, 3 pages	$22,500
2 half pages	7,500
10 quarter pages	18,750
Total	$48,750
Ladies' Home Journal, 4 insertions of 1 column each	9,000
Good Housekeeping, 4 insertions of 1 column each	5,100
Woman's Home Companion, 4 insertions of 1 column each	7,600
Total consumer advertising	$70,450

Copy and presentation were planned to be largely educational. To aid in securing interest, the use of coupons was recommended to present a sample offer of one yard of Shirtsmooth, enough for a pair of trousers, for 10 cents.

The agency submitted the following summary of the costs for the entire campaign:

Trade Advertising	$10,858.80
Custom Tailor Advertising	1,390.00
Consumer Advertising	70,450.00
Dealer Helps, Folders, and Direct Mail (Approximate Allowance)	9,700.00
Art Work, Plates, etc. (Approximate Allowance)	6,000.00
Total	$98,398.80

The officials of the Manly Elastic Company ordered the agency to start the advertising to the trade, but hesitated to adopt the broad advertising campaign outlined by the agency because of the uncertainty of success. It was pointed out at the time that although practically everyone needed Shirtsmooth for his trousers, nevertheless it was an "unthought of" need, and considerable educational advertising would be necessary to make men realize their need for Shirtsmooth.

While deliberating whether or not to adopt the advertising plan, the company received a letter from the agency in January, 1926, which urged the immediate release of consumer advertising as outlined. The officials of the Manly Elastic Company finally decided to adopt with minor changes the advertising plan submitted by the agency.

The advertisements to the trade, which had begun in December, 1925, had a uniform type of layout, carried illustrations of the product, of its use, and in the text described it. The advertisements did not carry coupons, although the last paragraph of each suggested that a trial reel containing 12 yards of Shirtsmooth be ordered. The following excerpt from one of the trade advertisements is illustrative of the appeals made in the trade campaign:

> Clothiers have waited years for some device to make trousers fit at the waist—neatly, comfortably, snugly, and now the problem is solved by Shirtsmooth.
>
> Shirtsmooth does away with that annoying, unsightly shirt bulging out at the waist. It works equally well if worn with suspenders or belt. It makes a man always look neatly dressed, always feel at ease mentally. He enjoys real dress comfort.

Manufacturers of men's and boys' clothes who have tried Shirtsmooth are enthusiastic about it. Merchandise buyers and salesmen welcome Shirtsmooth as the latest ally in their "Dress Well and Succeed" campaign.

Shirtsmooth gives you and your salesforce a new selling point. It will help you sell more clothes to more people. It will win and hold customers' goodwill.

National advertising of Shirtsmooth has started and will substantially increase its popularity. This demand will be reflected through your customers. Be ready for them by ordering Shirtsmooth now.

Your manufacturer will put Shirtsmooth in your new line if you ask for it. But first try it yourself. We will gladly send you free of cost a sample large enough to equip a pair of trousers made in all staple colors: white, pearl, buff, slate, and black.

Shirtsmooth is easily sewn onto the trouser curtain, where it grips and clings gently yet firmly to the wearer's shirt. It will not stretch, neither will it bind the wearer nor mar his clothes. Always and everlastingly, it "Keeps Shirt Smooth and Trousers Snug."

Some of the headlines used in trade advertising were: "Shirtsmooth Satisfies the Manufacturer," "Retailers Approve Shirtsmooth," "All Your Customers Need Shirtsmooth," "Shirtsmooth Will Sell More Suits."

The advertisements appearing in the consumer publications had various illustrations showing men with shirts bulging. Some of them were in street clothes, some in dress clothes, and others in sport clothes. Small insert illustrations indicated that trousers equipped with Shirtsmooth gave a neat, snug appearance to the clothing. None of the consumer advertisements carried headlines below the illustrations. A typical advertisement showed a man in street clothing with a shirt bulging at the waist. It had the following text:

He doesn't know how unsightly he is around the waist. And without a thought he will hitch up his trousers and tuck in his shirt. Like many men, he has made it a habit.

You may not notice the bulging shirt around your waist. You may prevent it getting as bad as this by continually hitching up and tucking in, but you probably have noticed how uncomfortable it is and have simply put up with the nuisance.

Shirtsmooth, the new trouser curtain (the strip of fabric that goes around the top of the trousers, inside), does away with this annoyance. It grips and clings comfortably whether you wear suspenders or belt. It keeps shirts smooth and trousers snug

Shirtsmooth insures neatness and comfort for all men in all walks of life. Ask for it in your next suit and have your tailor or clothier put it in the clothes you are wearing. If they cannot supply you, send 50¢ for a 42-inch piece.

Advertisements inserted in *Good Housekeeping* featured the use of Shirtsmooth for boys' clothing.

Portfolios containing samples of Shirtsmooth and illustrating the advertising campaign plan for the trade and for the consumer were prepared and given to the salesmen, who used them in their solicitation of the manufacturers, wholesalers, and retailers.

Intensive test campaigns conducted under the guidance of two salesmen were used in an attempt to introduce Shirtsmooth in Rochester, New York; Providence, Rhode Island; and Nashville, Tennessee. Demonstrations were given by the salesmen in the windows of leading stores. Fifteen hundred lines of newspaper advertising were run prior to and during the period of demonstration in these cities. Window and counter displays were set up through cooperation with retailers. The leading retailers in each city were induced to stock about $20 worth of Shirtsmooth. In Providence and Rochester these stocks were sold during and after the demonstrations but no appreciable repeat sales followed. Practically no sales, however, resulted from the demonstrations and advertising in Nashville, Tennessee. It was impossible to decide whether or not permanent results had been secured from the intensive campaigns in these cities.

During the spring of 1926, two graduate students made a survey concerning Shirtsmooth among consumers, tailors, and stores selling men's furnishings, as a basis for a school thesis. Although this survey was limited primarily to the Boston territory, numerous interesting points were brought out, some of which were contrary to the results secured during the initial survey by the agency. The students based their conclusions on personal interviews with 97 consumers, 21 neighborhood tailors, and buyers and floor managers in 7 retail clothing stores.

The following summary was presented:

1. *Consumer Investigation:* The greatest need and consequently the best potential market for Shirtsmooth among men is in sport clothing, especially in knickers. There probably would be a large demand in white ducks at a nominal charge, such as 25 cents extra. The potential market for Shirtsmooth for use in business clothes is limited by the fact

that only about 25% of the men said they were bothered to any great extent by having their shirts work up when wearing such clothing. In dress clothes the need or potential demand for Shirtsmooth appears so small as to be almost negligible. The return on the questionnaires also indicated that there was no relation between the stoutness or slimness of a man and his need for a product which would keep his shirt from working up.

The need for the product appears equally strong in custom-made clothing and ready-made clothing.

A majority of the consumers interviewed gave no objections to the product. Of the objections received, however, the most common ones were the following, in order of frequency:

a. The product would not stand up well under use.

b. The rubber would harden, rot, or lose its life when continually exposed to perspiration.

c. It would cause bodily discomfort to have Shirtsmooth in one's trousers.

d. It would retard circulation and pull too much.

e. Shirtsmooth would discolor or mark the shirt.

No conclusions were drawn from the questionnaire as to the proper price for Shirtsmooth, because of the inconsistencies shown in the answers in regard to price and because of the inability and unwillingness of the ordinary consumer to state what price he would be willing to pay for a product he has never seen before.

2. *Tailor Investigation:* The tailors who handle Shirtsmooth are not pushing it aggressively. They have sold very little of it. The reason given is that consumers do not ask for it. It appears that tailors are an ineffectual channel through which to obtain initial distribution.

Forty-five per cent of the tailors who do not handle Shirtsmooth have had the product brought to their attention. The chief reason for not purchasing was that they were afraid to take up an unknown product for which there was no consumer demand. The consensus of opinion of all the tailors interviewed was that the company would have to persuade the large clothing stores to introduce Shirtsmooth and develop demand for it before the small tailors would handle it.

Most of the tailors were noncommittal regarding the merits and weaknesses of Shirtsmooth. They reserve their opinions until the product has been tried out and its success or failure made certain. The most frequent objection was that the rubber would wear out or lose its life. Other objections were that naphtha cleaning would ruin the rubber, that Shirtsmooth would make the shirt dirty, that it would be difficult to alter trousers equipped with Shirtsmooth, that it is unhealthful to have rubber in clothing, and that Shirtsmooth cannot work when one is driving an automobile.

3. *Clothing Store Investigation:* Shirtsmooth has its widest use in men's sport clothes and boys' clothing but a good method of installing the product has not yet been developed. It is doubtful if the rubber curtain will wear as long as the trousers and it will be necessary for the

company to introduce Shirtsmooth to the consumer before many retail clothing stores will actively push it. There is considerable doubt of the practicability of Shirtsmooth. One suggested plan of introducing the product is by the use of a local newspaper advertising campaign supplemented by sampling, especially to better class men.

The specialty salesmen and the advertising during the early part of 1926 had created considerable interest in Shirtsmooth among small manufacturers of knickers and sporting goods. One of the manufacturers in his showing of 1927 merchandise offered it to customers without extra charge. Several of his smaller customers requested it, but two of his most important customers refused his offer and stated that they did not want it in any of the knickers or white duck trousers, since they were afraid that their customers would object to rubber around the waistband of their trousers. Another small manufacturer of trousers who also offered Shirtsmooth to his customers at no extra charge stated that all had requested it. He placed an order for 20,000 yards of Shirtsmooth.

In the fall of 1926, a retailer who had become interested in Shirtsmooth requested a manufacturer to equip with Shirtsmooth all the suits which he purchased. The manufacturer, whose yearly sales were well over $10,000,000 in medium-grade suits, investigated Shirtsmooth, decided to have it placed in all the suits which he manufactured, and arranged with the Manly Elastic Company to purchase 800,000 yards of Shirtsmooth during 1927 and 1928. This manufacturer stated that he had never seen Shirtsmooth advertised and had become acquainted with it through the retailer. He planned to stress Shirtsmooth in his advertising to the trade and in his selling as a new and desirable feature of his clothing.

A statement of advertising expenditures on Shirtsmooth from January 1, 1926, to November 1, 1926, is shown in Exhibit 1. In addition, salaries, traveling expenses, and other incidental expenditures of the salesmen were estimated to be approximately $15,000.

Total sales of Shirtsmooth by the company up to November 1, 1926, excepting the large contract mentioned above, which called for first deliveries in December, were approximately $35,000 This included sales to clothing manufacturers, to wholesalers of tailors' supplies, and to manufacturers and distributors of athletic

goods. In view of the amount spent for advertising and sales promotion, the executives of the Manly Elastic Company considered these results unsatisfactory. They desired to increase sales as soon as possible to at least 5,000,000 yards a year, which

EXHIBIT 1

Manly Elastic Company, Advertising Expenditures to Introduce Shirtsmooth January 1–November 1, 1926

Expenditures through the Agency		
Direct Mail	$14,895	
Cuts and Art Work	9,114	
Commission on Art Work	1,291	
Saturday Evening Post	35,750	
Liberty	1,500	
Progressive Tailor	590	
Dry Goods Merchant Trade Journal	1,294	
Daily News Record	3,277	
Chicago Apparel Gazette	3,024	
National Retail Clothier	1,950	
Good Housekeeping	1,450	
Miscellaneous Trade-Paper and Newspaper Advertising	2,656	
Printing	1,575	
Portfolios	1,023	
Miscellaneous	300	
Commission Placements	1,573	$81,262
Other Shirtsmooth Advertising		
Dealer-help Material	$ 2,760	
Poster Advertising Contract in New York	13,300	
Various Art Work	317	
Cartons	1,797	
Postage	454	18,628
Total Advertising Expenditures		$99,890

would amount to about $500,000. On this basis, satisfactory manufacturing profits could be secured.

What sales, advertising, and promotional policies should the executives of the Manly Elastic Company have adopted?

32. EXPENDITURES FOR ADVERTISING BY INDUSTRIES

In a study of the advertising budgets of national advertisers for 1934 and 1935[1] the Association of National Advertisers presented data from which Exhibit 1 has been constructed, showing

[1] *A Survey of 299 National Advertising Budgets, 1934–1935*, prepared by the Association of National Advertisers for its members.

the percentage of expenditures devoted to advertising in relation to net sales for manufacturers selling consumer products and for companies manufacturing industrial products.

EXHIBIT 1
Total Advertising Expenditures in Relation to Net Sales Volume—Estimated for 1935

	Number of Companies	Average Percentage*	Range in Percentages
Consumer Products:			
Proprietary Medicines	7	33.78	31.00 –61.00
Drugs and Toilet Articles	14	27.65	8 00 –60 00
Soft and Carbonated Beverages	3	15.23	Within 0 3 % of average
Silverware	5	9.31	7.00 –10 00
Paints, Varnishes, and Removers	7	7.40	3 25 –22 00
Drug Sundries	4	6.00	4.20 –10.00
Auto Accessories	4	5.90	
Heating, Air-conditioning, Refrigerating Equipment	8	5 73	3.00 – 8 00
Petroleum Products	5	5.68 oil gas	5 00 –20.00 Under 2 00
Sporting Goods	5	5.67	3.00 –10.00
Confections, Ice Cream	4	5 35	2 50 –16 00
Food and Grocery Products	26	5.07	0 25 –47 00
Service Organizations	2	5 00	1 00 – 5 00†
Beer	3	4 67	Small deviation
Clothing and Accessories	8	4 50	1.50 – 5.50
House Furnishings	8	4.50	2 00 –10 00
Household Electrical Equipment	6	4 47	0 84 – 8 10
Knit Goods, Hosiery	7	4.20	2.50 – 9.64
Travel and Transportation	9	4 05	0 22 –10 00
Agricultural Equipment	6	3 78	1 00 –20 00
Hardware	3	2 67	0 50 – 5 00
Office Equipment	6	2.60	Small deviation
Textiles	5	1 82	0 30 – 5 00
Auto Trucks	3	1.27	0 0015 – 2 82
Footwear	9	3 97	2 00 – 6 50
Industrial Products:			
Paper and Paper Products	6	4.00	0 25 – 6 00
Automotive Equipment	7	3 90	0 88 – 8.62
Building and Construction Material	9	2 44	1.50 – 5.00
Electrical Equipment	4	2.25	0.50 – 5.00
Machinery and Supplies	13	2 01	0 50 – 4.50
Steel and Other Metals	9	1 33	0 001 – 5 80
Miscellaneous	2	.75	0.11 – 1 00
Chemicals	2	.50	0 30 – 0.64

* Interquartile average.
† Range for 1934, for which average was 3.17 %.

How do you account for the wide variation of advertising expenditures shown in these figures:

a. Of industry groups?

b. Of companies within industry groups?

SECTION III

PROBLEMS IN BUILDING PROMOTIONAL PROGRAMS—STRATEGY—SCHEDULING—COORDINATION OF SELLING EFFORTS

SUGGESTED READING

GUNDLACH, *Facts and Fetishes in Advertising*, Chaps XXVII–XXVIII
Harvard Advertising Awards, 1924–1928, pp. 49–72, 1929, pp 25–66, 1930, pp. 71–141
LICHTENBERG AND BARTON, *Advertising Campaigns*, Chaps XVII–XVIII
LOCKLEY, *Vertical Cooperative Advertising*, Chaps I, X
U S Department of Commerce, *Check Sheet—Introduction of New Consumer Products*
——— *Check Sheet—Introduction of New Industrial Products*

1. PABST CORPORATION

INTRODUCTION OF PABST-ETT

In December, 1925, the cheese division[1] of the Pabst Corporation of Milwaukee was ready to undertake the marketing of a new cheese product, Pabst-ett. The coined name Pabst-ett had been selected for the new product because it was individualistic and was immediately associated with the firm which was known as the producer of six varieties of cheeses, marketed as Pabst Wonder Process Cheeses.

Pabst-ett was considered by the executives of the company as more than a cheese, inasmuch as it was made by combining well-ripened cheese with the water-soluble proteins of milk (albumen), milk sugars, and milk minerals not found in cheese. Milk, the base of both cheese and Pabst-ett, contains fat, casein, water-soluble proteins, milk sugar, milk minerals, and water. Cheese, however, contains only fat and casein, which are the suspended solids in milk, so that 100 pounds of milk normally produce only 9½ pounds of cheese. Whey, the liquid by-product of cheese making, even though it contains these other nutritious soluble foods, is used chiefly as hog feed or is disposed of as waste. The president of the Pabst Corporation, believing that the foods contained in the wasted whey might be reclaimed, instigated the pioneer work that led to the production of Pabst-ett. After a considerable amount of laboratory research, the company's chemists developed a method of concentrating whey so as to remove the surplus water at a low temperature without altering the nature of the albumen and milk minerals or destroying the vitamins by heat. The concentrated whey was then mixed

[1] All the Pabst cheese products were produced and marketed under the supervision of the manager of the cheese division, which functioned as a distinct unit of the Pabst Corporation Sales were controlled by a sales manager who reported to the division manager The United States was divided into districts, each of which contained a leading wholesale market Districts were in charge of district managers who supervised the work of from 3 to 10 salesmen Some salesmen called on wholesalers and retailers but the majority of them called on retailers only Salesmen were paid salaries and traveling expenses, with a bonus which varied according to the individual attainment of quarterly quotas

with well-ripened cheese according to a formula developed in the laboratory. Pabst-ett had an unusual flavor, mild and delicious. Its texture was smooth and creamy, and it was considered more digestible than cheese. Forty per cent of Pabst-ett was directly soluble in water; the remainder was so finely divided that it was readily changed to a soluble form by digestive processes.

After the product had been perfected in the laboratory and its keeping qualities tested, the Division Manager began to prepare Pabst-ett for the market. Pabst-ett could not satisfactorily be distributed in brick form because it was not so solid as ordinary cheese. A package, therefore, not only was necessary but also was desirable because it afforded a means of differentiating Pabst-ett from ordinary cheeses, which were generally cut from large bricks by the retailer in accordance with the weight desired by consumers.

Although the executives desired to have an unusual package with good display qualities, they did not wish to make it startlingly attention-gaining through the use of striking color contrasts. They preferred that the design be one which would enhance and be in harmony with the appetite appeal of the product. The shape of the package and the material used in its construction were determined after the purchase and study of containers used for approximately 25 popular foods. Since they were more costly than cardboard, glass and tin were eliminated as possible materials for the package. Tin foil alone was hardly suitable for this paste-like product. Finally a six and one-half-ounce cylindrical cardboard package, approximately one and three-quarters inches high and three and five-eighth inches in diameter with crimped top and bottom, was chosen. Such a package was selected because this type was not then used by other food or cheese manufacturers and because it was readily adaptable to a variety of display arrangements. The package, furthermore, could be sealed by putting a paper strip around the box. At first Pabst-ett was not wrapped in tin foil before being placed in the cardboard box. The company found, however, that Pabst-ett tended to pull away from the sides of the container, especially if the packages were packed on edge in shipping cases or were displayed on edge. Experiment proved the wisdom of wrapping Pabst-ett in tin foil; thereby the company was assured that the

product would present a neat, appetizing appearance when the housewife opened the package and unwrapped the foil. Furthermore, a special machine process for crimping the foil wrapper made the inner package airtight. The cardboard packages were placed in display cartons which held one dozen packages of Pabst-ett. The suggested price to retailers was 25¢ a package.

The advertising campaign was prepared by Klau-Van Pieterson-Dunlap, Younggreen, Incorporated, an advertising agency of Milwaukee. The campaign was ready for release in December, 1925. At that time the company was prepared to undertake its introductory work, inasmuch as the product had been perfected, the package chosen, and the price schedule determined. The introductory work, however, was postponed until January, 1926, because December was considered a poor sales month for food products.

Although the company's name was known nationally for its Pabst Wonder Process Cheese and Pabst-ett was expected to be a satisfactory food, the executives decided to conduct a test campaign before launching an extensive marketing program, so that they might learn how the public would receive the product. Early in January, 1926, therefore, two test campaigns were begun simultaneously in two typical markets: (1) Youngstown, Ohio, and (2) the tricity market of Davenport, Iowa; Moline and Rock Island, Illinois. Youngstown was chosen because it was considered a typical, highly industrialized, eastern market, composed to a large extent of foreign-born people or people of foreign extraction. Its estimated population in 1926 was 165,000 people. The tricities were selected as a typical midwestern market, somewhat industrialized because of the manufacturing activities in Moline, yet typical also of the agricultural centers which were composed largely of American-born people. The total population of these three cities was estimated at 130,000 in 1926. These two markets were chosen also because the advertising expense would be lower than in larger cities. Furthermore, the company was acquainted with wholesalers who were willing to cooperate with the company in its introductory work in these markets. For several reasons Milwaukee was not selected as a test market. In the first place, it was thought that the Pabst Corporation was so well-known in Milwaukee that a test campaign could hardly be unbiased; secondly, the advertising cost of a

campaign in the local newspapers would have been higher than it was in the smaller markets chosen. If the test campaign were successful in Milwaukee, moreover, the company would not be convinced that its product was satisfactory; if the campaign failed, the company would not be satisfied until it had tested the product in a neutral market.

The company organized two sales crews, recruited from its own sales organization, for the introductory work in the typical markets. They were instructed at headquarters in the ways to sell Pabst-ett and in interesting dealers in the proposed advertising campaign. The introductory campaign, in which they were to take part, was to last 10 weeks. The salesmen were to spend the first two weeks wholly with retailers, explaining the product, showing them portfolios of the proposed advertising campaign, and explaining also that the company had taken an irrevocable contract for the advertising which they showed. They also explained that the company was providing 1¾ ounce sample packages which the retailers were asked to hand out with each retail sale with the request that the customer try the sample before opening the package. If the purchaser did not care for Pabst-ett, the package could be returned to the grocer, who was instructed to refund the purchase price. The company agreed to reimburse the grocer for all damaged packages returned to him. The sales crews were very successful in obtaining distribution; approximately 79% of the possible outlets stocked Pabst-ett for the test campaign. At the end of the two weeks the salesmen were withdrawn from the territories and the eight weeks' advertising program was begun. The merchandise departments of the newspapers which carried the advertising also helped the company in the introductory work. Broadsides of the advertising, printed under their respective head captions, were issued and sent with letters informing the prospective dealers that the Pabst Corporation had signed an irrevocable contract for the advertising enclosed.

The advertising program which had been prepared for Pabst-ett consisted of a series of 13 advertisements totaling 7,000 lines. This complete campaign was run in three newspapers in the tricity market and in two newspapers in Youngstown. The cost of the campaign was approximately $5,600 in each market. The campaign began on Monday of the third week with

a teaser advertisement 1 column wide by 8 inches long. This advertisement said, "It's coming! A new Pabst taste treat!" The illustration showed the sun rising from behind a hill; in the sun were written the three letters, "ett." The Tuesday teaser said, "Now on the way! Pabst-. It melts on your tongue"; the sun in this advertisement was slightly higher and showed the letters "st-ett." On Wednesday, the third teaser advertisement said, "Here soon! A new and finer food from Pabst"; the sun had risen in this advertisement until "bst-ett"; was apparent. The final teaser copy, which appeared on Thursday, said, "Ready now! See tomorrow's paper"; the sun had risen now until it appeared plainly as the top of the Pabst-ett package. On Friday, the day on which most food advertisements appear, an advertisement 7 columns wide and 20 inches long was inserted announcing the arrival of Pabst-ett. The advertisement explained Pabst-ett as a new cheese product prepared by a new and scientific process in which all the nutritive value of whole milk was conserved. It further pointed out that in the cheese-making process the nutritive value of milk, sugar, protein, and mineral elements was lost, but that in Pabst-ett these foods were retained in a product which was more than cheese. Pabst-ett was described as being wholesome, digestible, and of a delicious flavor. It could be used as a spread on bread or crackers, in salads or sandwiches, and could be served in slices when cold. The advertisement spoke of Pabst-ett as being a perfect body-building food for both old and young. The package was prominently displayed in the lower right-hand corner, and the slogan, "Since 1844, the maker's name proclaims its quality," was placed in bold type at the bottom of the advertisement. Seven columns were used instead of eight, which is usually the size of the ordinary newspaper page, because the executives believed that such a space gave the display an equal value to a full page but at lower cost.

On the following Tuesday, of the fourth week, an advertisement 4 columns wide and 18 inches long, containing 1,000 lines, was printed. This advertisement contained an illustration showing the housewife purchasing Pabst-ett from her grocer. The headline said, "Try this new, finer food that's more than cheese!" The copy again told the story of Pabst-ett and suggested ways in which it might be used. On the following Friday and on the six succeeding Fridays, the company inserted advertisements

varying in size from 420 lines to 770 lines. Each of these advertisements stressed the appetite appeal and the food value of Pabst-ett, especially the food value for children. The package was displayed prominently and it was shown open wherever it was possible to illustrate Pabst-ett in use. The advertisements centered around the many ways in which Pabst-ett might be used, such as for sandwich spreads, for salads, and in cooking as a general substitute for cheese. The company wished as much as possible to stress its use in place of cheese so that customers would not consider Pabst-ett as being only another sandwich spread.

After the advertising had been running for two weeks, the company sent one salesmen into each market to determine the results that were being obtained. The salesmen gave little attention to securing orders for Pabst-ett at this time; instead they tried to determine what the dealers and customers thought about the new product. The company was interested in seeing whether the merits of the Pabst-ett were such that it produced repeat sales, since the executives believed that a product could be sold once merely through intensive promotional efforts. When the advertising campaign closed at the end of eight weeks, the company was well satisfied with the results obtained, since all the Pabst-ett which had been prepared for the test campaign had been sold during January, and sales during February were sufficient to indicate that there was a repeat demand for Pabst-ett.

Pabst-ett was then introduced to the Milwaukee market in March, 1926. The same advertising campaign and selling methods were used as before. In Milwaukee a complete campaign was run in two newspapers and 4,000 lines of the campaign were inserted in three foreign-language papers.

The results of these three test campaigns were so satisfactory that in April the company undertook an extension of the market for Pabst-ett. Immediate national development was impossible since the manufacturing facilities were still limited. It was necessary, therefore, to adopt a marketing plan designed for the gradual expansion of sales areas at a rate in keeping with the expansion of production capacity, which was being increased as rapidly as possible. Instead of following the usual plan of gradually extending the market by the development of sales in successive geographical regions, as many manufacturers did under similar conditions, the company undertook a radial development of the mar-

ket. This plan was based on the assumption that a radiation of information from large important wholesale centers was as effective as, if not more effective than, regional development of the market. By concentrating its promotional efforts in these large wholesale markets, it was believed, sales would be quickly developed there and gradually extended without additional consumer promotional work to the smaller wholesale markets which were contiguous to selected group centers. In this way it would be possible to take advantage of the radiation or infiltration of both newspaper and word-of-mouth advertising from the leading marketing centers to the other wholesale markets. The cost of such an introductory program, moreover, was believed likely to be less than the cost of regional expansion of the market.

In operating the plan the important wholesale cities west of the Allegheny Mountains and east of the Rocky Mountains were arranged in the following three groups in a manner which would not overtax the company's production facilities.

Group 1	Kansas City, St. Louis, Detroit, Toledo, Columbus
Group 2	Minneapolis, St. Paul, Des Moines, Omaha, Cleveland, Indianapolis
Group 3	Pittsburgh, Buffalo, Rochester, Cincinnati

The campaign which had proved successful in the test cities was conducted successively in the group cities: the promotional effort was started in Group 1 cities during the first week in April, in Group 2 cities during the first week in May, and in Group 3 cities during the third week in May. The campaign was completed in July. Production limitations prohibited the use of newspaper advertising and aggressive sales campaigns again until October, 1926, when the Chicago market was opened. After the Chicago campaign, newspapers were not used again until in April, 1927, when aggressive campaigns were opened simultaneously in New York, Philadelphia, and Boston. Pabst salesmen had taken small orders for Pabst-ett from wholesalers in these three cities since the previous November, but the product was unsupported by local consumer advertising. Newspaper advertising was never used in cities other than those named.

In this promotional work, samples with the first purchase were used only in two cities of Group 1. A check on the grocers' use of samples in the three test markets and the two cities of Group 1 showed that some grocers abused the sampling privilege

by distributing samples in other than the prescribed manner. The sales in the three other cities of Group 1, moreover, indicated that sampling of this type was unnecessary for the introduction of Pabst-ett, so that the practice was discontinued in the remaining promotional work.

After the development of the market in Groups 1, 2, and 3 was finished, the company had its advertising agency prepare a sustaining advertising campaign designed to keep the name of Pabst-ett before the public in these group cities. This campaign consisted of 13 advertisements, some of which were in single columns containing 42 lines, while others were in double columns containing 112 lines. They were hand-lettered and stressed either the food value and taste of Pabst-ett or the ways in which Pabst-ett might be used. These advertisements usually appeared on Friday of each week during the sustaining campaign, although in some large markets advertisements were inserted on Tuesday and Friday. Each of the advertisements of the sustaining campaign was printed only once. Similar sustaining campaigns also followed the introductory campaigns in Chicago, New York, Philadelphia, and Boston.

At the same time the city groups were being opened, many other means of gaining publicity were used in addition to the newspaper advertising. Banners, window stickers, and other dealer helps were provided for retailers' use in point-of-purchase displays. Envelope enclosures with the wholesaler's name printed on them were provided for the wholesalers, who mailed them in letters sent to retailers. Booklets were packed with the cartons, and recipes were placed in the packages. Restaurants and dining cars were persuaded to list Pabst-ett on their menus, and special displays were secured for Pabst-ett on the price lists of some wholesalers. A series of six letters mailed to wholesalers both in developed and in undeveloped markets also tended to maintain and intensify the wholesalers' interest in Pabst-ett. These letters were written on four-page folders and were first mailed while the cities in Group 2 were being developed. The first page of the folder carried the letterhead of the Pabst Corporation and a letter from an executive of the company. The back page was devoted to telling the Pabst-ett story and was illustrated with a cut of the package and the trade-mark Pabst-ett. The inside pages of the folder had a map of the United States on which

were dots showing the location of markets in which Pabst-ett was being distributed. The map in each succeeding letter showed how the distribution was spreading and gave new testimonials that had been received from wholesalers and retailers.

The rapidity with which the additional markets were opened within and without the territory of group cities depended upon the production capacity of the company's factories. After the cities in Group 3 had been opened, the salesmen were sent as quickly as possible into the undeveloped markets—excepting Chicago, Boston, Philadelphia, and New York, which were opened as previously noted. The direct-mail material described was used to prepare the way for Pabst salesmen by informing the wholesalers and their salesmen of the popularity with which Pabst-ett was being received. Both wholesalers and retailers were induced to stock Pabst-ett through the accumulating evidence of the salability of the product. The only consumer advertising used in these additional markets was the point-of-purchase display material which had been prepared for the grocers' use. The speed with which secondary markets were opened through radial expansion is indicated by Exhibit 1, which gives the number of markets opened on the date when letters were mailed to wholesalers. In the first maps the dots were concentrated around the midwest centers; in the later ones they began to appear in the markets distant from Milwaukee.

EXHIBIT 1
Number of Pabst-ett Markets as Shown by Letters Mailed to Wholesalers

Date of Letter	Number of Markets
May 8	13
June 21	132
July 10	317
August 20	457
September 1	587
October 28	650

In October, 1926, the Pabst Corporation began to hear about the possibilities of competitors' producing imitations of Pabst-ett. The executives believed Pabst-ett was more likely to be imitated by small producers with limited distribution than by large organizations having national distribution. In the past most com-

panies, when faced with the same problem of imitation, had not attempted to protect their market until competitors had gained a considerable sales volume. The executives of the Pabst Corporation, therefore, considered the possibilities of a national magazine advertising campaign as a means of averting the introduction of imitations of Pabst-ett. Such a campaign would be in the nature of an insurance against imitations. The company, however, did not have dense national distribution to support a national advertising program and its factory output was still so limited that it was inadvisable to expand its distribution aggressively. Nevertheless the company decided to undertake a national advertising program that would cost approximately $100,000. The closing dates for advertising in monthly magazines that circulated among housewives, however, were from 8 to 12 weeks in advance of the date of publication. Thus the use of monthly magazines was impracticable for a campaign such as the company planned, in which it was desired to have the advertisements published as soon as possible after they had been prepared. The executives, therefore, decided to use weekly magazines having national circulation, the closing dates of which were only four to five weeks in advance of publication dates. The magazines selected for this campaign were the *Saturday Evening Post*, the *American Weekly*, and *Liberty*. The *American Weekly* was the magazine section of 14 Hearst Sunday newspapers. The first advertisement was a two-page black and white advertisement in the *Saturday Evening Post* of December 4, 1926. This advertisement was announced on Thursday, December 2, the day on which the *Saturday Evening Post* appeared on newspaper stands, by a 112-line newspaper advertisement in approximately 100 newspapers in 65 cities. Colors were not used in the *Saturday Evening Post* advertisement because colors were sold only in cycles of 13, 26, 39, or 52 advertisements yearly and because closing dates were from 8 to 9 weeks in advance of publication date. The *Saturday Evening Post* advertisement contained an illustration showing Pabst-ett ready for serving, told of the general acceptance of the product and its composition, and gave six ways in which Pabst-ett might be used. Separated from the copy of the advertisement was a paragraph on imitations and associated with this paragraph was an illustration of an unopened package of Pabst-ett.

The next advertisement was a full page in four colors in the *American Weekly* of December 5. Then followed a two-page advertisement in the *Saturday Evening Post* of January 8, 1927, an 800-line advertisement in black and white in the *American Weekly* of January 16, and a full-page four-color advertisement in *Liberty* of January 22. All these advertisements were illustrated, showing ways in which Pabst-ett might be used, and stressed the fact that Pabst-ett was more than cheese. Each also contained a paragraph stating that Pabst-ett could not be successfully imitated.

A campaign directed at dealers, in addition to the consumer advertising, was undertaken in December, 1926, to forestall the successful introduction of imitations. This campaign consisted of a broadside to dealers, a letter to wholesalers, and double-page color advertisements in the December and January issues of the *Progressive Grocer* and *Chain Store Age*. These advertisements described how Pabst-ett had developed quickly into a national food favorite in less than a year and stated that the product was supported by a national advertising campaign. The schedule of the advertisements in weekly magazines was also given in these advertisements. Dealers were urged to stock Pabst-ett so as to profit from this new product, but to avoid the imitations which undoubtedly would appear. The broadside, presenting these same appeals at greater length, was mailed to approximately 100,000 worth-while grocers.

The total advertising expenditures for 1926 are given in the following exhibit·

EXHIBIT 2

Advertising Expenditures for Pabst-ett during 1926

Newspaper Campaigns	$ 90,000
American Weekly	16,000
Saturday Evening Post	15,000
Dealer Helps	5,000
Total	$126,000

The magazine advertising in December and January, as previously noted, was undertaken to establish the Pabst Corporation as the originator of this new food product. Since the company wanted to finish opening the large metropolitan markets and to continue increasing its distribution into the smaller markets before undertaking a continuous magazine advertising

program, the short campaign was not extended. In April, 1927, when Boston, Philadelphia, and New York were opened, the company, considering that distribution was sufficient for magazine advertising, returned to that medium. The *American Weekly*, *American Cookery*, *Good Housekeeping*, *Ladies' Home Journal*, *McCall's Magazine*, and *Physical Culture* were selected as the media for the campaign. It was believed that the use of only two or three of the periodicals each month would tend to make the campaign more impressive to the reading public than would a shorter, more concentrated schedule calling for advertisements once a month in all six of the magazines. The schedule for the 1927 magazine advertising and a brief description of each magazine's circulation are given in Exhibit 3.

EXHIBIT 3
Pabst-ett Advertising Campaign in Monthly Magazines during 1927

Magazines	Circulation	Date of Issue of Advertisement	
		Four Colors	Black and White
American Weekly	Magazine section of 14 Sunday newspapers having circulation of over 5,000,000.	April 17, August 7	
American Cookery	A magazine circulating among housewives and dealing with cooking, sewing, and home problems. Total circulation 40,334.		April, May, June, August, October, November
Good Housekeeping	A magazine appealing to housewives. Total circulation 1,339,882.	May, July, September	
Ladies' Home Journal	A magazine appealing to housewives Total circulation 2,534,658	June, August, October, November	
McCall's Magazine	A magazine appealing to housewives Total circulation 2,189,018	July, September	
Physical Culture	A publication for instructors of physical education, doctors, health clinics, and those interested in health. Circulation 310,000.	August	June, one-third page July, one-third page

The promotional activities undertaken in behalf of Pabst-ett are briefly summarized in Exhibit 4.

Under this promotional program the Pabst-ett sales grew steadily as distribution spread to all parts of the country. The

EXHIBIT 4
The Pabst-ett Promotional Program January, 1926–May, 1927

Period	Explanation
January and February	Test program in Youngstown and the tricities: Moline, Rock Island, and Davenport.
March	Test program in Milwaukee.
April	Opening of Group 1 cities with newspaper advertising.
May and June	Opening of Group 2 cities in first week of May and opening of Group 3 cities in third week in May with newspaper advertising.
July, August, and September.	Radial expansion of the market without newspaper advertising.
October	Opening of Chicago market with newspaper advertising and continual radial expansion through salesmen's efforts.
November	Radial expansion which continued on through the winter and spring.
December and January	Magazine advertising to avert the development of imitations.
February and March	No advertising.
April	Beginning of regular magazine advertising. Formal opening of Boston, Philadelphia, and New York markets with newspaper advertising.

first profitable month occurred in July, 1926. An index of the sales by months is given in the following exhibit:

EXHIBIT 5
Index of Pabst-ett Sales from January, 1926–July, 1927, Inclusive
(100 = arithmetic average of sales for period of 12 months beginning April, 1926)

1926		1927	
Month	Index	Month	Index
January	2.0	January	148.1
February	2.1	February	155.4
March	3.5	March	204.2
April	27.3		
May	37.4		
June	41.1		
July	65.2		
August	75.8		
September	101.4		
October	116.5		
November	126.5		
December	101.2		

Was the sales and advertising program for Pabst-ett satisfactorily planned and executed?

2. LAVENA CORPORATION

INTRODUCTION OF NEW PRODUCT BY ADVERTISING OVER DEALER'S NAME

The Lavena Corporation was organized in Chicago late in the spring of 1933 to manufacture and distribute Lavena, a new cosmetic product. After several months, during which the company met with little success in its attempt to introduce Lavena in a few cities by sending sample packages and counter display pieces to every retail druggist in the selected markets, the original marketing plan was abandoned. It was decided, instead, to obtain initial distribution by securing the cooperation of toilet-goods departments in leading department stores and of drug chains by placing advertising in local newspapers over the store names. At the same time some advertising over the corporation's signature was to be carried on to help gain distribution among independent druggists.

Lavena was an oatmeal powder preparation which, when blended with water, made a cream that was beneficial in the treatment of skin conditions and for softening, whitening, and cleaning the skin. Many women were familiar with the use of oatmeal as a beauty treatment, and it had long been popular as a homemade specific for skin disorders. Dermatologists frequently prescribed its use. The medical profession, however, was not in complete agreement on the value of oatmeal for specific skin disorders, and the executives of the Lavena Corporation considered it inadvisable to advertise the product as a medication. It was decided rather to offer Lavena as a facial and beauty treatment which was also effective in combating such complaints as rough dry skin, large pores, blackheads, and oily skin.

The Lavena Corporation was organized with limited financial resources at a time when retailers were little interested in the introduction of new and unknown cosmetic preparations. The company was practically unknown to the trade. There was no product on the market which bore any resemblance to Lavena. Although there were obvious reasons why women might be induced

to use the preparation, the executives did not know the strength of the various appeals that might be employed. There was some uncertainty even about the economic group which would be most attracted to a product of this type, although the chosen price, 60 cents, would serve effectively to limit the market at the lower end.

The president decided to introduce Lavena in selected territories, and, proceeding slowly, gradually to extend its sale throughout the country. The cities of Fort Wayne, Indianapolis, Terre Haute, and Decatur were chosen as the first centers of distribution. Because of the limited funds available for marketing and advertising, the management was skeptical of the possibilities inherent in the use of missionary salesmen who would attempt to induce retail druggists to stock Lavena by promising promotion in local media. In the effort to secure widespread distribution cheaply, sample packages and counter display pieces were mailed to retail druggists in the selected territories. Many dealers, however, refused to accept the packages because they were unfamiliar with both the product and the company and feared that they would later receive an invoice for the goods. Some who did accept them failed to use the display because the product was unknown to them. Frequently, even when the display occupied space on a retailer's counter for some time, no sales resulted because customers knew nothing about the product and druggists were not inclined to devote much time to talking about it when no active consumer demand had been aroused. When a salesman from the Lavena Corporation called to solicit an order, dealers often expressed the belief that the product would not sell, pointing out that it had been on display without results.

The president of the Lavena Corporation believed that the primary outlets for Lavena would be department stores, chain drug stores, and independent drug stores. After considering the probable reasons for the failure of the initial marketing plan and the advisability of adopting one of several courses of action, he decided to attempt to introduce Lavena through the toilet-goods departments of leading department stores and through drug chains. He reasoned that women expected department stores and leading chains to carry the newest cosmetic preparations. He believed also that buyers for toilet-goods departments would be anxious to be the first to introduce new products and would be

willing to cooperate if, during an introductory period of two or three months, the Lavena Corporation would undertake to sponsor over store names the advertising necessary to interest consumers.

With this in mind the president determined to seek the cooperation of buyers in leading stores by promising to run advertisements in local newspapers over the store names. He expected that the confidence of women in an unknown product would be bolstered by the sponsorship of well-known and dependable stores. He did not believe in advertising allowances, and it was his determination that, with the exception of the introductory period in each city, all advertising placed by the Lavena Corporation would be signed by the corporation and would not carry any retailer's name. He wanted to retain complete control of the advertising devoted to the product, including the selection of media and the preparation of copy. In advertising Lavena over the names of the department stores and chains assisting in its introduction, copy would be supplied by the Lavena Corporation, which would pay for the advertisement only when the bill was rendered accompanied by a tear sheet as proof of insertion. The president was unwilling to undertake agreements to make payment in merchandise or through any form of free deal or advertising allowance because he feared that once this practice started it might grow into such proportions that it would be difficult to handle and the corporation would lose control of its advertising appropriation. He expected that a successful introduction in the leading stores would create a demand which would spread naturally to other department stores, to chain drug stores and to independent druggists whose interest would have been aroused by the questions of customers and who would then try to secure Lavena through their jobbers.

To assist in the preparation of copy the president of the Lavena Corporation planned to conduct consumer surveys to determine the age groups of potential users, the uses to which the product would be put, and similar information. He planned to make local area tests to determine the value of various appeals and to measure the effect of the appeals on sales by actual check of both dealers' and wholesalers' stocks before and after an advertisement was run in any city.

The information gained from the first few months' experience appeared to indicate that most women were already familiar with

oatmeal as a beauty aid. This caused the president to believe that the most important advertising and sales problem was concerned with telling women the reasons why they should use Lavena. He planned to devote more attention to explaining what the product would do than to explaining what it was. He considered using as a central theme the phrase: "The two-minute oatmeal facial," and then telling in the accompanying copy specific things Lavena would do: help rough dryness, blackheads, oily skin, and coarse pores.

In addition to directions for use, packages and containers carried considerable text explaining why Lavena should be used. There was enclosed in each package a folder containing complete instructions. This repetition seemed important to the president because he believed that with a new product it was necessary to repeat at every opportunity what the product was and what it would do. He planned to stress this information in advertising copy, in the selling talks of retail clerks, and to print it on the outer carton, on the package itself, on the paper seal, and on the enclosed folder.

The Lavena Corporation followed the plan of introducing its product through leading department stores and chain drug stores, with advertising prepared and paid for by the Lavena Corporation appearing over the name of the stores. Advertising carried on in this way led to consumer inquiries at other stores in the community and thus paved the way for a more general distribution. It was found advisable, however, to conduct simultaneously advertising over the corporation's signature to aid in securing general distribution. After the introductory period no further cooperative advertising was employed, all subsequent advertising bearing the manufacturer's signature. In the introductory and sustaining programs, small-space advertisements, usually 75 to 100 lines, were used. Exhibit 1 is illustrative of the advertisements, although many variations in copy were tried out.

Approximately a year after the successful introduction of Lavena in several markets, the corporation was induced by variety chains to sell them a 10-cent size. At first this size was offered only in cities where advertising was being carried on, but its success there led to stocking in other cities in advance of advertising, where it was found the package directions were apparently

sufficient to lead to impulse buying. In the opinion of executives the 10-cent package found a demand largely among consumers who would not be buyers of the 60-cent package.

By December, 1935, the company had opened up 20 important city markets in middle-western and eastern states and was carry-

Exhibit 1: Example of Advertising, Lavena Corporation.

ing on sustaining newspaper or radio campaigns in these markets. The executives hoped eventually to attain national distribution.

3. ATHENA CORPORATION (A)

TYPE OF INTRODUCTORY CAMPAIGN FOR SMALL COMPANY

The Athena Corporation, a small manufacturer of chemical products for use in the home, such as silver and brass polish, ammonia, lye, and chlorinated lime, had under consideration early in 1934 alternative methods for launching its new window cleaner, "Brightshine," in local markets.

One scheme involved the use of an advertising and sampling campaign in conjunction with a missionary selling force. Another employed a similar advertising and sampling method, but placed reliance upon a plan of combination free-deal to wholesalers and

retailers to take the place of missionary sales effort. To determine their relative effectiveness the two schemes were subjected to local area tests.

In the early part of 1934 the research laboratory of the Athena Corporation, in experimenting with chemical compounds, discovered one which had considerable merit for cleaning windows. The product, when applied to glass and wiped off immediately, cleaned the surface and left a high polish. Since window cleaning with Brightshine required no water and left no dusty or streaky surface, the executives believed it would appeal to housewives, to motorists, and to industrial concerns. This viewpoint, so far as housewives were concerned, was verified by interviews with some 250 housewives after each had used a sample of the product.

An attractive bottle was designed, containing enough liquid to clean twice the windows of an ordinary-sized house. The company decided upon a retail price of 20 cents a bottle.

A preliminary survey showed that housewives used various methods for the periodic cleaning of their windows. Although many of them performed this task only during the housecleaning periods of spring and fall, between these periods it was necessary to wash certain windows, glass doors, and mirrors. While the potential market for Brightshine seemed promising, still the company was uncertain what success might come from the promotion of a product which required a new and uncustomary cleaning method. Investigation disclosed that other companies had, without success, attempted to develop and launch specialized window cleaners of this type.

Since it would be possible for other household chemical manufacturers to develop a similar sort of product, the management deemed it desirable, should the tests indicate that there was a profitable market, to develop country-wide distribution and to launch upon national advertising as soon as feasible, as a means of discouraging and forestalling the entrance of a formidable competition.

The leading product of the company was a metal polish, Banoxido, which had been widely advertised in women's magazines. It had attained a considerable consumer sales volume and intensive retail distribution throughout the United States. The products of the company were sold by 10 salesmen located in territories ranging in size from the New York metropolitan area

to several states. These salesmen sold to wholesalers in the grocery and drug trade, to grocery and drug chains, and to large institutional buyers. In the western states, brokers were utilized in place of company salesmen, inasmuch as the volume of sales of Banoxido and other products of the company was not sufficient to support a direct selling organization. The company did no missionary sales work among retailers, but relied solely upon its consumer advertising and the selling effort of wholesalers to induce stocking of its product by retailers.

The first sales test with Brightshine was carried on in January, 1935, in Indianapolis, where the company's plant was located. Two specialty salesmen were employed and trained to induce retail grocers to take on the new product. In a period of approximately two weeks before the release of the consumer advertising these men called on about one-third of the independent grocers in the city, limiting their efforts to the larger establishments. They demonstrated to the grocers the efficiency of Brightshine. They outlined the program of advertising to be carried in a leading newspaper for a period of nine months, in a schedule calling for approximately 10,000 lines of advertising. They stated further that sample bottles containing about one-third the quantity of the regular 20-cent bottle would be given to approximately one-half the housewives of the city, these to be in the upper-income strata, during the housecleaning season in order further to acquaint them with Brightshine. The salesmen then attempted to secure from the retailer an order to be filled by a wholesaler for a case of a dozen bottles of Banoxido with which would be given free a Brightshine set-up counter display holding four bottles of Brightshine. In addition, a bottle of Brightshine for the retailer's own use would be included with the order. Reorders for Brightshine were to be made from the wholesaler.

Approximately one-third of the independent retailers in the city were called upon and sales of the combination cases were secured on 80% of the calls. A standard case of 12 bottles was sold to each of about 30% of the retailers called upon.

Utica, New York, was selected as the city in which to conduct the introductory test by the free-deal method. Some of the reasons for its selection were stated to be: its proximity to Indianapolis; good advertising coverage by one newspaper; representative sales of Banoxido; representative cleanliness; representative

economic conditions; a concentrated center served by wholesalers operating in the city; domination of the market by independent grocers. The competition between wholesalers was believed to be such that acceptance of a free-deal plan by one would induce others to accept it.

The free-deal method adopted was as follows: a combination case for retailers, consisting of 12 bottles of Banoxido, 4 regular-size bottles of Brightshine, and a set-up counter display for the new product were offered to retailers at the regular price of a case of Banoxido. These cases were to go through wholesalers to the retailers unbroken. Previous experience had indicated that retailers purchased Banoxido in dozen lots; accordingly it had always been packed in cases containing one dozen. The development of a special combination case including the free bottles of Brightshine was devised to make sure that retailers would get the free bottles.

The retailer was instructed on the counter card to sell the Brightshine for 20 cents a bottle. Thus he was paid 80 cents to display and sell the product. Fill-in orders could be filled by the wholesalers.

In order to get the wholesalers to sell the special retail deal to the retail trade, each wholesaler was offered a standard case of 12 bottles of Brightshine free with each 9 combination cases purchased. Each jobber was also induced to stock additional cases of Brightshine sufficient to fill repeat orders.

Early in June, 1935, the regular Athena salesman in the Utica territory presented the free-deal plan to each wholesaler in Utica on his regular call, after he had received special instructions regarding its presentation.

The issue was raised whether to limit the number of combination cases to be sold a wholesaler. The company decided to allot to each wholesaler only enough combination cases to stock his regular retail customers. Studies of turnover of Banoxido among retailers and of the average size of order by retailers in various markets indicated that the desired limitation could be attained by allotting to each wholesaler approximately three times his average monthly Banoxido purchases in combination cases.

Four chain store companies were induced to stock and display Brightshine by giving them one standard case of 12 bottles free for each city store.

The same advertising campaign of 10,000 lines employed in Indianapolis, scheduled over a period of nine months, was released a week after shipments had been made to the wholesalers. Thus time was provided for sale of the combination cases to retailers. Plans called for a sampling campaign similar to that used in Indianapolis.

A special survey conducted by a member of the sales staff showed that 25% of the independent stores had stocked the product at the time of the first newspaper advertisement, and that three weeks later 50% of the stores had stocked the product. Exhibit 1 shows the case allotments and the cases sold under the free-deal method in Utica.

EXHIBIT 1

Case Allotments and Cases Sold under the Free-Deal Method for Gaining Distribution in Utica

	Cases Allotted		Cases Sold		
Wholesaler	Combination	Standard Free	Combination	Standard Free	Standard Purchased
A	18	2	18	2	5
B	18	2	18	2	5
C	54	6	54	6	20
D	36	4	36	4	10
E	45	5	144	16	20
F	9	1	9	1	.
G	9	1	9	1	..
H	9	1	9	1	.
I	18	2	27	3	10
Chain					
J	.	10	. .	10	.
K		50	.	50	..
L		10		10	..
M		5		5	..
Total	216	99	324	111	70

Population	102,000
Number of Families	24,000
Newspaper Circulation	23,000
Independent Retailers	425
Chain Outlets	44

An analysis of costs of the free-deal method, as employed in Utica, and the missionary-salesman method, as employed in Indianapolis, showed that, not including advertising and sampling

expenses, which would have been the same in either case, approximately $575 was spent in gaining the product's introduction in Utica, whereas $400 would have been spent there if the missionary sales method had been employed.

At the end of six months, sales of Brightshine per thousand families were approximately twice as great in the Utica market as in the Indianapolis market. Under both plans the volume of sales for the introductory period was sufficient to indicate that over a period of time the product could probably be marketed profitably, although a loss for the period was incurred.

Which of these methods of introduction should have been followed by the Athena Corporation in opening new markets?

4. NELLA COMPANY

USE OF COMBINATION OFFERS

The Nella Company of Indianapolis manufactured a wide line of toilet articles for men and women. These products were distributed nationally by approximately 200 salesmen, who called on retailers and wholesalers. The leading products were extensively advertised in magazines and by posters. The other articles were not advertised, however, because their margins of profit and sales volume were not considered sufficient to warrant an advertising appropriation for them. All toilet articles carried the Nella name and were packed in containers decorated with the company's distinctive color combination. After having been established 20 years, the company's total volume of sales in 1923 was over $10,000,000.

In 1923, the executives of the Nella Company believed that the market was ready for a new form of talcum powder for men, who were using talcum in increasing quantities. All talcum then manufactured for men was white, which did not blend with the complexion. The executives of the Nella Company, believing that there was a demand for a men's talcum powder which blended with the complexion, directed the company's chemists to develop a satisfactory, nonvisible talcum powder. The chemists succeeded in producing such a talcum powder, made of the finest

imported talcum, prepared in such a way that it blended with the complexion. Its nonvisible qualities made it very desirable for use after shaving. The product was packaged in containers bearing the company's distinctive color combination and was called Nella Talcum Powder. Each package contained a sufficient quantity of talcum powder so that repeat purchases were not likely to be more frequent than twice a year.

Since a large potential market was believed to exist, the Nella Company did not conduct an extensive survey to determine the market possibilities for a nonvisible talcum powder. The location of the market and the buying habits of the potential purchasers, therefore, had to be determined from the experience and knowledge of the advertising agency and the company's sales department. Talcum powder, they believed, was sold principally in cities. It was used for cooling the body and as a cosmetic. Its cosmetic use among men was derived from the growing practice of using talcum after shaving to remove the "after-shave shine." The use of talcum to cool the body was believed to indicate that sales of talcum powder for this use would be seasonal, with peaks during the summer. In its investigations, the Nella Company concluded that approximately 80% of the drug store purchases were made by women, who purchased not only for themselves but also for the men members of the family. This situation indicated that the company would be selling a men's product to women, although the men might be influential in directing the purchases that were made for them.

Before undertaking an aggressive merchandising plan for Nella Talcum Powder, the company decided to test the salability of the product early in 1923. In this test the company did not exert extra sales effort. Full-sized packages of the talcum were displayed in drug stores of a few selected cities having a population of over 100,000. These stores sold the talcum powder at the company's recommended retail price of 35 cents. After Nella Talcum Powder had been on the market for six weeks, salesmen made inquiries among the retailers to determine how many sales had been made. They found that, although the sales had not been large, sufficient quantities had been sold to indicate that there would be a demand for a nonvisible talcum powder for men.

The company then considered two plans for the aggressive marketing of Nella Talcum Powder. Under either plan some form

of sampling was believed to be necessary for quick demand creation, since men would then have an opportunity to use and test the product. Under the first plan, the talcum powder was to be marketed alone at an established price without enlisting more than the goodwill of the company's other products. Under the second plan, the talcum powder was to be distributed temporarily in combination with a well-established product in the company's line, a shaving cream which the company had manufactured for some time and had advertised nationally in magazines. The shaving cream was packed in tubes which retailed for 40 cents each. The second plan was actually a sampling program; if it were not adopted, some form of sampling would have to be adopted for the first plan.

Miniature samples or full-sized samples might have been used in either of the two suggested plans. Various methods of distributing the samples under the first plan were considered. These might have been distributed from door to door or through dealers, or coupons entitling the holder to a free sample might have been distributed from house to house or placed in advertisements in newspapers or magazines. The use of coupons had the advantage of inducing the customer to go to the store and to request the product. Moreover, it was thought that the use of miniature free samples would tend to cheapen the product. The distribution of free samples, furthermore, was a costly practice from which the company would receive no immediate income. The use of the second plan, whereby the sampling process was to be combined with a sale of shaving cream, partly would overcome the costliness of sampling, since the company would obtain an income through the sale of shaving cream. The effectiveness of the combination plan, it was thought, would be increased by the use of full-sized samples, for it would lead the purchaser to feel that he was getting a real bargain.

The distribution of free full-sized samples of talcum powder for combination sales would have to be effected through free deals of talcum powder to wholesalers and retailers in accordance with the amount of shaving cream purchased by them within a stated period during which the sampling was to be carried on. It was thought that as the demand for the talcum powder grew, the free deals offered would be reduced. The special offer of a tube of shaving cream and a full-sized package of talcum powder might

have been announced to consumers by coupon methods suggested or, without the use of coupons, by an advertisement stating that the special combination purchase was being offered. The latter plan was favored, since the requirement of a coupon might reduce opportunity for sales.

In 1924, the company continued to sell the Nella Talcum Powder only in those cities in which it had been tested in 1923. In two of these cities, however, the company decided to test the combination plan, using full-sized packages for sampling. The advertising prepared for the campaign consisted of dealer display easels and single newspaper advertisements, both of which stressed the special offer of a full-sized package of Nella Talcum Powder and a tube of Nella Shaving Cream for 40 cents. Distribution was secured, previous to the newspaper advertising, by offering a free deal to wholesalers. Salesmen then called on retailers, explained the marketing plan, and showed a copy of the proposed newspaper advertisement. Retailers were urged to place orders for large quantities of the product under the free deal offered them; the orders were filled through the wholesalers specified by them. When the majority of the drug stores in the test cities had been supplied with talcum powder and shaving cream, the advertisement was released. The salesmen revisited the drug stores to see that the display material was being used.

The newspaper advertisement was a full page announcing that for a short time the retailers listed were offering a combination sale of Nella Shaving Cream and Nella Talcum Powder. It was published only once. The copy stated that the normal retail price of the shaving cream was 40 cents and of the talcum 35 cents and that while dealer stocks lasted both products could be purchased at the special price of 40 cents. After the dealer stocks were exhausted, according to the advertisement, the retail prices on the two articles would be returned to normal. The merits of the shaving cream were listed and it was stated that Nella Talcum Powder, when used after shaving, left the skin smooth and fresh without showing that powder had been used. A coupon was not used in the advertisement.

At the end of two months the salesmen in these two cities checked the effectiveness of the plan. The results indicated that the method was a satisfactory one for the distribution of samples. Sales of the year 1924 increased nearly 50% over the sales of 1923,

although this increase could not be attributed entirely to the campaign in the two cities.

In 1925 the executives believed that, having experimented successfully, they were ready to expand the distribution of Nella Talcum Powder rapidly. Since large cities were believed to be the principal markets, the company decided to concentrate its advertising in these markets; the combination sales also would be offered in other cities and towns in which the company would rely solely on store displays.

Concentration of promotion through advertising in large cities was favored because they offered dense markets[1] with larger buying power than smaller places. Moreover, it was thought that men in larger cities would be more likely to use a cosmetic such as Nella Talcum Powder than would those in towns.

Newspapers were preferred to magazines for this campaign, since the advertising manager thought that newspaper advertising stimulated sales more quickly than did magazine advertising. Furthermore, by using newspapers it was possible to secure ready tie-in with the display in the dealers' stores. Moreover, they permitted the opening of new territories as desired. The selection of the individual newspapers was possible only after an investigation which included an analysis of the newspapers' total circulation and an inquiry as to who read these papers. In order to determine which papers would be most suitable for the company's program,

[1] The number of cities of various sizes is shown by the following table·

ANALYSIS OF DISTRIBUTION OF POPULATION*

Population	Number of Cities	Percentage of U S Population
1,000,000 or more	3	9 6
500,000 to 1,000,000.	9	5 9
250,000 to 500,000	13	4 2
100,000 to 250,000	43	6 2
25,000 to 100,000.	219	9 8
10,000 to 25,000.	459	6 5
2,500 to 10,000	2,041	9 0
Under 2,500	1,320	8 4
Rural Territory		40 4
Total	4,107	100 0
Total Population of United States in 1920	105,700,000	

*Source: U. S Census, 1920.

investigators called on retailers, wholesalers, and consumers. The company desired newspapers whose editorial policy appealed to the masses and preferred that they be published in the evening, since it was the company's belief that housewives read the evening newspapers more thoroughly than they read the morning newspapers. In some cities it was necessary to use more than one newspaper in order to cover the community completely. By judiciously selecting newspapers, it was believed possible to gain extensive coverage of the United States, because many of the newspapers had regional circulation.

The campaign lasted through the summer months from March to October and cost approximately $75,000; no definite schedule was arranged for the progressive opening of the 68 largest cities in which the company had decided to concentrate its promotional efforts. Full pages were generally used, but half pages were taken in some of the smaller cities of the group. The company's sales of the Nella Talcum Powder in 1925 were more than eight times what they had been in 1923. Wholesalers' salesmen helped introduce the combination offer of Nella Talcum Powder to the druggists in those communities in which the potential sales were considered inadequate for a newspaper campaign.

No newspaper advertising was undertaken in 1926, but miniature samples of Nella Talcum Powder and Nella Shaving Cream were sent in response to a coupon contained in the magazine advertisements for Nella Shaving Cream. Sales, however, dropped sharply in 1926. The company believed that the reduced sales volume was the reaction from its aggressive work in 1925, when wholesalers had stocked more Nella Talcum Powder than the market had absorbed.

In 1927, the executives decided to spend $75,000 again for advertising Nella Talcum Powder. With such a limited appropriation it was thought that magazine advertising would not create a large volume of sales quickly. Through newspaper advertising, however, it was believed that sales could be revived soon, thus acting as a tonic to stimulate both the trade and consumers. The 1925 sampling and newspaper-advertising campaign was therefore used again in the 68 cities during 1927.

The indices of Nella Talcum Powder sales, including those embodied in the combination offer during the five-year period, are given in Exhibit 1.

EXHIBIT 1
Nella Talcum Powder, Indices of Sales in Dozens, 1923–1927

Year	Indices of Sales in Dozens	Year	Indices of Sales in Dozens
1923	100	1926	81
1924	149	1927	460*
1925	820		

* Sales to May 30, 1927. Year's quota 1,760.

Did the Nella Company adopt a sound promotional policy for its men's talcum powder?

5. FLORENTINE COMPANY

DETERMINATION OF ADVERTISING PROGRAM

In May, 1934, the sales manager of the Florentine Company, distributor of nail polish and manicure sets, discussed with a representative of the D. J. Grant advertising agency the advisability of initiating a new advertising program designed to secure widespread distribution of Florentine products and to stimulate an active consumer demand for them. Florentine manicure sets were sold almost entirely through variety chain stores. The company had undertaken in 1933 a limited amount of consumer advertising in national magazines at a cost of $8,700. After some study the agency submitted a plan which, in addition to suggesting certain changes in the product and its package, recommended the abandonment of advertising in the selected magazines and the substitution of 2 color pages in *Vogue*, at a cost of $2,600 per page, and of a 13-week radio test campaign in New York City to cost approximately $10,000.

The Florentine Company was organized in Baltimore in 1925 to distribute a newly developed nail polish. Shortly thereafter, the number of products distributed was increased, so that the nail polish could be sold as part of a complete manicure set. In 1934, products distributed under the Florentine name included nail polish, cuticle remover, polish remover, nail white, manicure

sticks, emery boards, rouge, powder, lipstick, cake mascara, eye shadow, eyebrow brushes, gauze bandages, cotton, adhesive plaster, and mercurochrome. The major emphasis, however, was placed on nail polish and manicure sets, the other products contributing a small proportion of the total sales volume.

Both the physical and dollar sales volume of the Florentine Company had increased each year since 1925. Manicure sets sold at retail at prices ranging from 10 cents to $3. The more expensive sets, however, had been introduced very recently, and the greater part of the company's sales volume was secured on manicure sets which sold in retail stores for 10 cents, 20 cents, and 25 cents.

Early in 1934 approximately 75% of total sales were being secured on "syndicate store merchandise" (10-cent and 20-cent sets) and 25% on higher-price sets. On sales of sets to variety chains the Florentine Company secured a gross margin over manufacturing cost of 25% of sales. Its selling costs (exclusive of advertising) and administrative overhead were 12% to 15% of sales. A higher gross margin, approximately 35%, was secured on individual bottles of nail polish.

Until 1933, Florentine manicure sets had been sold almost entirely to variety chain stores. With the introduction of higher-price sets in 1933, the retail outlets had been expanded to include a number of department stores and drug stores. Sales were made direct to larger department stores and through wholesale houses to drug stores and small department stores. In 1934, 90% of all variety chain stores sold at least part of the Florentine line of products. Seventy per cent of the company's sales were made direct to variety chain stores, with the Woolworth Company alone taking one-third of this volume.

Advertising in trade papers had been initiated in 1925, mainly in the hope of securing more intense distribution among variety chain stores. It was believed that some department store buyers and retail druggists might also be reached. The General Merchandise Division of *Chain Store Age* had been used continuously, supplemented in later years by the *Syndicate Store Merchandiser*, a free circulation publication distributed primarily to variety chain store managers and their assistants, and the *Chain Store Magazine*. Pages ordinarily were used, but no consistent policy had been followed with regard to size of space and no record had

been kept of inquiries resulting from the advertising. Prior to 1933 no consumer advertising had been undertaken, and the entire burden of selling to consumers had rested on display in variety chain stores. Accordingly, pains had been taken to design attractive packages in order to make them more appealing to the casual observer. Packages had been improved several times in the short history of the company.

Desiring to extend distribution of Florentine products to department stores and drug stores, the company in 1933 began to manufacture sets priced up to $3 and, to assist in securing this distribution, initiated a campaign of consumer advertising. The Modern, Futura, and Tower magazine groups and *Good Housekeeping Magazine* (which had awarded Florentine products its stamp of approval) were selected as media. The Modern magazines, *Modern Screen* and *Modern Romances*, were sold exclusively in Kresge and Kress stores; the Futura publications, *Love Mirror* and *Movie Mirror*, were distributed through seven variety chains and the Liggett drug stores; and the Tower Magazines, *Mystery Magazine*, *New Movie Magazine*, and *Illustrated Love Magazine*, were sold exclusively by Woolworth stores. Small space was used. In the Modern, Futura, and Tower groups, one-third page (one column), was usually employed; in *Good Housekeeping* only 1 inch on one column was used.

The following excerpts are typical of copy inserted in trade papers during 1932 and 1933:

> We wish we could show you how thousands of stores everywhere, ranging from the finest syndicate stores in the world to the most modest stores, are ordering our popular manicure sets, how these stores are repeating like clockwork, how stores who have never handled 10-cent and 25-cent sets are awakening to excellent, quick-selling, popular items. Get busy, Mr. Merchant, and order the greatest value items in the world. Unsolicited, our new sets are displayed in the windows of the finest stores, and more and more front space is given to them.
>
> The big money-making family! We sell 50,000 bottles each day to people throughout the United States, and they are buying more and more each week. Are you getting your share of the business from this popular demand? You can if you want to. Year in, year out, thousands of the ablest managers are displaying our items and giving up more and more of their best space. Our big values, attractive items, popular prices, create business for you.

Photographs of the various items manufactured by the Florentine Company occupied prominent space in the trade-paper

advertising and attention was called to the *Good Housekeeping* seal of approval.

In advertising to consumers, the appeal of economy in use was consistently employed:

> New Florentine Nail Polish without a blemish! If you paid $1 for a nail polish you would not obtain a product of greater excellence than a Florentine item. Why pay more? Twenty complete manicures—set, 10 cents. A complete manicure for one-half cent.

Again, the packaged sets were prominently displayed and the reader's attention was directed to several different Florentine products, including manicure sets, cuticle remover, nail polish, polish remover, and such sanitary manicure aids as emery boards, manicure sticks, and roll cotton.

The consumer advertising campaign in these magazines was discontinued in May, 1933, and in September a new campaign was begun in the *American Weekly* in which the Florentine Company published a 70-line advertisement every three weeks (cost: $8.50 a line). In these advertisements attention was still directed to complete manicure sets, and the following copy is typical of the appeals used in the series:

> "I used to think I couldn't afford lovely nails, but Florentine gives me 20 perfect manicures for a single dime." Now all women can afford the finger tip perfection that only the wealthy ones enjoyed. See Florentine on your next shopping trip and let your own shrewd eyes convince you that here is the quality of imported cosmetics at the price you tip your manicurist. Sold in all leading chain, department, and drug stores. Manicure set complete—10 cents. Other Florentine manicure aids—price up to $1.

In November and December, the advertisements called attention to the more expensive $1 manicure set in a Bakelite box, suitable for later use as a cigarette box, and emphasized the attractiveness of the set for gift purposes.

By January, 1934, although distribution of Florentine products was far from complete, the sales manager had succeeded in interesting a number of department stores throughout the country as well as several wholesale drug houses. Although the extent and the nature of the national consumer advertising had been emphasized in trade-paper advertising and in the sales literature of the company, the sales manager believed that the increase in the number of retail outlets was largely the result of personal

selling efforts rather than the consumer advertising campaign. He thought, however, that the statement that Florentine products were nationally advertised was of importance in inducing chain store managers to give the line better display. In his opinion Florentine manicure sets sold chiefly through their display. They were attractively packaged in containers of modernistic design and the company was continually active in the development of new combinations and new packages which would instantly appeal to the eye of a prospective purchaser. A large part of the line found its chief popularity as gift items, and the company had a pronounced seasonal fluctuation in its sales.

The leading competitors of the Florentine Company were the Northam Warren Company, manufacturer of Cutex Nail Polish, and the Glazo Company, manufacturer of Glazo Nail Polish. Both Cutex and Glazo had been heavily advertised in national magazines for a number of years, as shown in the following table:

Year	Glazo	Cutex
1925	$ 17,946	$269,463
1926	13,640	289,734
1927	43,176	244,232
1928	91,478	280,665
1929	115,020	363,370
1930	133,754	386,685
1931	144,413	366,615
1932	132,411	339,495
1933	90,766	309,049

Source: *Leading Advertisers*, Curtis Publishing Company.

The advertising expenditure of the Florentine Company had been vary small in comparison. In 1932, the company had spent approximately $25,000 and, in 1933, $30,000 for trade and consumer advertising; cuts, dyes, and plates; posters and display material.

The 10-cent bottle of Florentine Nail Polish contained 3 drams of liquid polish. This compared with a content of approximately 1.8 drams in the 10-cent bottles of the more heavily advertised brands and from 4 to 5 drams in the 10-cent bottles of the unadvertised brands. It was difficult to compare contents and prices for larger bottles because many manufacturers made frequent changes in sizes and prices.

Early in 1934, in the hope of securing quickly complete distribution in an eastern city, the Florentine Company sponsored a 13-week radio program over a local station. The program was on the air for 15 minutes once a week at 8:30 p.m. immediately following a popular chain broadcast. A male singer and two comedians were featured, and listeners were informed that Florentine Nail Polish was a new and better polish and extremely economical to use. The total cost of the program, including the talent, was $200 a week. Listeners were invited to write in for free samples. After 13 weeks' trial the sales manager believed that the program was not helping to secure distribution in the metropolitan area. Few stores were interested and only a fair response was secured to the sample offer. A number of managers of local variety chain stores commented very favorably on the program, however, and a decided impetus was given to the sales of Florentine manicure sets in chain stores throughout the area.

In May, 1934, the sales manager consulted the D. J. Grant advertising agency. A representative of the agency discussed the Florentine line of products with department store buyers in several cities as well as with merchandise managers, stylists, cosmetic authorities, and experts in the drug field. As a result of this informal survey he informed the Florentine Company that there was an outstanding opportunity for an alert manufacturer in the manicure field and added that in his opinion the Florentine Company was favorably situated to be that manufacturer. He stated that the Florentine Company's advertising appropriation was not large enough to accomplish any significant results on a national scale. He recommended that part of the appropriation be devoted to trade papers in the chain-store field, part be used in *Vogue*, chiefly for its effect on department store buyers, and the balance be concentrated in an adequate radio test in the New York City market. He pointed out that the advertising appropriation was very small when compared with the percentage of sales spent for advertising by other successful companies in the drug and cosmetic business.

Before undertaking to advertise the product, however, he suggested certain changes for its improvement. Everyone he had called on had commented on the fine quality of Florentine products. The nail polish flowed on smoothly and did not crack or peel. It lasted well and remained true in color. A number of

buyers, however, indicated that the line lacked a good bright deep shade and that other colors should be corrected to correspond more closely to consumer style preferences. He suggested certain other improvements of minor importance in subsidiary manicure items. Of greater concern to him, however, was the packaging, and he advised the employment of an outstanding designer to improve the appearance of the bottle and the package.

The agency representative called to the attention of the Florentine sales manager the possibility of greatly expanding the sale of individual bottles of nail polish. Manicure sets, he pointed out, were bought by women largely on impulse like any gift or novelty merchandise. In shopping trips through stores they were apt to pick up sets as gifts or bridge prizes, attracted by the good value offered or the smart appearance. In these cases the brand name was of secondary importance. Store buyers were aware of this and kept manufacturers under constant pressure to offer new items, greater values, and better looking sets than those offered at the same prices by their competitors. Advertising was not a vital factor in selling this type of merchandise. Furthermore, the gross margin on sets was not large enough to allow for a great expenditure for advertising. For these reasons the D. J. Grant representative recommended that no portion of the advertising appropriation be used to advertise sets.

The individual bottles of nail polish, on the other hand, were highly suitable to advertising, he said, because the day-to-day purchases of manicure and other toilet goods preparations by women for their own use centered largely in routine replacements of individual items. Selection was almost entirely by brand and was to a large extent dependent on the selling points of the various products with which women had become impressed. In order to interest women in a product sufficiently to make them want to test it out in comparison with the brand they were using, it was necessary to associate the new brand with some compelling arguments in its favor. It was necessary, in short, to develop a brand of strong individuality. To accomplish this end, he advised the Florentine Company to feature individual bottles in its consumer advertising.

If the executives of the Florentine Company decided to follow this advice, it would mean a sharp break with their previous policy. The greater part of the company's sales volume was

secured on manicure sets and they were the only items which had widespread national distribution. Individual bottles had poor distribution and there was no uniformity among the items sold by stores in different cities. Therefore, as the agency representative pointed out, the new advertising program really entailed the initiation of the distribution of a new product, the individual bottle. With the limited money available for advertising it would be well-nigh impossible to attempt immediately to promote the sale of individual bottles on a national scale He felt confident, however, that the job could be done if the company adopted the policy of concentrating in local areas, beginning in one city, securing complete distribution of individual bottles, and planning and carrying through an adequate advertising program in that area in order to make women conscious of and want Florentine Nail Polish. Later, the same procedure could be repeated in other cities. By this concentrated type of effort, distribution could be expanded market by market until the country was sufficiently well covered to make advertising in national media profitable.

In planning an advertising program for the Florentine Company, the D. J. Grant agency recommended the use of *Chain Store Age* and *Syndicate Store Merchandiser* in order to reach variety store managers. A total yearly appropriation of approximately $2,000 was suggested for purchasing space in these two publications. It recommended that insertions in drug trade papers be withheld until the formation of definite plans for more aggressive promotion through drug stores.

For consumer advertising the agency recommended the abandonment of advertisements appearing in the *American Weekly* and the substitution of two color pages in *Vogue*, one in the September 15 issue, and the other in a spring issue. The purpose of these pages was to reach department store buyers and key customers. The agency suggested that reprints of the advertisement on display cards should be shipped with the merchandise to every store placing orders. The total cost of the two pages in *Vogue* would be $5,200.

The agency also recommended a 13-week radio test program in New York City over Station WABC, which it stated to be the key station of the Columbia network and the leading radio outlet in New York, a primary listening area which included approxi-

mately 15% of the total radio sets in the country. The agency proposed to begin the program early in September and to have it run for 15 minutes one evening a week. It urged the purchase of talent that would compare favorably with the talent used in national broadcasts, so that in the future, if the radio advertising should be extended over the entire network, a continuity of listener interest could be built up and the same talent be employed, thus creating a strong tie-in between the entertainers and the product. The total cost of the 13-week radio program would be $10,000, half of which would be expended for talent.

The agency recommended that the balance of the annual appropriation, approximately $12,000, be held as a reserve for production costs plus any other advertising program that might be undertaken in drug trade papers.

6. J. F. BICKNELL LUMBER COMPANY

ADVERTISING OF IRONING TABLES

In 1924, the J. F. Bicknell Lumber Company of Worcester, Massachusetts, purchased the patent rights to an ironing table which had been invented by one of its customers. This table was subsequently named the Bicknell Folding Ironing Table. The J. F. Bicknell Lumber Company had conducted a successful retail lumber business in Worcester for many years prior to 1924, but it had never marketed its products outside that locality and had never engaged in manufacturing.

The Bicknell Folding Ironing Table was believed to have distinct advantages over any other ironing table on the market. It embodied several unique features which made it especially convenient and satisfactory to use. The table could be folded up compactly and yet it could be opened ready for use with one simple motion. The table was light in weight but of very sturdy construction; it could not collapse, wiggle, or tip when in use. The braces under the table were so placed as to hold the board absolutely rigid, at the same time leaving the ironing surface free from supports. The J. F. Bicknell Lumber Company manufactured the table of high-grade, straight-grained lumber. All parts were uniformly and accurately made. No nails were used in assembling the table; all parts were firmly riveted together.

The buyers of this product were housewives. Department stores were the principal retailers of ironing tables, but these products were sold also by many hardware stores and other small retailers. The Bicknell table was introduced to retailers by the sales manager of the J. F. Bicknell Lumber Company, who induced department stores in New York, Boston, and other cities to stock the product. The experience of these retailers indicated that the Bicknell Ironing Table appealed to housewives and that it could be sold to them when it was demonstrated in stores. The Bicknell table, which sold at retail for about $5, was one of the most expensive ironing tables on the market. Competing products retailed from $1.50 to $5.

It was decided to distribute the product through manufacturers' agents of household specialties. The sales manager believed that for a company such as his, manufacturers' agents provided the most economical means of distributing the product aggressively. Such agents acted as the company's salesforce in distributing to retailers in definite geographical territories.[1] The sales manager chose agents who distributed a comparatively limited line, because he believed that such agents were in a position to market aggressively the products which they sold. Agents were remunerated by commissions based on sales. Shipments were made directly to retailers from the factory. The selling agents carried no stock and assumed no credit risks. Since sales were principally to large department stores whose credit was usually satisfactory, the Bicknell sales manager felt that the credit risks were slight. However, the J. F. Bicknell Lumber Company did make efforts to check the credit ratings before shipping the goods.

During the first year in which the ironing board was manufactured, 1924, no advertising was used. By the end of the year, the Bicknell ironing board was being sold in comparatively few eastern cities, including Boston, New York, and Philadelphia, by a small number of stores. Sales for the year were approximately 3,500 ironing boards.

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[1] In 1927 the J F Bicknell Lumber Company had selling agents located in New York, Philadelphia, San Francisco, and Seattle and an agent covering Virginia and North and South Carolina The middle-western market was covered by a Chicago wholesaler whose salesmen traveled the various sections of this area Sales were made to this wholesaler in carload lots and tables were shipped direct to the Chicago warehouse of the wholesaler from the J. F. Bicknell Company's west-coast mill.

In 1925 the J. F. Bicknell Lumber Company decided to advertise its specialty nationally. No other ironing board was being advertised to consumers at that time. Funds available for advertising were distinctly limited, and it was considered inadvisable to spend over $5,000 for this purpose. The first objective of the advertising was to interest consumers who were potential purchasers of the new type of ironing board. Distribution of the Bicknell table was by no means national, however, and many prospective buyers would not be able to obtain the table from their retailers. The second objective was to influence retailers. It was felt that the advertising might be an aid in obtaining distribution.

During 1925 the J. F. Bicknell Lumber Company contracted for monthly space of one column by 32 lines in the *Good Housekeeping* magazine. The copy used in this small space indicated some of the unique qualities of the Bicknell table and offered a booklet describing the table, which could be obtained by writing to the company. About half the space was devoted to an illustration depicting the ironing table with a young woman sitting on the end of it. This illustration was used in each advertisement. The copy was changed occasionally, but its theme was similar in all advertisements.

Before advertising in *Good Housekeeping* the approval of the Good Housekeeping Institute was obtained for the Bicknell table. This carried the right to use the seal of the Good Housekeeping Institute on the product and in advertising. It was believed that this seal had considerable weight with housewives. To obtain the approval of the Good Housekeeping Institute, household articles had to pass rigid tests conducted by experts in the Good Housekeeping Household Laboratory located in New York City. Advertisements of articles not tested and passed by the Institute were not accepted by *Good Housekeeping* magazine. The institute was operated in the interest of consumers. Purchasers of articles bearing the Good Housekeeping Institute seal had the assurance that such articles carried a money-back guaranty against unsatisfactory service. A manufacturer who submitted articles for testing was not compelled to advertise in *Good Housekeeping* after having obtained the approval of the Institute. *Modern Priscilla* operated a similar proving plant in Boston, and the approval of this household institute also was obtained for the Bicknell ironing table in 1926.

One-half page space monthly was also contracted for in the *House Furnishings Review*, a trade magazine circulating among buyers of house-furnishing departments of department stores and other retailers who sold this type of goods. This advertising also displayed the ironing board with the girl sitting on the end of it. Some of the individualizing characteristics of the Bicknell table were mentioned, but the copy was devoted principally to tying in with the consumer advertising. Each advertisement contained the names and addresses of the selling agents distributing the Bicknell table.

In 1926 the J. F. Bicknell Lumber Company contracted for space of 32 lines by one column in the *Modern Priscilla* and continued its advertising in the other publications used in 1925.[1] The same copy was used in *Modern Priscilla* and in *Good Housekeeping*, and the same space in these three publications was again used in 1927.

The booklet offered in the consumer advertising described the ironing table and its qualities. This leaflet was also distributed to retailers for distribution on their counters or as envelope stuffers.

When inquiries were received by the J. F. Bicknell Lumber Company, the inquirer was sent the name of the retailer distributing Bicknell tables in the locality from which the inquiry had come together with the booklet describing the table, and the inquiry was forwarded to the retailer. If there were no retailers selling the Bicknell table in the neighborhood of the inquirer, the Bicknell Company sent the folder together with a letter offering to ship one of the tables directly to the individual housewife for $5. Such inquiries were used to obtain distribution in localities where the Bicknell table was not sold by retailers. Retailers in these localities were informed of the indications of consumer demand in their locality, and the inquiries were used by the selling agents to induce retailers to stock the table.

As a result of these efforts, sales of Bicknell tables increased rapidly. The sales in 1925 were double those in 1924. The

[1] The space cost of the advertising was approximately as follows:

Good Housekeeping	32 lines at $10 50 = $336 × 12 (months)	=	$4,032 annually
Modern Priscilla	32 lines at 4 00 = 128 × 12 (months)	=	1,536 annually
House Furnishings Review	½ page at 80 00 × 12 (months)	=	960 annually
Total space cost			$6,528 annually

second year of advertising showed a 50% increase over 1925, and sales in 1927 were 35% larger than in 1926. Total sales in 1927 amounted to approximately 15,000[1] ironing tables and were distributed over the entire United States. It had been necessary to make arrangements for the manufacture of the table in Oakland, California, to make distribution possible on the Pacific Coast.

The sales manager stated that from the two small advertisements in *Good Housekeeping* and *Modern Priscilla* an average of 15 to 20 inquiries was received from consumers every business day.

The company believed that its policy of using small space was most satisfactory for a product of this type and it did not contemplate the use of large space, although it expected to increase the number of media used as sales increased. In carrying out this policy the company continued to advertise as previously in *Good Housekeeping*, *Modern Priscilla*, and the *House Furnishings Review* in 1928. It also contracted for space of one column by 5 inches once a week on the Women's Page of the *Christian Science Monitor*.

7. ARMSTRONG CORK COMPANY (A)

THE USE OF NEWSPAPER ADVERTISING TO STIMULATE RETAILERS

In 1917, the executives of the Linoleum Division of the Armstrong Cork Company undertook the improvement of distribution policies in an overexpanded industry in which marketing policies were unstable. The price situation especially was chaotic. The linoleum manufactured by the company was distributed through wholesalers; no exclusive agreements were made, and often two or more wholesalers distributed Armstrong's Linoleum in the same territory. Some wholesalers, prior to 1920, were given extra dating on their purchases while others were not accommodated in this way. Although this practice was common throughout the linoleum industry, the Armstrong executives believed that an inconsistent policy was unjust. They decided, therefore, to standardize the terms of payment in order to give all wholesalers an equal competitive opportunity.

[1] Two per cent of these sales were direct to consumers.

Another means taken to improve the situation was the establishment of an f.o.b. price policy in October, 1920. Previously it had been the policy of all linoleum manufacturers to pay the freight and drayage on linoleum to Philadelphia, New York, Boston, Providence, and Baltimore. Large retailers in Philadelphia and New York were favored in this way because competing linoleum manufacturers located near these cities sold there at mill prices. Boston, Providence, and Baltimore retailers had been granted favorable terms in order to meet the price competition of foreign linoleum at these seaport cities. The payment of freight and drayage for retailers in these five cities, however, was considered unjust because the favored retailers had a price advantage over competitors in near-by centers, who purchased on the f.o.b. basis.

The executives decided to correct the situation by establishing the f.o.b. policy in selling to all retailers, although such a policy would give a price advantage to importers and certain competitive manufacturers of linoleum in those five cities. This advantage was readily apparent when competitive manufacturers' prices were compared with the Armstrong Cork Company's. Linoleum was heavy, weighing 300 pounds or more a roll, and Armstrong's new prices were therefore several cents a yard higher than competitors' prices in these cities. To help in maintaining its distribution and to aid in establishing this new policy, the company decided to undertake an experimental newspaper campaign of 10 weeks' duration in Baltimore, Philadelphia, New York, Providence, and Boston, beginning in October, 1920. Until this time a general newspaper advertising campaign had never been undertaken by any manufacturer of linoleum.

The Armstrong Cork Company had been advertising its linoleum to the trade since 1912; in 1920, advertisements were appearing regularly in 11 trade papers. Two house organs, *The Armstrong Jobber* for wholesalers, and *Linoleum Logic* for retailers, also had been used for several years, primarily to carry news about linoleum, to stimulate better merchandising of the product, and to spread information as to the proper laying and care of linoleum.

Consumer advertising on the theme, "Linoleum for Every Room in the House," had been used consistently since 1917. The space cost of this advertising in seven magazines was approximately three times that of the only competitive manufacturer of

linoleum who was doing magazine advertising at that time. This competitor had been advertising in magazines since 1917, but the appropriations had usually approximated only one-third of those for Armstrong's Linoleum. The five other competing manufacturers had not used consumer advertising; they had advertised in trade papers, however, primarily to establish their names in the trade.

The newspaper advertising was presented to the trade as a distinct supplement to the company's advertising campaign in magazines. It was pointed out to the trade that while other companies had lower prices in these five cities, the Armstrong Cork Company was not taking its differential as an additional profit. Instead, the company was doing its utmost to stimulate the sale of linoleum by extensive advertising and promotional programs. Moreover, through the newspaper advertising, the company showed its willingness to aid in completing the final purchase of linoleum.

In spite of the advertising, a few large retailers in these five cities discontinued their line of Armstrong's Linoleum and others reduced the amount of their purchases. Nevertheless, the executives believed that the price policy was fundamentally sound and that, even though some sales were lost, the policy should be continued. Since the newspaper advertising was believed to have aided in maintaining the distribution of Armstrong's Linoleum in these five cities, however, the expenditure was not entirely without results.

The newspaper advertising campaign was not repeated in the spring of 1921 because the company was endeavoring to reduce its expenditures during the period of depression at that time. In the fall of 1921, conditions improved until the executives believed they were justified in renewing the campaign in the five original cities and in three additional cities: Chicago, St. Louis, and Kansas City.

Originally, the primary purpose of the advertising had been to aid in establishing the f.o.b. price policy. An additional purpose, considered of minor importance in 1920, was that of using newspaper advertising to supplement the magazine advertising in stimulating consumers' interest in linoleum. Newspapers were considered valuable supplementary media, because investigations of magazine circulation had shown that the percentage of families who read magazines was larger for medium-sized cities and towns

than it was for metropolitan cities. The company's advertising was considered to have weak circulation, therefore, in centers of population which as a group possessed a large potential buying power.

In the spring of 1922, the newspaper campaign was expanded by the addition of five more cities—Buffalo, Cleveland, Newark, Atlanta, and Denver. These cities were added to the list primarily at the request of branch-office managers who desired additional advertising in their territories. As the succeeding campaigns were expanded to include smaller cities, the company discovered from the reports of salesmen and dealers that the newspaper advertising made a greater impression on retailers in the smaller cities than it did in the metropolitan cities. This increased interest in the advertising in smaller cities was attributed to the fact that, with the possible exception of the large department stores, retailers in these cities made greater use of newspaper advertising in their selling efforts than did the retailers in larger cities. The lack of cooperation of dealers and hence lack of effectiveness of the newspaper program in the large cities was attributed to several factors:

1. In the metropolitan cities, the large department and furniture stores carrying the Armstrong line had their established policies of merchandising and selling, which an individual manufacturer could hardly hope to influence through offering newspaper advertising.
2. The large city stores were reluctant to give advertising space to linoleum in conjunction with the Armstrong newspaper campaign. The cost of additional linoleum advertising was expensive and many stores did not care to spend much money on a single article.
3. The large stores had a local reputation for their expert and discriminating buying which, they asserted, at least equaled the reputation of nationally known merchandise. These stores, anxious to increase their own reputation rather than that of the manufacturer's brand, preferred not to give mention to the manufacturer's brand.
4. The retailers in the suburbs of the large cities were restricted in their means for cooperating.
5. The volume of sales in a city depended more upon the number of outlets selling Armstrong's Linoleum than upon the amount of newspaper advertising.
6. The cost of making an impression on a metropolitan market through newspaper advertising for this type of product of infrequent purchase was greater than the immediate returns which could be expected through the advertising alone.

In analyzing the situation in small and medium-sized cities, the executives believed that there were three reasons why the

newspaper advertising was more productive there than it had been in the larger cities. These reasons were:

1. The average cost of advertising cooperation by retailers in small cities in relation to the importance of the linoleum department was less than the cost of similar cooperation in metropolitan newspapers.

2. Stores were more willing to stock well-known merchandise and to feature it in their advertising. Under such conditions, people living in small communities were believed to discriminate in favor of nationally advertised products.

3. The programs and policies of the stores in the smaller cities and towns were more flexible than those of the larger stores in leading cities, so that the stores could revise their programs easily and cooperate with an advertising program of this nature. Moreover, it was to a retailer's advantage to aid in stimulating the purchase of readily salable merchandise.

In the light of this experience with newspaper advertising in the larger and smaller cities, the objective of the newspaper advertising was somewhat revised. It was believed that the advertising was primarily effective as a means of stimulating retailers to greater selling efforts in addition to supplementing magazine advertising to reach and influence consumers. In the spring of 1923, therefore, the company established the policy of using newspaper advertising to stimulate retailers to greater activities during the spring and fall seasons, which were the most popular times for refurnishing homes. Consequently, the execu-

EXHIBIT 1
Newspaper Advertising, 1920–1927

Campaign	Number of Cities	Number of Newspapers
Fall, 1920	5	15
Fall, 1921	8	18
Spring, 1922	13	30
Fall, 1922	34	79
Spring, 1923	81	163
Fall, 1923	98	181
Spring, 1924	96	174
Fall, 1924	97	176
Spring, 1925	116	184
Fall, 1925	116	187
Spring, 1926	117	187
Fall, 1926	120	188
Spring, 1927	157	224
Fall, 1927	134	187

tives decided to decrease the number of newspapers used in metropolitan cities to one or two leading papers and to start campaigns in additional small cities where advertising had not been used. The number of cities and the number of newspapers used each year were as given in Exhibit 1.

Beginning in the spring of 1922, the company undertook aggressive campaigns to induce retailers to tie up their own advertising and promotional work with the newspaper advertising of Armstrong's Linoleum. The company believed that newspaper advertising in a retailer's city probably brought home to him more forcibly than did magazine advertising the promotional efforts which the company was undertaking to aid in the selling of linoleum; likewise, he would react to the newspaper advertising in coordinating his own selling efforts with those of the company as a means of gaining higher sales volume. The tie-ups by which the retailer might associate himself with a newspaper campaign were:

1. Small advertisements, stating the retailer's name and location, which would be placed adjacent to the company's large advertisements.
2. The advertising of Armstrong's Linoleum in the regular advertising carried on by the store.
3. Window and store displays.
4. Cooperation in special Armstrong's Linoleum weeks.
5. A combination of any of these various tie-up programs.

In the effort to stimulate retailers' cooperation the company employed direct mail extensively and encouraged the assistance of newspaper advertising departments to solicit linoleum advertising from retailers in the territories where the company's advertisements were appearing. Wholesalers' salesmen also were encouraged to stimulate the retailers. The company's own salesmen devoted two to three weeks to this work, covering the newspaper cities intensively to present the advertising particularly to the large stores.

Announcements to the trade were generally sent out a month in advance of the scheduled opening date for the newspaper advertising by the Armstrong Cork Company. These announcements or "broadsides" usually stressed the following points:

1. The general plan of the advertising and the geographical extent of the campaign.
2. The results of previous campaigns and the opinions of cooperating retailers, together with some measure of the extent of their cooperation.

3. Reprints of the whole campaign or selected advertisements in the campaign.
4. The special window trim which had been devised for this particular campaign.
5. Additional retailer helps, such as booklets, display cards, Armstrong name signs, and electros, which the store might use in its own advertising.
6. Directions for carrying on a linoleum week.
7. A return postcard which could be checked for the type of tie-up material desired by the retailer.

In 1922, the first year in which retailer tie-ups had been sought, three broadsides had been used to announce both the spring and fall campaigns. It was found thereafter that two broadsides were adequate for gaining cooperation. Stores in the cities where the advertising was appearing and in the adjoining territories where the newspapers circulated were circularized. These same broadsides were also sent out to wholesalers, so that their salesmen could be informed of the plans and aid in gaining cooperation from retailers. Some wholesalers even sent out special broadsides to their customers. The advertising department of the Armstrong Cork Company frequently assisted wholesalers in the preparation of such direct-mail material.

Another phase of the introductory work for a newspaper campaign was the group of letters written to managers of the newspaper advertising departments. The company sought primarily to determine by those letters the cooperation which might be expected from the individual newspapers being used in the campaign. The newspaper advertising managers were asked to indicate in how many of the following ways their newspapers would be willing to cooperate:

1. Would solicitors call on stores explaining Armstrong advertising, obtaining retail displays, and soliciting tie-up advertising?
2. Would the make-up man of the newspaper be informed of the Armstrong advertising so as to secure a good position for the campaign toward the front or in the important sections of the newspaper?
3. Would the newspaper mail announcements of the Armstrong advertising to local linoleum merchants?
4. Would the newspaper put an Armstrong display in its display window?
5. Would the Armstrong advertising be announced in the newspaper's retail supplement?
6. Would the newspaper occasionally like to have news items about the use and care of linoleum?

To those newspaper advertising departments which indicated their willingness to cooperate the company sent the names of selected linoleum retailers in the community. These names were chosen by the branch-office managers in order to increase the possibility of securing tie-ups from the leading stores. The only regulations which the company imposed upon the solicitation of tie-up advertising were that cut-price sales should not be run on the same page with the Armstrong advertising and that retailers' advertisements should not be placed either directly above or below the company's advertisements. This policy of no tie-up advertising above or below the Armstrong copy was established to avoid giving a preferred position to any individual store.

Each newspaper was rated according to the number of lines of linoleum advertising carried, the number of lines of dealers' tie-up advertising, the page and position of Armstrong advertising, and the arrangement of the tie-up advertisements. During and after the campaign, letters were sent out to newspapers thanking those who had cooperated well and notifying the others that poor locations had been given to the Armstrong advertising.

The executives believed that this follow-up of the advertising had helped to secure a good position for the campaign in most newspapers. The amount of dealers' tie-up advertising increased year by year as the succeeding campaigns were carried on. In 1927 over 350,000 agate lines of retailer advertising, having an approximate cost of $45,000, were obtained for each of the campaigns during that year. The retailer tie-up advertisements were generally arranged in banks adjoining the company's advertisement. They were usually one or two columns wide and 6 or 8 inches deep.

Another measure of the cooperation received from the retailers was the number of requests for dealer-help material sent in response to the broadsides.

During the 1920 and 1921 spring and fall campaigns, advertising had been run for 10 weeks in each campaign and space usually two or three columns wide and 8 or 10 inches deep had been taken on a schedule of three advertisements a week. In 1922, it was decided to revise this schedule. The length of the campaign was shortened to six weeks and the schedule was reduced to two advertisements a week. This change in the program permitted the use of larger space in the individual advertisements,

generally one-fourth page or more, either five columns wide and 18 inches deep or four columns wide and 12 inches deep.

This larger space was considered sufficient to provide advertisements that would dominate a page, whereas the smaller advertisements previously used were thought to have been overlooked many times. It was believed that, because of the high price and infrequent purchase of linoleum, the use of large space was necessary adequately to present the buying motives and to induce purchase. The company estimated from various reports on "oldest linoleum contests" conducted by retailers that linoleum was seldom bought for replacement in less than 10 years' time because of its durability even when it was not ideally cared for. Moreover, potential customers, although acquainted with linoleum and its merits, frequently postponed purchasing because the cost of linoleum was generally from $25 to $80, according to grade and method of installation, for the average room. Large advertisements were, therefore, considered better than small advertisements because they were more likely to attract attention and stimulate immediate action, at least to the extent of visiting local stores to see the patterns advertised.

The days chosen for the advertising were a combination of Monday evening or Tuesday morning and Thursday evening or Friday morning. These two combinations were selected because it had been observed that the volume of retail newspaper advertising was relatively small in the editions of newspapers on those days. Consequently, by selecting those days the company believed that it gained additional opportunities for attention and increased the display value of its advertising.

Until 1925, the newspaper advertising was primarily educational in nature. Some of the advertisements stressed the decorative use of linoleum for floors in every room in the house by presenting its use for sun porches, bedrooms, living rooms, dining rooms, hallways, and attics, in addition to the customary use of linoleum as a floor in the kitchen or bath. Other advertisements were primarily informational on raw materials used in linoleum and manufacturing process and history of linoleum. This copy sought to distinguish the product from felt-base floor coverings and to establish the name "Armstrong's Linoleum."

In 1925, it was decided to change the newspaper advertising from "educational copy" to "selling copy" as a further aid in

stimulating the purchase of linoleum. It was thought that that type of copy was more appropriate as a means of stimulating dealers than had been the educational copy. It was anticipated that selling copy would increase the retailers' sales of linoleum during the advertising period and thus make the newspaper advertising of increased value to the company. Moreover, newspapers were considered especially appropriate for this type of advertising, which had not been carried on in the company's magazine advertising.

In selling copy, the newsy aspects were stressed, such as new patterns and the new types of linoleum that were frequently introduced. This presentation was believed to be of general interest because of the attention usually given to new things. The use of linoleum in individual rooms, although presented, was subordinated in the new copy.

The art treatment was changed from the conventional interior illustration used in the former newspaper advertisements and the magazine advertisements to more display of individual pattern designs. Nevertheless, an attempt was made to keep the layout as attractive and artistic as was possible in black and white advertisements.

From 1922 through 1926, a free booklet, "The Attractive Home—How to Plan Its Decoration," was offered in the newspaper advertising as a means of spreading additional information about linoleum. The booklet offered under the name of Hazel Dell Brown, the decorator in charge of the company's Bureau of Interior Decorating, outlined in 24 pages the procedure for selecting decorations. Photographs and color reproductions of model interiors and new patterns were also presented in this booklet

Letters written in response to inquiries explained the use of the booklet and mentioned the names of local retailers who carried Armstrong's Linoleum. Names of inquirers were sent to two retailers in a town, so that retailers might be provided with the names of people who had indicated their interest in linoleum. Each of the two retailers also sent a postcard which was addressed to the inquirer. These postcards were different; they stated that the Armstrong Cork Company had informed the retailer of the inquirer's interest in linoleum and that the retailer would be glad to show new designs of Armstrong's Linoleum without obligation to the inquirer.

Inquiries from newspaper advertising increased steadily with each succeeding campaign. A study of the character of the inquiries showed that newspaper inquiries for the free booklet did not seem to be of so high a grade as those received from magazine readers. In 1927, therefore, it was decided to place a nominal charge of 10 cents on all booklets offered in the newspaper advertising in order to keep down the number of booklet requests from curiosity seekers who were not really interested in purchasing linoleum. The effect of this policy was believed to be shown by the reduction in the number of inquiries during 1927.

The executives believed that newspaper advertising had been effective in stimulating the sales of retailers as attested by the increased number of retailers handling Armstrong's Linoleum as compared with the number before newspaper advertising was started. It was believed that in many instances retailers had been induced to stock Armstrong's Linoleum on a more adequate basis because of the company's newspaper advertising program in their communities. Reports from salesmen indicated clearly that the newspaper advertising brought people into stores and that a greater volume of sales resulted for the retailers. Some of this additional business was directly traceable to newspaper advertising. The greatest benefit of newspaper advertising was believed to be its energizing influence on retailers, causing them to freshen up their stocks of Armstrong's Linoleum at the beginning of each season and to devote more effort and attention to their linoleum departments than previously. Because of the newspaper advertising, thousands of retailers had been induced to put in window displays featuring Armstrong's Linoleum and many of them had used tie-up advertising with the Armstrong newspaper campaigns. Since no other linoleum manufacturer had done consistent newspaper advertising over a period of years it was believed that the Armstrong newspaper advertising had contributed definitely in creating the goodwill of thousands of individual retailers, who had appreciated the Armstrong Cork Company's support in their retailing efforts.

What points of significance in advertising strategy may be gained from this experience of the Linoleum Division of the Armstrong Cork Company?

8. PENDLETON COMPANY

USE OF ADVERTISING ALLOWANCES TO REPLACE CONSUMER ADVERTISING

The Pendleton Company, a manufacturer of pickles, preserves, and relishes, faced the necessity, in 1927, of curtailing its program of consumer advertising because of a serious shortage of working capital. As a means of retaining its retail distributors and of stimulating aggressive selling on their part to compensate for the discontinuance of its advertising, the company considered adopting the policy of granting advertising allowances to customers.

The Pendleton Company, which was located in a manufacturing city near Boston, had cultivated the New England market for several years; because of the high ratio of freight rates to the value of its products, the company made no endeavor to sell west of Pittsburgh, Pennsylvania, or south of Norfolk, Virginia. The company had two distinct markets: the soda fountain market, which it reached through wholesale druggists, wholesale confectioners, and wholesale tobacco firms; and the grocery market, reached through wholesale grocers and by direct sales to chain store organizations and large unit retailers. The gross margin allowed wholesalers was 15% of selling price to retailers. Six salesmen employed by the company covered New England, New York, and the eastern part of Pennsylvania. The few sales made outside this territory were handled through brokers. The company's total annual sales amounted to several million dollars.

About half of the company's output was sold under private brands, most of which were controlled by wholesalers and some of which belonged to chain store groups. The portion sold to the soda fountain market, although sold under the Pendleton brand, did not reach the public as the company's brand. The company's sales executive believed that soda fountains and lunch rooms purchased on a price and quality basis with little reference to brands.

In 1923, the Pendleton Company had set up an annual advertising budget of $50,000 for consumer advertising, to be spent for space in newspapers, car cards, and outdoor posters. The company had been highly satisfied with its advertising policy and would have continued to advertise had not its unsuccessful attempt to market a sandwich spread in 1927 brought on financial difficulties. In 1927, 1928, and 1929, the annual advertising

appropriation was reduced to $4,000, which included an expenditure for sampling, the cost of a slight amount of newspaper advertising, and allowances to customers in the form of free merchandise.

These allowances were virtually price concessions. Whenever a wholesaler, chain store organization, or large unit store concentrated its purchases of pickles, preserves, and relishes with the Pendleton Company, the company granted a merchandise allowance in consideration of the extra volume. There was no specification as to the quantity which must be purchased before an allowance would be given. During the three years 1927–1929, the value of such concessions amounted to approximately 2½% of the volume of sales through wholesalers. The sales manager believed that most of the concessions given wholesalers were passed on to the retailers and that the retailers in turn reduced prices to the public.

One of the voluntary chains which had done business with the Pendleton Company for several years, the Sampson Success Stores, began to develop rapidly. In 1929, this group of stores purchased one-fifth of the Pendleton Company's output. In recognition of this concentration of purchases, the Pendleton Company granted a 2½% rebate, payable in cash at the end of each month and based on the month's volume of business. The company gave such a concession to no other customer, but the executives regarded the rebate as wise in the one instance because of the rapid growth of the chain and the importance of keeping its business permanently. A large portion of the purchases made by the Sampson Success Stores were of products bearing the Sampson brand. Since this brand was owned by the chain store company, the Pendleton Company's executives believed that only by means of the rebate could continued purchases be assured.

At the beginning of 1930, the Sampson Success Stores placed an unusually large order for Sampson Sweet Pickles, with the understanding that the Pendleton Company would give, in addition to its usual 2½% rebate, a cash advertising allowance of 15 cents a case. The list selling price to the Sampson Success Stores was $1.80 a case. The advertising allowance was to be spent for handbills and window stickers by the Sampson Success Stores.

During 1929, Sampson Sweet Pickles had constituted approximately one-eighth of the Pendleton Company's output; under the

stimulus provided by the chain's advertising, however, the company's sales of this product had tripled during the first two months of 1930. The experiment was regarded by the Pendleton Company as so successful that the executives considered making a standard offer of an advertising allowance, both to firms selling Pendleton products under the Pendleton brand and to firms using their own brands. It was planned to frame the offer so that the company would be sure that the money given was actually spent in advertising.

Should the Pendleton Company have offered such advertising allowances?

9. JORDAN COMPANY

INTRODUCING A NEW HOT CEREAL

In the summer of 1930 the advertising manager of the Jordan Company, which prepared a number of breakfast cereals, was faced with the problem of devising an advertising approach and marketing strategy to be used in introducing Jordan Ready Wheat into an eastern territory.

Jordan Ready Wheat, a hot cereal resembling oatmeal in consistency, had been successfully sold in the Middle West for several years.

A number of hot cereals, some promoted by relatively large advertising expenditures, had become well established in American homes. Several executives of the Jordan Company believed that it would be difficult to change established taste preferences and were skeptical of the possibility of extending the sale of Jordan Ready Wheat throughout the country. To test the strength of established consumer preferences in the East, the officers of the company decided to carry on a selling program within a limited area, where a test could be easily made by the company's sales organization. The following marketing areas were selected for the test selling period during the winter season of 1930–1931, from October through March:

1. Buffalo, New York
2. Albany, New York

3. Portland, Maine
4. Boston, Massachusetts
5. Providence, Rhode Island

Sales headquarters of the company were located in each of the cities mentioned. As a result of a thorough investigation in the territory, during which wholesalers, retailers, and consumers were interviewed, it was concluded that there might be an opportunity to market a hot cereal with the general characteristics of Ready Wheat. Two obstacles were encountered, however:

1. The need for some advertising or merchandising procedure which would induce consumers of other hot cereals to try Ready Wheat.
2. The need for some unusual feature in promotional plans which would sustain consumer interest in the product and produce repeat sales.[1]

The advertising manager was asked to devise a strategic copy approach and a marketing plan in order to set up in advance of the test a complete promotional program which would induce immediate sales and sustain volume through repeat business. Two complete programs and several minor variations for each were drawn up by the personnel of the advertising department and submitted to the advertising manager.

Plan number one was based upon the belief that the selection of hot cereals was largely governed by juvenile preference. It proposed to make the strongest selling appeal directly to children in the hope that they would influence their parents to make the initial purchase.

The plan proposed to bring about the organization of the Young Citizens, a club in which membership would be offered

[1] In the consumer analysis, reported early in 1936 by the *Milwaukee Journal*, it was stated that approximately 96% of all the families in the sample interviewed used packaged breakfast foods in one form or another Of these families, 95% used cold breakfast foods and 87% used hot breakfast foods Families using cold breakfast foods did so on the average during 9 1 months in the year, while families using hot breakfast foods did so on the average during 7 5 months in the year

Among families using hot breakfast foods, the most popular brand was purchased by 88% of the total The brand second in popularity was used by 20% of all the families A total of 48 different brands were in use Fifty-nine per cent of all families used wheat breakfast foods Of this group, 52% used only cold cereal, 19% used only hot cereal, and 29% used both hot and cold cereals Thus 48% of all families buying wheat breakfast foods in any form used hot wheat cereals For the average family in this group the rate of consumption was 1 4 packages per month of the 21 different brands of hot wheat breakfast food mentioned in the survey; the leading brand was used by 28% of all families buying wheat breakfast foods of any kind. The brand taking second place was used by 12% of the families in this group.

to any boy or girl of school age who sent his name and address together with an expression of his desire to enroll. By return mail, the child would receive an attractive album containing an elaborate membership certificate as well as space for pasting in picture folders. Children would be told that every package of Jordan Ready Wheat contained two picture folders. These were to be saved and pasted in the albums. Forty-eight different picture folders would be provided in all. Precautions would be taken to eliminate possible duplication of pictures and the company would offer to exchange picture folders by mail. The albums would also contain space for an essay. Each folder would portray a national hero together with a brief biography and an invitation to mothers to interest their children in the Young Citizens Club. The members of the club would be urged to emulate the 48 national heroes.[1]

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[1] The Dwarfies Corporation, of Council Bluffs, Iowa, had unusual success in launching a new wheat flakes dry cereal by use of a premium as described in *Premium Advertising*, published by Manufacturers Merchandise Advertising Association, 1932:

"They selected a lithographed cardboard cutout of a bumble bee, that had a rubber band around the board and a string, so that when the thing was whirled it made a noise like a bee This carried the name of the cereal and was offered free with each package. The aim was to capture the interest of children, and through them to create sales of the product The offer was advertised in local papers in cities and towns where they had secured distribution. One radio station was used. Placards and window displays constituted the point of purchase advertising. This entire campaign was used as a sales aid in securing the initial distribution. . . . Within a period of seven weeks, 1,100,000 packages of this new cereals and as many bees were sold in the territory, with Omaha and Council Bluffs as a jobbing center."

Juvenile clubs and contests have been used by a large number of manufacturers as a means of boosting sales Among the clubs have been the Babe Ruth's Baseball Club sponsored by the Quaker Oats Company, the Tom Mix Straight Shooters Club sponsored by Ralston Purina Company, the Orphan Annie Secret Society sponsored by the Wander Company (Ovaltine), Cream of Wheat H C B. Club, Eddie Cantor Magic Club, Ivory Stamp Club, and many others Membership has been known to exceed half a million boys and girls in some of these clubs

E Evalyn Grumbine, commenting in *Printers' Ink Monthly*, May, 1936, on the "Technique of Organizing a Juvenile Club" noted the following points as fundamental

1. Explain rules and regulations clearly and simply.
2. Give something free
3. Inject elements of imagination and romance into club promotion.
4. Tie up activities closely with product.
5. Include badge and secret password if possible
6. Stimulate members to work for titles, progressive ranks, or degrees.
7. Have official membership card or certificate
8. Center interest on club membership, pleasures to be derived from joining, etc —not on product
9. Build club activities around some individual, a popular sports hero, famous personage, character such as those in comic strips, or create a fictitious character which will be identified solely with advertiser's products.

Each child would be instructed to collect as many picture folders as possible, write an essay, and send the album to the Jordan Company. In return, he would receive an Award of Merit and a facsimile of the Declaration of Independence. Each album would be graded for the completeness of the collection, for the merit of the essay, and for general neatness. Regardless of total grade, each child would be promised the return of his album together with the Declaration of Independence and the Award of Merit. In addition, the child securing the highest grade in each state would receive a five-day chaperoned trip to Washington, D. C., with all expenses paid by the Jordan Company.

The plans proposed the launching of the campaign in October, 1930, with four types of promotional effort. Colored handbills detailing the essentials of the club and the plan would be handed to children as they left school. Others would be distributed in neighborhood grocery and food stores. The headline on these circulars would be "Free to Boys and Girls."

At the same time, according to the plan, a schedule of newspaper advertising would begin, the advertisements ranging in size from 100 to 700 lines. The first advertisement would be patterned after the handbill, "Free to Boys and Girls." Succeeding advertisements would be directed at parents, and would make use of such headlines as "Young America Thrives on Wheat," "Children Today: Citizens Tomorrow," "There Is a Big Job Ahead for Young America." The following copy was offered as typical of that suggested for the campaign:

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10. Have club newspaper when possible, for this keeps interest alive for longer period.
11. Keep youngsters consistently interested through new activities in connection with the club

Miss Grumbine noted the following types of contests:

1. Writing
2. Puzzle
3. Photography
4. Pictures
5. Collecting
6. Making or building
7. Words and word building
8. Naming

She added the following rules for a successful juvenile contest:

1. Make the contest easy.
2. State rules clearly
3. Offer worth-while prizes and give many of them
4. Give something to every contestant if possible.
5. Inject element of adventure
6. Make it fun to enter the contest
7. Get parent interest through children.
8. Tie product into contest plan
9. Merchandise contest plan to dealer.

Strong men and women built the nation, and young America, the Citizens of tomorrow, our very own boys and girls, must be sturdy to carry on.

The body-building food values of wheat will make them grow in stature and in strength. Wheat in abundance, wheat, the national grain; serve it often; make that your daily contribution to the young folks.

Serve Jordan Ready Wheat, a vitalizing hot cereal. It is a most pleasant dish. Cook quickly; serve hot. It tempts, it refreshes, it helps build bone and sinews.

Jordan Ready Wheat is endowed with minerals, carbohydrates, proteins, and vitamins, A, B, E, and G. They stimulate the appetite and digestion and promote resistance to disease.

Besides being wholesome and nourishing, Jordan Ready Wheat is also most economical. It costs less than 1 cent per serving.

Jordan Ready Wheat comes in 1-pound and 2-pound packages. If your grocer does not have this vitalizing hot cereal in stock, he can get it from his wholesaler.

A brief invitation to parents to enroll their children in the club would be inserted in each advertisement.

The plan proposed further that radio broadcasts be used at the same time to arouse the interests of children and invite enrollment in the Young Citizens Club. It suggested the use of five-minute electrical transcriptions broadcast from seven stations which covered the five marketing areas. About one minute at the beginning and end of each period would be taken up with martial music by the Young Citizens Band led by the Jordan Drum Major. In the other three minutes of the program the Drum Major would talk about the product, explain the club, and give brief instructions on how to enroll.

Store display materials would be prepared, calling attention to the club and the "Young America" advertising.

Jordan Ready Wheat was packed in 18 1-pound packages or 12 2-pound packages to the case. Every dealer would be offered one-third of a case without charge in order that the packages displayed on the floor would not tie up any of his money. This first case, together with the floor stand and window card, would be delivered direct but billed through the grocer's own wholesaler.

Prior to the opening of the promotional campaign the territory would be thoroughly covered by salesmen of the Jordan Company, armed with complete portfolios describing the plan, proposed advertising, sample pieces of copy, and the method of organizing the Young Citizens Club. It was expected that at the date of

opening the campaigns more than two-thirds of the retail grocery stores in the five marketing areas would have Ready Wheat in stock.

Plan number two aimed to reach the children, not directly, but through their parents. This plan differed from the first in the value it placed on the traditional appeals to parents of fostering the children's health, tempting jaded appetites, and increasing the consumption of vitamins.

Built around the general theme of improving the health by eating more wheat, this campaign would emphasize the particular theme of tempting the breakfast appetites of children with a new tasty hot cereal. Mothers, it was reasoned, would be interested in such an appeal because they were frequently troubled by the refusal of children to eat the same kind of cereal continually. The campaign would also call the attention of parents to the possibility of inducing children who ate only cold cereals to try the new hot cereal with the good taste.

The second plan would open in October and would include the following promotional features:

1. Sampling would be carried on throughout the area. On the opening date, schoolboys would be employed to leave small sample-size packages of Jordan Ready Wheat at house doors. To each package would be clipped a circular describing the virtues of the new cereal and reproducing testimonials from mothers in the middle-western area.

2. A campaign of newspaper advertising would be opened at the same time. Individual advertisements would vary in size from 300 to 700 lines. Each advertisement would contain a series of cartoons telling a complete story which would illustrate one of the many reasons for urging children to eat Ready Wheat. One advertisement would describe a naughty and peevish child whose bad temper, induced by a failure to include in his diet sufficient health-giving foods, had been vastly improved by eating Ready Wheat. Another advertisement would describe a boy who could not partake in school athletics because he was not strong enough and who, after eating Jordan Ready Wheat regularly for several months, was able to share in the sports of his playmates. Each advertisement also would contain a number of testimonials from mothers in the Middle West who had used Jordan Ready Wheat for many years.

3. As part of the program it was planned to institute a radio campaign of brief, one-minute broadcasts which would present miniature playlets telling stories similar to those featured in the newspaper advertisements.

4. Store display material would be developed to repeat the selling message and provide display stands.

The missionary selling work to be used in connection with the second plan was similar to that outlined for the first plan.

In addition to these two basic promotional programs, a number of variations were suggested which could be incorporated in the two plans or substituted for certain parts of them. It was suggested that instead of door-to-door sampling, a small package of Jordan Ready Wheat could be handed to every purchaser of Jordan Softies, a well-known nationally advertised cold cereal. Another variation proposed to encourage the sale of Ready Wheat was the offering of one package of Jordan Softies free with every purchase of a package of Ready Wheat.

Still a further suggestion was to divert part of the funds to a subsidiary promotional campaign directed toward increasing the consumption of hot cereal by adults. Such a campaign, it was argued, would be desirable because the adult market for hot cereals had been generally neglected by competitors, who had devoted most of their advertising to children. Women might be induced to eat Jordan Ready Wheat by advertising which pointed out that improved general health would have a favorable reaction upon their complexions. Men might be induced to eat a hot cereal by advertising which called attention to the need for storing up energy in the morning to enable them to stand the stress of business life.

A further variation suggested that the advertising include a "money back" guaranty which would permit the return of a package of Ready Wheat and full refund of the purchase price if the customer felt dissatisfied.

There was little difference in the estimated cost of the two promotional programs suggested.

As advertising manager of the Jordan Company, what promotional strategy would you have adopted?

Should any of the suggested variations be used?

What further changes, if any, would you suggest?

10. SCHAMMEL FOOD COMPANY

USE OF PRIZE CONTEST

In December, 1936, the advertising agency executive supervising the Schammel Food Company's account proposed to the officers of that company the incorporation of a prize contest in the 1937 plans for advertising canned soups.

The Schammel Food Company produced and sold under its own brands a variety of canned foods, the most important of which were canned soups. Of its total advertising space appropriation of approximately $200,000 in 1936, the company had spent $150,000 on advertising soups; of this amount $110,000 was spent in magazines and the balance in spot radio programs and newspapers in selected markets. The company planned to increase its space appropriation for soup advertising in 1937 to $175,000.

The magazine advertising had been indirect in character, designed to build a strong association in the minds of housewives of the delicious flavor of Schammel soups and of the high quality of the ingredients used. Schammel soups sold at retail at prices approximately 2 to 4 cents higher a can than some of the larger-selling canned soups on the market.

The Schammel Food Company had refused to make use of premiums lest such a practice damage the reputation for high quality which it had been seeking to establish through the goodness of its products and the tone of its advertising. Accordingly, company executives were somewhat skeptical of the use of a prize contest in connection with Schammel products.

The advertising agency executive called to their attention the wide and apparently effective use of contests in recent years by large and successful manufacturers. He expressed the belief that funds devoted to a well-designed contest would lead to a greater volume of sales than would the same money devoted to indirect-action advertising such as the company had been using. He proposed that all or a considerable part of the $25,000 increased appropriation for soup advertising be used for a contest.

As indicative of the extensive use of contests and the experience of advertisers with them, he called to the attention of company executives articles appearing in *Printers' Ink* and *Advertising & Selling*, from one of which is taken the table shown as Exhibit 1.

EXHIBIT 1

A Summary of 16 Advertising Contests as Reported by Sponsors, Contained in an Article by John Caples, *Advertising & Selling*, May 23, 1935

EXCELLENT

Under this heading are listed the contests which have double proof of good results: (1) Sponsor says results were good. (2) Sponsor backs up his statement by running other contest.

Sponsor	Sales Tie-up	Type of Contest	Amount of Prizes	Comment
Gold Medal	Submit sales slip showing purchase of bag of flour	Submit name for silverware pictured in advertisement	$11,000 and 7 cars	Gold Medal has run a number of similar contests
Bab-O	Send in labels	Write list of uses of Bab-O	$5,000	Bab-O has run a number of contests
Kelvinator	Visit dealer to study product and secure entry blank	Write letter	$5,000 and 36 refrigerators	Kelvinator has run several other contests

GOOD

Below are listed contests which have these indications of good results (1) Sponsor reports that the contest was a success. (2) In some cases sponsor says he would run another contest

Sponsor	Sales Tie-up	Type of Contest	Amount of Prizes	Comment
Photographers' Association	Entrant must buy photo	Submit photo of lovely mother or attractive child	$20,000	"Contest was a success and we would run another similar contest," says sponsor
Old Gold Cigarettes	Entrant probably had to buy Old Golds to study them	Write letter about Old Golds	$37,000	Sponsor says, "This campaign was a huge success and we would have no hesitancy in repeating"
Waterman Fountain Pens	No requirement to buy	Children told to collect famous autographs	$ 2,500	Sponsor says, "Would not repeat autograph contest but would run another contest with similar appeal"
Camel Cigarettes	Entrant probably had to buy Camels to study package	Write letter on cellophane wrapper	$50,000	Sponsor says, "We considered the contest most successful"
Association of Pineapple Canners	Entrant had to buy pineapple at regular intervals	Write letter	$ 5,000	Sponsor says, "Contest was success but would probably not repeat as it would have no novelty"
Eberhard Colored Pencils	Entrant probably had to buy the set of colored pencils	Write letter or make sketch	$100 every month	Sponsor says, "Contest was success but a repetition would be less impressive"
Eastman Kodak	Film, camera, etc., needed to compete but not necessarily Eastman	Submit snapshot	$50,000	Sponsor reports contest a success and says he would run another similar contest

EXHIBIT 1 (*Continued*)

FAIR

The sponsors of these contests did not express dissatisfaction with results. They simply did not express such positive satisfaction as the others.

Sponsor	Sales Tie-up	Type of Contest	Amount of Prizes	Comment
Corona Typewriters	No requirement to buy	Write letter	$ 1,500	Sponsor says, "This contest was regarded as a success"
Spud Cigarettes	Entrant probably had to buy Spuds to study them	Write letter	$ 4,000	Sponsor says, "Generally speaking, we were pleased with the results"
Colgate and Palmolive Shaving Cream	No requirement to buy	Write blurb	$25,000	Sponsor says, "It is difficult to say if contest was a success, although the number of entries was gratifying"
POOR				
Electrical Manufacturing Company	No requirement to buy	Submit design for a radio cabinet	$10,000	Sponsor says, "Results were disappointing"
Tobacco Manufacturer	Buying was optional	Write a slogan	$ 1,500	Sponsor reports that the contest was not a success
Flower Association	Get puzzle booklet from florist	Puzzles for children to solve	$ 8,000	Sponsor reports that the contest was not a success

In an article, "Coupons in Advertising," appearing in *Printers' Ink*, December 17, 1936, Mr. E. T. Gundlach, an advertising agency executive of long experience in the use of direct-action advertising and an exponent of the use of that type of advertising, commented at length upon certain direct-action methods widely used in advertising subsequent to 1930, condemning their overuse and recommending greater reliance upon advertising of an indirect character for products of standard routine purchase.

Among the undesirable procedures to secure direct action, he outlined the following:

1. Offering quasi-extraneous articles, such as recipe books, plans for home decoration, etc., of general interest yet also of special interest to those likely to buy the advertised articles.
2. Offering knicknacks, usually by mail, sometimes through dealers.
3. Giving premiums with goods.
4. Employing prize offers.
5. Resorting to extreme appeals, using the patent-medicine advertising formula.

Regarding prize offers, he spoke as follows:

Prize offers: A few years ago a solicitor general of the Post Office, now retired, ruled that purchase of goods may be made a condition of entry to a prize contest. So today we have an appalling array of owners of brands, well-known highly reputed brands, indulging in mail-order prize offer stunts: "Send in two carton tops and win this thousand dollars." From $1,000 prizes, we go to $10,000; from an automobile to three automobiles, and in one case, 101, yes one hundred automobiles at a clip. On that offer, the coupons in one publication cost, as I recall, some 2½ to 3 cents.

Every quack advertiser, every maker of an inferior article is thus given an equal chance with the best manufacturers.

In the advertising all the most skilful presentation of truly superior merit fades into the background—if only the ad-smith knows how to present his prize offer to the best advantage. A sensationally attractive offer, such as one automobile free, overwhelms all else in copy.

The proof? Comparative results, perfectly established from coupon count, show that minor changes within such ultra attractive prize offers make great differences in the number of coupons received, whereas the rest of the copy may be switched around almost thoughtlessly this way or that way, without noticeable effect, in fact all "reason-why" or other sales talk may be omitted and the advertising will still pull like wildfire when a premium offer or any other quasi-extraneous offer, especially a prize offer, is overwhelmingly attractive.

Yet these advertisers of premiums and prizes seem to delude themselves into the belief that they are really indulging in "publicity." Their copy shows this. Amid flamboyant offers, there speak the old fetishes of typographical connotation and what-not. All of which in no wise helps the indirect action sales effect and merely beclouds the offer. The advertiser seeks to make an "impression" by false methods, seeking it in the very same advertisement in which his offer has thrown efforts at impression overboard in a manner that no sound mail-order firm would dare; for ultimate impression is never ignored by a clear-thinking mail-order merchant nor should it be by anyone else who intends to continue to sell goods.

These prize offers cannot be condemned as ineffective. I myself have prepared and placed many of them. I have also seen as an outsider too many successes therewith, to claim hypocritically anything to the contrary. If not run continuously I still advocate them in individual cases of brand advertising, but then only for use at rare intervals.

From the point of view of advertising in general, the method when once overplayed is baneful. For ultimate effect it is always next to worthless and on an established brand often a boomerang. In fact, there are good indications that the disease is past the crisis. The final remedy will be a new ruling by the Post Office.

. . . .

For these deleterious methods of forcing "direct action," with all "indirect action" under suspicion, we advertising men are to blame. We are now paying for our sins of the past.

For two generations the fraternity, sometimes knowingly, more often ignorantly, fed our national advertisers with a fake philosophy about continuity, cumulative effect, art, quality, atmosphere and what-not. Intelligent advertisers finally saw through it. Semi-intelligent ones saw their pocketbooks thinning from 1929 on. So by 1931 we rode for a fall.

Now, with advertising again getting under way, we are riding for another, a different kind—and I fear—a harder fall. For this time, not a few advertisers but millions of consumers are growling.

Yes, the ex-bunkee, the advertiser, has become the bunker. As soon as he invests in a drop of ink he must see something doing. Immediate "results" are demanded, calls at stores instanter, better still heaps of coupons that the advertiser himself can see and feel.

So "science discovers" a new wonder every month. Huge microscopes over-shadow the pictures of pretty damsels. A compound of fatty acid and lye, commonly called soap, must now claim some exclusive, utterly novel and perfectly marvelous virtue. A cosmetic must show how it increases your chances in the marriage market within a week by 50 per cent. A luscious food suddenly becomes a necessity without which we will surely dig our early graves.

Yes, that creates immediate action, you see "something doing," far more than when you merely kept explaining the truth; explaining that a well-made soap, sold at a moderate price, is better than a double-priced concoction advertised in patent medicine fashion

There are a few products the inner virtues of which had formerly either not been fully recognized or had been overlooked amid the former fashion for aesthetically "impressive" publicity. Then direct action appeals may be highly advisable. Simultaneously the indirect action is increased.

Furthermore (ethics not considered), the recent methods of inciting and exciting the public may perhaps be advocated for a newcomer who has no time to wait for an indirect action effect, but who must build up trade quickly with the intent of becoming more respectable after he has acquired a sufficient volume. In other words, while playing barker in order to get his initially needed patrons, the newcomer trusts to luck to overcome later the impression he is now creating.

But how about the manufacturer whose quackish direct action appeals add a few hundred thousand customers to the many millions whose confidence he enjoys or did enjoy? What is the value to him of the 100,000 directly acting consumers considering the reverse English publicity he is perpetrating on his five or ten million established customers?

I say this as a lifelong advocate of direct action which I always felt and still feel was and is sadly neglected just where it especially belongs—as for example in the advertising of all small, yet serious purchases, and

of nearly all larger purchases, undertaken at any one time by only a small portion of the readers, with the prospective buyers keenly interested in knowing more.

But in the cases of standard routine purchases consumed constantly by the millions, how can one justify the 1933 to 1936 methods of hunting around for some oblique sales talk and the special booklet offers designed merely to rake in coupons for the sake of raking in coupons?

The extremes to which manufacturers are going in order to force direct action makes clear the conclusion of the whole matter—indirect action, so-called "publicity" resulting in consumer acceptance is the natural goal in the advertising of all widely consumed products regarding which the consumer interest is not intense and cannot be legitimately intensified. That includes the bulk of the most heavily advertised products.

Direct action appeals, urging calls on the dealer and/or inviting replies by mail, should nearly always be an auxiliary goal, at times the primary goal, where natively feasible; otherwise not. Furthermore, in connection with efforts at direct action the later effect, sometimes in the form of obscured direct action, more often appearing as consumer acceptance, should never be overlooked as a minor or as an equal or often as still the major goal, despite the outward appearance of pure direct action copy.

This observation as to careful consideration of later effects in every message to the millions applies even to the most glaring "special offer" copy of any and every mail-order advertiser who expects to pull replies for years to come. In other words, indirect action propaganda, publicity so-called, impression that sinks in for later effect, has its place in the advertising of all except fly-by-night fakers.

In final analysis, "publicity," and not primarily the direct action appeals, has made modern advertising by manufacturers. Amid plentiful misapplication, indirect action "publicity" has proved itself as highly effective for branded goods of wide consumption. This publicity is naturally and normally the backbone of magazines and of "national" advertising in newspapers, and also in that new and excellent field for pure publicity, where direct action appeals now intrude *ad nauseam*, namely the radio.

Before long, in all these fields, indirect action advertising creating consumer acceptance will again prove itself the backbone.

1. Should the Schammel Food Company have undertaken a prize contest as part of its 1937 advertising of soup?

2. Assuming that the company decided to undertake a contest, devise a suitable contest plan.

11. NORGE CORPORATION

PROMOTIONAL PROGRAM

The Norge Corporation and its subsidiary, the Detroit Gear and Machine Company, were merged with the Borg-Warner Corporation in 1929 and with the financial assistance of the latter organization national distribution of Norge refrigerators was undertaken in 1930. Between 1930 and 1936, the company introduced the following products under the Norge name: commercial refrigerating units, washing machines, ironing machines, ranges (gas and electric), air-conditioning equipment, and heating equipment. Prices of Norge products were directly competitive with those of the leading brands of similar products. Long-time credit arrangements were made available to consumers.

Sales were made to 40 wholesalers,[1] called distributors, who in turn sold to retailers, called dealers. In 1936 there were 62 distributors associated with the Norge organization. Of this number 10 were hardware wholesalers; 1 was a furniture wholesaler and retailer; 16 were automotive parts wholesalers; 15 were wholesale distributors of radios and radio supplies; 5 were manufacturers of miscellaneous items noncompetitive with Norge products; 10 were plumbing and heating wholesalers, of whom 6 handled a general line of products of this class, 3 sold only heating equipment, and 1 only plumbing equipment; and 5 were wholesalers of miscellaneous products. The trend among distributors was toward specialization in Norge products within the field of household specialty products. Some distributors were confining their specialty business almost exclusively to Norge. All distributors handling other products maintained a separate division to sell the Norge line. Men in this division assisted the dealers in training retailers' salesmen and in directing retailers' use of advertising and promotional material.

Distributors employed approximately 600 wholesale men who called on retail dealers. There were more than 6,000 retail dealers and approximately 11,000 retail salesmen, including as a retail salesman the head of a small dealership where no other salesman was employed. Almost all the 6,000 dealers sold house-

[1] Data on number of dealers and distributors have been modified by a constant in order to protect the company.

hold refrigerators and approximately 3,500 sold Norge washers. Dealers were divided into the following classifications:

Electrical Dealers	14.0%
Refrigerator Specialists	8.3
Department Stores	8.8
Furniture Stores	16.0
Jewelry Stores	1.0
Music Stores	7.0
Radio Stores	7.0
Light and Power Companies	1.6
General Merchandise Stores	1.6
Hardware Stores	5.3
Plumbing and Heating Stores	1.3
Lumber Companies	0.3
Garages	1.8
Auto Dealers	2.6
Coal or Oil Dealers	0.8
Drug Stores	1.0
Miscellaneous or Not Classified	21.6
Total	100.0%

The ratios given were based not upon the number of stores but upon the units sold by stores in each classification. Several dealers were located in each of the larger cities in the country, and usually not more than one in small cities and towns.

The Norge Corporation had become one of the leading manufacturers of mechanical refrigerators and household appliances.

A statement regarding the advertising and promotional plans of the company for 1937 for use among the sales organization and distributors was prepared by one of the sales executives. This statement follows:

NORGE 1937 ADVERTISING AND PROMOTIONAL PROGRAM

Never before in the history of industry has any company in the position of Norge attempted such a strategic, such an ambitious, such a dove-tailed and detailed program of advertising and promotion as Norge has definitely committed itself for in 1937.

Profiting by its experience in progressive programming, it has reached in its advertising and promotional plan that zenith which every manufacturer seeks but few achieve. In terms of funding, types of advertising, media, control, impact, theme . . . in fact in all essentials the 1937 Norge advertising program is by far the strongest ever presented by any equivalent company.

For that program, however, to achieve everything that it should, it must be completely understood and, being understood, must be applied by each distributor and dealer.

It is so wrought that each and every element is a definite connecting link in a direct chain from the manufacturer to the purchaser. The faulty handling of any link will materially weaken the chain.

General Changes Included for 1937

The 1937 program is planned as a continuation of the 1936 basic structure with the following fundamental changes and improvements incorporated:

1. Revision of national advertising media for the purpose of better support to sales activities.
2. Revision of Distributor Cooperative funding plans for maintenance of more powerful territorial advertising.
3. Revision of the modus operandi incidental to the functioning of dealer cooperative advertising on the basis of:
   a. Increased funding (by having the dealers match both factory and distributor monies) to absorb more dealer paid advertising.
   b. Elimination of as much extraneous expense as possible.
   c. Formation of a more cohesive and better planned distribution of funds both as to territory and time.
   d. Elimination of dealer complaints incidental to approval, funding and reimbursement.
   e. Increase of flexibility.
   f. Institution of definite washer, ironer, range, and commercial advertising, in proper proportion.
   g. Maintenance of year-round basic all-product program.
4. Simplification of the sales promotional structure in its application to:
   a. Materials.
   b. Promotional activities.
   c. Mass selling.

1937 Advertising and Promotional Requirements

The 1937 projection is based on the following fundamental requirements:

1. *More Dealers—Better Dealers*

The primary objective, of course, is a progressive elaboration of prior dealer propagation objectives:

a. The obtaining of stronger dealer representation and more elaboration of dealer representation in covered towns.
b. Transformation of as many one-product dealers into Master Merchants[1] as is possible.
c. The covering of uncovered towns.

With the maturing of both product and plan on group products through the experience of both 1935 and 1936, the elements of increased and bettered dealer coverage are dominant for 1937 and justifiably call

[1] Dealers handling the entire line of household appliances.

for a materially augmented trade paper advertising campaign as well as a much more intensive direct dealer solicitation program on the part of the distributors' wholesalemen.

2. *More Salesmen—Better Salesmen*

Supplemental to the primary objectives comes that of increased dealer consciousness of the profit possibilities of the Norge Franchise to that point where they will not only elaborate their Norge merchandising activities, but will materially increase their sales organizations as well. This supplemental objective calls for a material strengthening of the program for the obtaining of salesmen—and while it is primarily a promotional objective, it can be materially supported by trade papers, national magazine and newspaper advertising toned to create salesmen consciousness of potential profit, and then by the supplying of salesmen-training and selling materials as well as activities.

3. *More Purchasers Norge Conscious*

Third in the line of objectives comes the maintenance of existing national consumer consciousness of Norge, and the increase of the extent of that consciousness so that the mass selling program supplies a larger potential to the augmented dealer and salesmen grouping. Thus, we will curtail national magazine advertising to that point where we will maintain the percentage of registry now built up, and institute in addition three forms of advertising which we have heretofore more or less ignored as national factors: radio, outdoor advertising and newspaper advertising—budgeting these forms on an equitable cost basis for the factory and distributor so as to make such a program practical.

4. *More Urge to Buy Norge*

The next step is to increase, if possible, both through funding and application of those funds, as well as by the strengthening of them, the definite *urge* to buy Norge. This is programmed by:

a. Increasing dealer incentive to advertise, either cooperatively or fully paid, to that point where Norge attains the use of more of the dealer's own dollars.

b. The allocation of dealer funds not only on a timed basis as in 1936, but on a product basis as well—so that each product receives the necessary stimulation at the proper time.

5. *More Powerful Point-of-Sale Activities*

And last, but not least, we naturally want to increase and make as powerful as possible the activities revolving around point-of-sale advertising. For this purpose, we are maintaining the existing plan as progressively built up from 1931 to the present, but with the simplification of that plan to the point where individual materials and activities obtain more general usage through the necessary concentrating of thought on a smaller number of them.

National Trade Paper Advertising

National trade paper advertising covering household refrigerators, commercial, washers, ironers, ranges, and heating and conditioning

has been enlarged three-fold for 1937. This is the first step in the selling chain . . . the media whereby the wholesaleman's job is materially eased in the obtaining of new dealers, in the maintaining of existing dealers or in the enthusing of wavering dealers. Sixty-four national trade papers are being used. Three hundred and five one-page advertisements are being released. These figures are mentioned to illustrate the magnitude of that program. The wholesaleman definitely programs both mail and personal contacts to capitalize that advertising in terms of new dealers, better dealers, and more Master Merchants. The following trade paper schedule is planned:

Seven separate campaigns will be released at the proper time, with the first starting in December, 1936, covering:

a. All-product
b. Refrigerators
c. Gas Ranges
d. Electric Ranges
e. Washers and Ironers
f. Commercial
g. Heating and Conditioning

Here are the trade magazines being used:

ALL-PRODUCT

Electrical Merchandising
Dealer Merchandising
Retailing
Furniture Age
Electrical South
Western Furniture Retailing
House Furnishing Review
Hardware Age
Banking Monthly
Electric Refrigeration News
National Furniture Review

REFRIGERATORS

Electrical Merchandising
Dealer Merchandising
Retailing
Furniture Age
Electrical South
Western Furniture Review
House Furnishing Review
Electric Refrigeration News
National Furniture Review

GAS RANGES

Electrical Merchandising
Dealer Merchandising
Retailing
Furniture Age
Electrical South
Western Furniture Review
House Furnishing Review
National Furniture Review

ELECTRIC RANGES

Electrical Merchandising
Dealer Merchandising
Retailing
Furniture Age
Electrical South
Western Furniture Review
House Furnishing Review
Electric Refrigeration News
National Furniture Review

WASHERS AND IRONERS

Electrical Merchandising
Dealer Merchandising
Retailing
Furniture Age
Electrical South
Western Furniture Review
House Furnishing Review
National Furniture Review

COMMERCIAL

Electric Refrigeration News
Chain Store Publications
F.T.D. News
National Groceryman
Hotel Management
Restaurant Management
Meat Merchandising
Soda Fountain
Electricity on the Farm

HEATING AND CONDITIONING

Air Conditioning Combined with Oil Heat
American Artisan
Domestic Engineering and Automatic Heating and Air Conditioning
American Builder and Building Age
Practical Builder
Architectural Forum
American Architect
National Real Estate Journal
Building and Modernization

Such a plan utilizing a representative group of trade papers gives us a consistent, complete and year-round trade paper program.

ADDITIONAL DEALER CONTACT PROGRAM

In addition to this remarkable trade paper program, other definitely usable elements have been planned as follows:

1. Trade paper advertisement reprints.
2. Broadsides for dealers.
3. Broadsides for salesmen.
4. Quarterly sales program book.

Reprints of all advertisements are made available to distributors and their wholesalemen for direct mail purposes, so that the advertisement releases may be anticipated or followed for greater impact.

Other companies in the past have found the use of large, colorful, descriptive broadsides most advantageous for the purpose of cementing relations with existing dealers and of creating open-mindedness on the part of new dealers. This service has likewise been included in the 1937 Norge dealer solicitation plan. Six broadsides (one on each general part of the product plan) have been created, and will be supplied to Norge distributors in reasonable quantities on a "no charge" basis. Each of these explicitly illustrates the market opportunity for that particular product, how the product meets the market requirements, and how Norge dealers may profit by that combination.

This same thought has been followed through in the case of salesmen. Never before has a complete solicitation plan been devised for this purpose . . . but if it is workable (and it has been proven to be) in the case of dealers, it likewise is very definitely workable in the case of salesmen who respond much quicker to the profit possibilities of a change in their merchandising activity. Three large and colorful broadsides have been prepared for them. These can either be sent out by local dealers (who, of course, know the outstanding salesmen in their particular territories), or by the distributors upon being supplied with the dealers' lists of wanted men.

Last and most powerful of all these dealer solicitation materials is the new quarterly program book which permits each wholesaleman to make an entirely new, different, and forceful approach. This book covers all merchandise (both by illustration and text) available to the dealer during the quarter involved. It covers the complete advertising program, giving full detail as to the number of releases of varying types during that quarter, while, at the same time, illustrating all such elements. It likewise covers all dealer cooperative programming by the particular distributor. It includes all of the advertisements available for dealer use. And it supplies a new service for the building up of dealer advertisements by the dealer. It completely outlines the sales promotion program for that quarter. It illustrates all sales promotional materials. It provides the means for applying both product and plan to each individual dealer's territory so that he may see, in positive figures, the advertising coverage he has in relation to his population, the force impact of both advertising and promotion, and the profit potential.

National Magazine Advertising

National magazine advertising has been materially changed for 1937. Where in 1936 five national magazines . . . *Saturday Evening Post, Collier's, Good Housekeeping, Ladies' Home Journal,* and the *Christian Science Monitor* were used, in 1937 six will be on the schedule . . . *Saturday Evening Post, Good Housekeeping, Better Homes & Gardens, House Beautiful, Town & Country,* and the *Christian Science Monitor.* Where in 1936 six to twelve page schedules were run in each of these magazines, in 1937 each schedule will be limited to six full pages, except for the *Saturday Evening Post* which will have eight pages. *Better Homes & Gardens, House Beautiful,* and *Town & Country* advertising will be entirely on Heating and Conditioning equipment.

No thought of economy or of cutting or of reducing impact was in mind in changing this schedule. It was changed because it was definitely proved that we could divert the money differential to other types of advertising to much greater advantage, while still maintaining with the smaller schedule registry established by the heavier one. In other words, while we are somewhat curtailing our national magazine advertising, our advertisements will continue to reach some 6,000,000 national magazine readers. The only difference is that we

eliminate some of the advertising duplication and some of the repeat impressions.

In analyzing the force of national magazine advertising, as compared with the impact of other types, we found it to be advisable to utilize the schedule as noted. On the basis of known factors of impression and remembrance, we found that the schedule planned will maintain the registry already created in the minds of magazine readers, while permitting heavier schedules of a more forceful and more localized type.

In place of a heavier national magazine schedule we have created an entirely new type of Norge advertising . . . one never before used by us, but one that has been carefully studied over the period of the last three years, until we are sure that it is justifiable to use it, and that its cost will return itself many-fold in distributor-dealer profit and sales. In the following national magazine schedule one-page space will be used, except in the April and September issues of the *Saturday Evening Post*, where two pages will be used:

March .	*Saturday Evening Post*	June	*Better Homes & Gardens*
	Good Housekeeping		*House Beautiful*
	Christian Science Monitor		*Town & Country*
April ..	*Town & Country*	August	*Better Homes & Gardens*
	Saturday Evening Post		*House Beautiful*
	Good Housekeeping		*Town & Country*
	Christian Science Monitor	September	*Better Homes & Gardens*
	Better Homes & Gardens		*Saturday Evening Post*
	House Beautiful		*House Beautiful*
May	*Saturday Evening Post*		*Town & Country*
	Good Housekeeping	October	*Good Housekeeping*
	Christian Science Monitor		*Christian Science Monitor*
	Better Homes & Gardens		*Better Homes & Gardens*
	House Beautiful		*House Beautiful*
	Town & Country		*Town & Country*
June.	*Saturday Evening Post*	November	*Saturday Evening Post*
	Good Housekeeping		*Christian Science Monitor*
	Christian Science Monitor	December...	*Good Housekeeping*

The six national magazines being used in the 1937 program reach a reader group of approximately 6,000,000 people.

Sunday Magazine Advertising

As the real basic element of the 1937 advertising program, Norge in combination with its distributors will advertise in the most-read part of the most-read newspaper on the biggest reading-day of the week . . . the Sunday Magazine Section. This advertising permits the use of much more positive statements, much color, and far greater impact than ever before. It likewise permits localization, while at the same time maintaining the manifold advantages of a nationalized tie-in program. Run over distributors' and dealers' names, it has both the force of large and colorful national advertisements and local release.

We believe it will create the highest impression factor in the entire industry . . . that it will create a purchaser interest never before

known, and will, at the same time, achieve a dealer and salesman interest that will materially swell our ranks.

This Sunday newspaper magazine schedule will be released in the 17 newspapers comprising the *American Weekly* chain and 21 in which *This Week* functions. The *Associated Weekly* group, comprising 12 newspapers and 18 independent Sunday newspaper magazines, are likewise on the schedule, making a total of 68 magazines in which the release schedule is programmed. Full page advertisements in color will graphically and colorfully tell the Norge story to the right people . . . to the housewife and the home maker . . . to all of those people living in homes . . . to all of those people to whom Sunday newspapers are delivered . . . to all of those people who comprise that part of the American public who are actually potential Norge prospects. This gives us a Sunday Magazine circulation of 18,000,000.

Supplementary Sunday and Daily Newspaper Advertising

But we have gone farther than that because any advertising schedule confined to a given type of media, while it does give a definite registry, it cannot achieve an overall coverage. In other words, there are bound to be weak spots. There are bound to be points where the circulation of those papers is not such that its coverage percentagewise is as strong as it should be. Hence we have created for 1937 a supplementary Sunday and daily newspaper advertising program in which we are utilizing 91 additional newspapers. In those newspapers we are releasing full page and 90″ advertisements (90″ ads all being more than half-pages). Most of these advertisements likewise will be in color. They will be wherever the paper is capable of reproducing in color. Combining these releases with the Sunday Magazine definitely programmed . . . as to timing, theme, and circulation. There is real impact for you!

Radio Advertising

But we did not feel that we could stop at that point. In certain territories radio is an exceptional advertising media . . . it goes into the home . . . it goes direct to those people who are home lovers and so we have added to national magazines, Sunday newspaper magazines and the Sunday and daily newspaper program, a program of 39 15-minute radio transcriptions in which 68 stations are scheduled to be used, located throughout the country. Those stations reach several million more with the impression factors of Norge.

A material amount of analysis, both as to the potential of radio advertising, the suitability of program material that can be utilized, and the potential listener-audience has been entered into in the formulation of the Norge radio program.

All due consideration was given to the utilization of radio on a national interlocking network. However, our analysis showed very definitely that while radio was a logical medium for Norge advertising,

network release was illogical, first because of its total cost, second the lack of proper coverage, and third the time differentials existing in various parts of the country.

The prime purpose of radio, as set up in the 1937 program, is to utilize this advertising means as a fill-in to complete and equalize registry of Norge in those territories where other media are inadequate. For instance, a certain territory may not have the proper type of Sunday newspaper coverage to reach all of the types of potential prospects that we desire to reach. Where such a condition arises, we have plotted out weakness of coverage and are filling in the resultant gap with radio or outdoor advertising or supplementary newspaper advertising, or combining two or all three.

With this fundamental thought in mind, it can be readily appreciated why Norge has decided upon a transcription program which permits of program excellence and yet gives flexibility as to stations and time.

We are preparing 15-minute transcription programs featuring guest stars. Each 15-minute program will feature the functioning of a Norge Kitchen Committee held in a Norge kitchen where the committee has gathered to discuss questions of vital import to housewives, and to entertain and be entertained by the guest stars chosen. For that particular program the forum idea will be utilized in each such transcription, and product talks will be painlessly injected throughout the entertainment by means of the announcer, the guest stars, and the Question and Answer Box part of the program.

Stars of radio, stage and screen will be utilized for the making of these transcriptions. Where they are starring on other radio programs, those programs will be given all due credit. Comedians, musicians, singers, orchestras . . . all types of entertainment desired by most people . . . will be used.

We quite naturally expect that in addition to the nationalization of radio, we will obtain a material number of dealer-sponsored programs with dealer cooperative funding.

Outdoor Advertising

Then, too, for the past several years we have been analyzing outdoor advertising . . . watching it and its use by dealers, watching in particular the 1936 schedule when 4,000 postings were maintained. By means of billboards the vast motoring public is reached. And we find, after our analysis, that we by all means did not want to forego that type of product impact—and so for the first time a national program of outdoor advertising has been instituted, starting in the milder climates in February, and in the colder states in April and running for a period of four months nationally. This program utilizes 2,511 billboards and with the four months' showing gives a total of approximately 10,000 postings.

Half-showings in all major cities are scheduled.

We believe that the above outdoor advertising, together with that done by dealers and fully paid by them will give 20,000 postings, and if that is coupled with the full page magazine advertisements, the Sunday Magazine advertisements, and the full page and 90″ color and black and white newspaper advertisements, it can readily be seen the enormous impact of the Norge programmed advertising.

All the Foregoing Advertising Is Done before Dealer Advertises

These forms of advertising, many of them new, make the Norge advertising picture complete, definite, forceful and timed, right up to the point where the dealers should conduct advertising entirely on their own account. The national trade paper and magazine advertising is funded entirely by Norge. However, all other forms of advertising on this national schedule are cooperatively funded by Norge and its distributors in proportion to the expense that should legitimately accrue to each.

Dealer Cooperative Advertising

In the case of dealer cooperative advertising we have not materially changed our funding . . . we are not asking the dealers for any more cooperative money than they willingly spent in 1936. But we are asking them to analyze the complete Norge advertising picture and then, in addition to the cooperative advertising that they legitimately should do, to advertise in such form, such fashion and such amounts as they believe justifiable in their particular cases to achieve for themselves the utmost in profit as a result of the magnificent program released for their benefit.[1]

Cooperative Advertising Fund Plan Changes

For the purpose of overcoming difficulties existent in the 1936 operation, and also for the purpose of increasing the advertising impact, a composite program utilizing the centralized control instituted in 1936, and the distributor control formerly in effect will be used.

The changes of operation are as follows:

1. We will no longer go direct to the dealer with this type of advertising, but will operate through the distributor with our control extended beyond the distributor as hereinafter outlined.

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[1] Editorial Note· As mentioned above, the Norge advertising program included magazine and trade-paper advertising fully paid for by the Norge company, Sunday newspaper and Sunday newspaper magazine, radio, and outdoor advertising paid from a cooperative advertising fund contributed to in part by the company, and in part by distributors, and finally, a program of advertising carried on and paid for cooperatively, funded in part by the company, in part by the distributors, and in part by the dealers themselves For dealer advertising and promotion the company made available literature for mailing, mats and electros for newspaper advertising, billboard signs, newspaper circulars for house-to-house distribution, movie films, etc., as mentioned later in this case.

2. It is planned to fund on a quarterly basis instead of a monthly basis in order to give more flexibility of funding within the specified seasons, and to permit better use of those funds within the prescribed spending period.
3. It is planned to eliminate the use of the agency in the handling of this account, except
   a. Its retention as a checking service and disbursing organization to handle the approval of advertising claims and the making of payments therefor.
   b. Reasonable field contact and cooperation.
4. The distributor will handle the advertising requirements of his dealers within the restrictions set up by a quarterly control exercised by Norge. The distributors are to be restricted on three points:
   a. Timing.
   b. Media.
   c. Type of Advertising.

The foregoing dealer cooperative advertising arrangement applies to all products except heating and conditioning. In the latter case, special advertising arrangements are being worked out direct with distributors.

Sales Promotion

The sales promotion program, we believe, has functioned so successfully in 1936 through the combination of controlled inventory of sales promotional material, utilization of quarterly contracts, and progressive improvements of materials and activities in combination with the maintenance of proven items and elimination of the less worthy, that continuation for 1937 should be maintained with but minor correctives.

The primary corrective would be applied to reduction of the amount of literature that was produced in 1936 (necessitated by adding of new products and making a sufficient number of all-product merchandisers).

It is planned in 1937 to reduce the individual product literature to basic factors and to make the more elaborate literature all-product.

There is no question but what such a program would be welcomed by the dealers, particularly as we may well operate on the assumption that:

Those dealers who are not functioning on the four major products are the ones who would be more than satisfied within their operation in having counter pickups, proof books, small catalogues, and cumulative loose-leaf catalogue shets.

Types of Promotional Materials and Activities

The following elements are definitely provided for in the 1937 sales promotion program:

1. Sales Training.
2. Sales Incentive.
3. Dealer Identification.

4. Mass Selling.
5. Sales Tools.
6. Literature.

Sales Training Materials

Sales Training materials are divided into the following classifications:

1. Newsreel Movie Service.
2. Instructional Slide Films.
3. Sales Training Manuals.
4. Norge News.

Newsreels of the general type as the one on refrigeration will be produced from time to time throughout the year and will be made available to all distributors. Each will carry a very definite message of product design and superiority and will form the basis for elaborated product discussions.

Slide films will be available covering refrigeration and all products.

The highly successful sales training manual of 1936 has been continued.

Norge News will have more advantages than in the past as a sales training element. It will be published every month. Its pages are opened up for contributions from Norge owners, Norge salesmen, Norge dealers, Norge wholesalemen, Norge distributors, and Norge factory employees, so that each may put before his fellows new and better ways of doing their particular job . . . they can register product advantages, ways and means of selling, and any and all things of interest to the entire organization. For all accepted manuscripts, a regular per line rate will be paid.

Sales Incentive

Sales incentive elements are divided as follows:

1. The Viking Club.
2. The WIR Club.
3. Individualized Contests.
4. Loyalty League.

The Viking Club will function only for salesmen selling Norge refrigerators and Norge commercial refrigeration. Points toward awards in this club may only be registered with those products. This club will function exclusively as a refrigeration element.

To take the place of the Viking Club in adding incentive to the sale of other Norge products, the WIR Club will be brought into use. The WIR Club will function, not so much as an Honor Club, but more as a direct means of sales stimulus through the use of a catalogue type of award instead of the Honor Award system used in the Viking Club. Awards will begin at a much lower level than in the case of the Viking Club . . . they will be less valuable and there will be many more of them.

There will be no national sales contests in 1937. Instead, local contests may be put on by distributors, in which the factory will

cooperate in funding, providing the distributor utilizes factory-prepared and localized and individualized contests and obtains approval prior to the institution of any contest. This localization should be very helpful in that the contests will thus be released just when they are needed in any individual distributor's territory, and will gain force through their localized aspects.

The Loyalty League is an entirely new development of an old, old plan. It dresses up, for those dealers who want to use it, the old program of getting their owners to assist them in selling new owners.

Dealer Identification

All necessary dealer identification materials have been provided, from billboard paper and Norge Larson roadside signs down to the smallest of showroom materials. There are exterior Neon signs, interior signs, clocks, store front and window materials, truck banners, tire covers, Norge rugs . . . in fact everything that has proven advantageous in registering both the dealer and the Norge name in the minds of potential purchasers.

Mass Selling

For mass selling purposes, the following materials have been devised:

1. Feature Length Movie.
2. Newsreel Movies.
3. Slide Films.
4. Minute Movies.
5. Radio Transcription Records.

For use in cooking schools, and various gatherings, the feature length movie is available either in 35 mm. or 16 mm. It runs for approximately 45 minutes. It is named "The Unwritten Story" and, while to all intents and purposes it is the story of the trials and tribulations of a youngster breaking into the advertising business, it very definitely registers product advantages and superiorities. This movie will be available by March 15 for general showings with distributors' equipment throughout the country.

The newsreel movies, which are all shorts running from 12 to 18 minutes, can likewise, in many cases, be utilized for mass selling purposes, particularly in connection with demonstrations in department stores, at fairs and exhibits, as well as at cooking schools.

The slide film covers refrigerator advantages, with a brief summarization of the other products, and is eminently useful in the smaller dealers' showrooms and in home solicitations.

Thirteen technicolor one-minute shorts have been produced covering all products individually, with most of them, of course, on Rollator Refrigeration. These are ideally suited for use as trailers in legitimate moving picture theatres. Dealers can contract for their use with their local theatres on dealer cooperative advertising by making the necessary arrangements with their distributor.

Sales Tools

Tools of trade are provided for dealers and salesmen, as follows:

1. Demonstrating Equipment.
2. Portfolios.
3. Window Displays.
4. General Showroom Materials.

Cutaways of all mechanical types are available covering the Rollator, the concentrator burner, and various washer mechanisms. Cutaway Fine-Air Furnaces likewise are available.

The Econogauge for demonstrating refrigeration superiority is continued from 1936.

8½" × 11" pages, punched to fit standard loose-leaf binders, are provided covering every model of every product and every feature of every model. These pages give all specifications and are each complete in themselves. Dealers and salesman can build up their own sales portfolio with pages in combination with the 8½ × 11 catalogue and camera study sheets, and they can replace pages that have been used or given away from time to time.

A contract for window displays has been prepared so that a complete service can be sold for the entire year . . . ten brand-new window displays for $10.00. These displays can also be bought (although, of course, at a much higher rate) individually by the dealers. In addition to these ten new displays, we are carrying over all of the better ones of 1936. These will be available on an individual purchase plan.

For general showroom use we have literature racks, food placement and flexibility charts, and similar elements.

Literature

Printed materials have been reduced for the fewest possible number of different items.

A survey fact book has been printed under the title of "Walt Shelley Separates Fact from Opinion." This book covers all of the wanted information for dealers and salesmen . . . information obtained in the latest Norge surveys.

Product literature, itself, will be limited to basic materials such as counter pickups, or envelope stuffers, small, inexpensive 5 × 7 catalogues, newsprint circulars or broadsides, and loose-leaf 8½ × 11 catalogue sheets.

Blotters, postcards, and envelope stuffers will be made up in color from each billboard design. Recipe books, the Story of Norge, and smaller general materials will, of course, be available.

The newsprint circular, as used by Norge, is entirely new. Printed in 4 colors, and in the language of the dealers, it will be found eminently usable. Sixteen full pages (standard newspaper size) and double trucks will be available, covering each product, line, and combination of lines. Standard circulars are already printed for individual lines.

However, for the dealer who wants to make up his own, he may choose from any of the 16 available pages and have them printed in such combinations as meet his specific needs.

The Wholesaleman's Job in Promoting Program

The wholesaleman has been given the story on Norge Advertising for 1937. He has been shown how it penetrates and permeates into every particular territory. He has seen how Norge, through the combined forces of magazines, Sunday newspaper magazines, regular newspaper advertising, outdoor billboards and radio, blankets every possible avenue for the most effective name registry on potential prospects.

But the final effectiveness of this advertising program depends primarily upon the local support given by dealers. It will be through their efforts, and their enthusiastic approval of the Norge campaign, that the utmost effectiveness will be realized from the enormous advertising expenditures contemplated.

This enthusiasm on the part of dealers must be led into channels which will result in a concrete expression, made possible by the dealers' own dollars, in the form of local tie-in advertising via newspapers, billboards, radio, direct mail, and other legitimate forms of local promotion.

How best can this be done?

First of all we must realize that dealers, in this day and age, are not to be sold on glittering generalities. They are interested in hard, substantial facts. Therefore, it becomes necessary that such facts be given them, regarding the Norge Advertising Program for 1937.

We are placing in the wholesaleman's hands information and data which will enable him to make a breakdown of his territory along certain definite lines. Once this overall breakdown is completed, it will be a simple matter to take from it the figures pertinent to any individual locality.

But enough of generalities—let's get down to some of these facts. We have already forwarded distributors the following material from which each wholesaleman can secure his territorial figures:

1. Curtis Publishing Company's booklet—"Sales Opportunities for 1936–37."
2. *Good Housekeeping's* booklet—"*Good Housekeeping's* Circulation 1936."
3. *American Weekly*, towns and counties with 20% or more coverage.
4. *American Weekly*—circulation breakdown by states, counties, and cities.
5. The Story of *This Week*.
6. *Associated Weekly*—circulation breakdown by states, counties and cities.
7. First Three Markets Group—circulation breakdown by states, counties, and cities in primary zone of 19 states.

8. Audit Bureau of Circulations reports, showing detailed circulation breakdown of all Supplemental Newspapers used in your territory.
9. Outdoor Advertising—booklet showing method of calculating circulation of outdoor advertising.
10. Radio—maps showing primary zones and supporting data regarding population, families and radio homes, of all radio stations carrying the Norge program, by territories.

All of the information contained in that material is factual, with the exception of the booklet entitled, "The Story of *This Week*." This we are supplying because we feel much can be gained from studying this presentation, and the advantages to be gained from the use of Sunday newspaper magazines such as *This Week*, *American Weekly*, and *Associated Weekly*, and the independents. The advantages of *This Week*, as presented, are equally applicable to any magazine section and this is not to be construed as indicating any preference for *This Week* in comparison with other groups used.

We are not discounting the fact that the preparation of such a territorial and individual breakdown represents a real job on the part of the wholesaleman. At the same time, we cannot emphasize too strongly the fact that the information which such a job will reveal, and the resultant urge which it will create on the dealers, far outweighs the work involved.

Each distributor should see that this information is prepared immediately, as one of the strongest parts of the wholesaleman's 1937 presentation is the advertising and merchandising support given to Norge dealers.

We feel that even the present strength of the Norge story, for 1937, can be enhanced if this story is presented to all Norge dealers in a uniform manner. For this reason, we are preparing Presentation Books in loose-leaf form which are now available.

The Presentation Books give different forms which should be filled out and inserted to make the story complete and individualized right to the individual dealer.

The forms are:

1. Analyses of Individual Territory (listing of population, meters, etc.).
2. Advertising in Territory in Relation to Population (analyses of coverage of magazine, newspaper, billboards and radio programs).
3. Dealer Cooperative Advertising schedule (the arrangements for individual dealers).
4. Promotion Materials (listing of equipment dealer should have).
5. Stock Sheet (list of initial order of standard stock for territory).

Let's consider the overall job first. We do not believe it will be possible for the wholesaleman to appreciate the intensive job which is being done in Norge advertising for 1937, without the preparation of such an overall picture for his individual territory.

From the material in every distributor's possession, it is very easy to obtain all pertinent facts for the various analyses. In considering

Form 2, "Advertising in Territory in Relation to Population", . . . the compilation represented on this sheet is simple. However, there are two methods whereby they can be approached. The individual circulation breakdowns of the various publications are set forth for (1) cities and (2) counties.

While you might consider the use of city figures only, we also feel that the average city has a greater potential than the city population alone. In other words, for any given dealer, the circulation of an individual publication for the dealer's city alone would not represent the total effective circulation, inasmuch as this dealer, in all probability, will go beyond the actual city limits and, therefore, can make effective use of all copies in a given territory. This, of course, applies more particularly to the dealers in smaller cities and towns—it is not so true of metropolitan dealers.

In other words, it is recommended that this penetration analysis be considered from the standpoint of counties, where this can be done, rather than by cities only.

The various steps in the development of the large territorial analysis are as follows:

1. Take the city to be analyzed.
   a. Place the name of the city and the county in the space provided for it.
   b. Secure from either the *American Weekly* or *This Week* breakdown, the number of families in the city or county.
   c. Under the heading of "Dealers Affected," place the names of the Norge dealers in that particular city or county. For a metropolitan city, it will be necessary, of course, to say "metropolitan dealer setup."
2. The next step is to break down the circulation.
   a. As the first publication is the *Saturday Evening Post*, refer to the state upon which you are working in the booklet entitled "Sales Opportunities for 1936–1937."
   b. Find the county in which the city is located. Here can be found the number of copies of the *Saturday Evening Post* going into the county and into the city, if the city is sufficiently large to warrant this breakdown on the part of Curtis Publishing Company.
   c. Put this figure in the column headed "Circulation" under *Saturday Evening Post.*
   d. This will determine the period for which this breakdown is being prepared.
   e. Each wholesaleman has been advised of the dates upon which Norge advertising will appear in the *Saturday Evening Post.*
   f. In the next column, under "Issues" place the number of issues of the *Saturday Evening Post* which will carry Norge advertising during the period. The circulation times the issues will give the total impressions for the *Saturday Evening Post* during the period involved.

3. The same procedure will be carried out for *Good Housekeeping* as has been outlined for the *Saturday Evening Post*, using here for circulation figures the booklet entitled, "*Good Housekeeping's* Circulation 1936."
4. Next, is the circulation analysis of the Sunday newspaper magazine groups. Here the same procedure will apply for *American Weekly*, *This Week*, *Associated Weekly*, and the first Three Markets Group.
   Of course, not all groups will apply to all territories, but by checking up the various detailed circulation bookets for each of the above groups, it will be possible to secure the necessary circulation figures for individual dealer points.
   The same general procedure will be followed out here as has been set up for the magazine analysis.
5. We come now to the Supplemental Newspapers.
   a. Where a member paper of one of the groups previously outlined is not published, this space is provided for the Metropolitan newspaper which will be used in place of the Group publication.
   b. In the event it has been deemed advisable to add additional publications, the Supplemental Newspapers will be analyzed in these columns.
   Head the column to be used with the name of the publication. Inasmuch as each publication does not prepare a circulation breakdown, such as is available from the Group Newspapers, individual breakdowns, as prepared by Audit Bureau of Circulations, are being furnished. These ABC reports set forth the circulation story according to states, counties and cities, where 25 or more copies are distributed.
   In this manner, a circulation penetration similar to that secured for Magazines and Weekly Newspaper Groups can be developed from these ABC reports.
6. Under the column "Total Combined Circulations," there is now a story to present to the dealer. In the great majority of cases, both the wholesaleman and the dealer will be astonished when they compare the tremendous total accumulation of Norge advertisements going into each dealer's territory with the actual number of families within the area.
7. We should now consider Outdoor.
   a. On the national program, as it has been outlined, this will apply to only a few dealers, inasmuch as the National Outdoor Program is confined to distributor headquarter towns.
   b. However, for these specific cities, this breakdown is most important. The wholesaleman has already been furnished with his analysis of advertising for the first quarter of 1937, and the tentative analysis for the first six months of 1937—the number of regular and illuminated boards; the net daily circulation; the number of months in which the posters will be

shown; the total net circulation represented by these posters.

8 Radio presents a somewhat different procedure.

a. It will be noted that we have allowed a space for the name of the station, which can be secured from each wholesaleman's regular schedule data. However, we have given, heretofore, the number of radio homes for the primary area of the station. It is possible that the detailed data on the station which we have been able to furnish the wholesaleman will show the number of radio homes in each county in the primary area of the station.

b. Should this information not be contained in the data made available, the Promotional Department of the radio station will give out the names of the counties in their primary zone, and the latest available data as to the number of radio homes in each of these counties.

c. Once this information is secured, it will be a simple matter to develop the total potential radio audience, by multiplying the number of radio homes by the number of programs which will be given during the period involved in this analysis.

9. Next, we come to the Individual Presentation.

This we feel to be of vital importance, but its preparation becomes extremely simple as it is just a question of transferring figures from the overall analysis.

This Individual Dealer Presentation must do a selling job. Its preparation and development are self-explanatory.

There are individual factors not known to Norge, which should by all means be set forth in the "Remarks" column.

—Use them to further localize this national Norge picture.

—Use them to further intensify dealer enthusiasm for the overall campaign.

—Use them, above all else, to get the dealer to realize the profits to be earned by tying in his individual advertising efforts with the national Norge picture, and to point out to his prospects, "*This Is the Place to Buy Those Norge Appliances about Which You Are Reading Day after Day.*"

Summarization

A complete perusal of this program will indicate that the 1937 plan is definitely toned by means of its increased funding and elaborated planning to:

1. Assist materially in covering uncovered towns.
2. Aid in building up of Master Merchants' operations.
3. Stimulate and increase sales organization and their ability.
4. Materially augment the registry of the Norge name on the public's consciousness.
5. Greatly increase the effectiveness of Norge advertising.
6. Permit the inclusion of sufficient amounts of range, washer, ironer, and commercial advertising to give those products the necessary public acceptance.

7. Progressively carry on the all-product program to new heights of recognition.
8. Increase the amounts of distributor and dealer monies utilized for advertising and promotional purposes on a definitely planned and productive basis.
9. Increase individual product and all-product volume.

Now, here is a program that can be made productive to the point where Norge will be firmly entrenched with the proper types of dealers with adequate sales force in markets all over the United States, if used profitably and logically. Here is a program that can and will reach the public with such repetitive force that it will make selling far easier than ever before . . . and will break down resistances that are normal . . . add to the force of every selling argument. Here is a program that every Norge man should make the most of . . . instead of merely permitting it to exist within his territory without the capitalization to which it is entitled.

12. EXCELLO TIRE COMPANY

ADVERTISING BY SELECTED RETAIL DISTRIBUTORS

The Excello Tire Company, a producer of high-grade pneumatic tires for passenger automobiles and trucks, had spent approximately $100,000 annually advertising in magazines with national circulation during the five years immediately preceding 1927, seeking to establish its tires in the minds of the car-owning public as products of high quality. Excello tires were produced in various sizes and sold for slightly higher prices than were obtained by the majority of competing tire manufacturers. The company's sales, which had increased yearly, in 1926 were over $12,000,000 or four times the sales in 1922, when national advertising had started. The sales growth indicated that the satisfactory service given by the tires was resulting in repeat sales. The executives of the company, however, wanted more definite checks on the success of the marketing and advertising program; specifically, they desired to find out what percentage of car owners in the United States was acquainted with the name "Excello" and of these car owners what percentage knew where Excello tires could be purchased. Accordingly, in the summer of 1926, the executives requested the advertising agency which prepared the company's advertising to conduct a survey to secure the desired information. The field work was done, and the agency submitted its report during the fall of 1926.

Excello tires were retailed by approximately 4,000 selected dealers. Except in three or four of the largest cities, the company appointed only one dealer who had the exclusive selling rights in a specified territory. This organization permitted the Excello Tire Company to be represented in the principal towns and cities of the United States; few places were far distant from an Excello dealer, since there were approximately only 3,000 places having a population of 2,500 or more. Some of these dealers had more than one store; all of them were privileged to wholesale tires to other tire dealers in their territory, thus establishing subagencies, but few of the directly appointed dealers had made much of an effort to establish subagencies. Many dealers sold only Excello tires, but the majority of them sold also one or more brands of tires made by other manufacturers.

In planning and carrying out the original advertising of the Excello Tire Company, the advertising agency employed adopted the policy that for such a product the prime obligation of the manufacturer was to establish a high reputation for his products on a national scale and that the obligation of doing local advertising through various media to assist the dealer actually to make sales was secondary. For these reasons, the company had confined its advertising entirely to national magazines; it never had entirely financed outdoor, newspaper, or direct-mail advertising to help the retailers in their local campaigns. Competing tire manufacturers, however, were known to be liberal in assuming the entire expense for such advertising campaigns of dealers, presumably to intensify the reputation of their products within certain areas.

Retailers, in the opinion of the advertising agency, had the primary obligation of doing local advertising to capitalize upon the national reputation which the manufacturer had established. The company, however, by paying approximately one-half the cost of newspaper, outdoor, or direct-mail advertising, had assisted those dealers who wanted such advertising. Displays, dealers' signs, enlargements of magazine advertisements, window posters, and other dealer helps, listed in Exhibit 1, had been offered also to retailers at approximately half the cost of the advertising material. Although the company urged dealers to advertise locally and to avail themselves of the dealer-identification material,

EXHIBIT 1

Form Used in Excello Tire Company Survey to Record Description of Retailers' Stores

Dealer's Name... .... Reporter: . .....
Street Address .
City and State ... . . Date: . . ..

Description of Store	Check	Remarks:
Type of Store ...		.....
Tire Store Only .		.. .
Tire and Auto Accessory		. .
Repair or Storage Garage .		. .
Car Dealer, Sales and Service		
Filling Station		
Other (State)		
Location of Store	(Check Three):	
Downtown	.	
Outlying		.
Corner		
Middle of Block		.
Main Street		..
Side Street . . .		.
Excello Signs or Other Identification		Note: If more than one, show number. Describe any Excello identification not listed.
Painted Signs, Black, Red, or White Letters . . .		
Electric Sign		
Painted Sign on Building		
Protruding Metal Sign		.
Outside Painted Sign on Window		
Tire Shade Design		.
Straight Lettering		
Window Display		.
Window Excello Tires and Tubes		
Posters Displayed		
Enlarged Magazine Ads .		. .
Wall Posters (inside)	. .	.. .
Inside Excello Tire Rack (metal stand)	. .	.. . .
Enlarged Magazine Ads....	.	. ... ..
Other Makes of Tires Advertised	. ... .	.....
What Other Tire Lines Are Identified with Stores? (Name)	.. .	. .....
Is Any Other Line Better Identified than Excello?.	....	.....
If So, What Line (s)? (Name)	. .. .	.. ..

the agency agreement did not compel such advertising.[1] Most of the dealers, however, had undertaken some local advertising; some took full advantage of what was offered; others, less enthusiastic in their cooperation, used only part of the material and financial assistance available for local advertising.

The advertising agency, in undertaking the survey, was anxious to have the results truly indicate the situations in the various localities; thus, if similar surveys were made in the future, the results of subsequent advertising could be clearly seen. It was decided that the best way to collect the information desired by the Excello Tire Company would be through simple and brief interviews with car owners. In these interviews it would be necessary for the investigator to find out whether the car owner knew of the Excello tire and, if so, whether he could tell where the tire could be purchased. The investigator, impersonating an automobile owner desiring information, would conduct the interview in a conversational manner as would be natural under a chance acquaintanceship and question automobile users as they were entering, leaving or parking their automobiles or as they were leaving garages and parking spaces. To standardize the interviews, the agency composed the four following questions for the investigators:

1. Can you tell me where I can get an Excello?
2. Who carries an Excello here?
3. The Excello *tire*, I meant to say.
4. Do you know of the Excello tire?

As many of these four questions were to be used in sequence as were necessary to permit the investigator to ascertain whether the person interviewed knew of the tire and where it could be

[1] A policy different from that described above is found in the following quotation taken from an article, "Dealer Advertising Control," by A Sales Manager, appearing in *Printers' Ink*, Oct 24, 1935 "No dealer is permitted to take on our line unless he agrees to follow our basic plan of operation If he doesn't follow the plan, we know from experience that his sales will suffer and then we must find a new dealer Our distributors' men are in constant touch with our retail outlets, impressing upon them that anyone can open a store or put in a stock of merchandise but that our success, and the success of hundreds of distributors and dealers, is founded upon this basic plan.

"While we charge for the large majority of our dealer helps, we are also ready to do our share by paying a part of the cost of any advertising that distributors and dealers may do. We believe that to dump quantities of sales aids on our dealers would be tremendously wasteful When a retailer has to pay something for this material, no matter how little, he has considerably more respect for it and is sure to use it Similarly, when a dealer or distributor recognizes that the company itself is willing to share part of the cost of advertising, he takes more interest in the matter."

purchased. In some instances it would be necessary to use only one or two of the questions; at other times, it would be necessary to carry the interview through the complete series of questions. The first two questions were designed to indicate the car owner's familiarity with the location of dealers' stores; the second, being a reiteration of the first question, was included in the group in order that the car owner might have a full opportunity to hear the question. The third was to be used when it was necessary to suggest that the investigator was talking about a tire. The last question was to be used in those cases where, during the conversation, the owner had not definitely indicated whether he did or did not know of the tire. After each interview, the replies were to be checked on tally sheets or forms which provided space for reports on 25 interviews. The investigators also were to be required to report the make of the car and the license number so that the agency would have a check on the class of persons interviewed, especially the relationship between those driving Fords and those driving other makes of automobiles.

The investigators also were to fill in the form, Exhibit 1, which asked specific questions about the dealer's store. From these forms the advertising agency planned to rate the dealers in their use of identification material as: Excellent, Good, Fair, Poor, or None. This information was expected to be important as an aid in interpreting the results of the survey in a particular city. It might indicate also the effectiveness of dealer advertising or, conversely, the effectiveness of national advertising.

The personal and dealer questionnaires were tested in 20 cities by regularly employed agency investigators. They proved satisfactory. As a result of this test, the agency expected that approximately 100 interviews could be obtained in a day. To investigators engaged for the national survey the agency decided to offer $7 a day; when it was necessary for them to leave their home city, they would be allowed railroad fare or 5 cents a mile for traveling expenses and $1.50 a day for meals.

Since the agency's regular staff of investigators was not sufficiently large to make a national survey quickly, it was necessary to expand the field force temporarily. For the surveys in cities near the agency's office, men were secured who often did this type of work temporarily for the agency. In other places an effort was made to obtain men whose character and ability were

vouched for by responsible persons. The arrangements for temporary help were completed by mail and telegraph. The agency secured 125 men to do the interviewing: 19 were recommended for part-time work by a mail-order house, 19 were investigators for the merchandising departments of newspapers, 51 were obtained through appointment by college presidents or college employment offices, 16 were obtained through appointment by heads of business colleges, and 20 were full-time or part-time members of the agency's field force.

Instructions sent to each investigator informed him of the city in which he was to make the survey, the number of interviews he was to make, the date by which he should finish his work, his compensation, and the location of the local dealer. The investigator was instructed to locate the dealer's store and fill in the dealer questionnaire first. Dealers were not to be advised that a survey was being made in the city; if any inquiries were received, however, the investigator was to explain that he was taking part in a national survey. The instructions also explained the purpose of the investigation and the procedure in conducting an interview. In cities where the dealer's store was located in an outlying part of the city, the investigator was instructed to secure one-half the interviews within a half mile of the dealer's place of business.

In conducting and recording an interview, the investigator was cautioned to give the person interviewed full opportunity to answer the second question whenever it was used. The fourth question was to be used casually just as the investigator started to leave. Investigators were to mark "No" when there was a doubt as to the man's familiarity with Excello tires.

The investigation was conducted in 270 cities, each having a population of 15,000 or over. In New England there were 26 cities investigated by college men; in the north central states there were 141 cities investigated by agency men; south of the Mason and Dixon line and west of the Mississippi there were 103 cities investigated by college men, newspaper investigators, and part-time employees of the mail-order house. In the Middle West, the agency men investigated 13 cities which did not have dealers but were near cities in which the company was represented. The number of interviews in each place varied from 50 to 236, according to the size of the city. The total number of interviews obtained was 24,570.

A tabulation of the results of the two questionnaires is given in Exhibits 2 and 3.

EXHIBIT 2
Figures Showing Extent of Car Owners' Knowledge of Excello Tires and of Distributors
(Total number of interviews in each city = 100)

Number of Cities	Group*	Group Limits Based on Percentage of Car Owners Knowing Where to Buy Tire	(a) Average Percentage of Car Owners Knowing of the Tire	(b) Average Percentage of Car Owners Knowing Where to Buy Tire	Column (b) Expressed as a Percentage of Column (a)
117	A	Over 25.0	73 0	45.0	62.0
28	B	21–25.0	67.0	22.0	33.0
32	C	16–20.0	64.0	19.0	29.0
24	D	11–15 0	64.0	13 0	21.0
22	E	6–10.0	51.0	8.0	16.0
34	F	5 or under	43.0	1.7	4.0
257	All cities		65.0	23.0	35.0

* Grouped according to consumer knowledge of dealers.

EXHIBIT 3
Quality of Identification of Retailers as Distributors of Excello Tires

Group	Excellent		Good		Fair		Poor		None		Total	
	No.	% of Total	No.	% of Total	No.	% of Total	No.	% of Total	No.	% of Total	No.	Retailers Reported, %
A	28	29	31	32	22	23	15	15	1	1	97	100
B	7	25	10	36	6	21	4	14	1	4	28	100
C	5	17	14	46	4	13	5	17	2	7	30	100
D	1	4	6	26	7	31	8	35	1	4	23	100
E	1	5	1	5	7	32	10	45	3	13	22	100
F	0	0	3	10	0	0	9	31	17	59	29	100
All Cities	42	19	65	29	46	20	51	23	25	9	229	100

What was the practical significance to the Excello Tire Company of the findings as tabulated in Exhibits 2 and 3?

13. NATIONAL ROCK DRILL COMPANY (B)[1]

COOPERATION WITH DEALERS

In its advertising and selling to the mining field and to the contracting field, did the National Rock Drill Company have well-coordinated programs?

[1] See p. 113, National Rock Drill Company (A).

SECTION IV

USE OF ADVERTISING TO DEVELOP PATRONAGE MOTIVES—INSTITUTIONAL ADVERTISING

SUGGESTED READING

COLLINS, *The Road to Good Advertising*, Chap IX
COPELAND, *Principles of Merchandising*, Chap VI
Harvard Advertising Awards, 1924–1928, pp 73–90; 1929, pp 75–92, 1930, pp 27–34
METROPOLITAN LIFE INSURANCE COMPANY, *Institutional Advertising by Industrial Manufacturers* (pamphlet).

1. GENERAL MOTORS CORPORATION[1]

INSTITUTIONAL CAMPAIGN

In 1923, General Motors, a huge operating corporation owning the plants, properties, and assets of some twenty manufacturing divisions, employing a world-wide sales organization, financing millions of retail sales, and carrying on extensive research to promote the automotive industry, accepted institutional advertising as a business tool. The advertising had two objectives: to bring about a unification of spirit and interest among the many manufacturing and distributing units; and to inform the public, both that part which constituted the market for automobiles and accessories and that part which constituted the market for securities, of the real nature of the corporation and of the added value which it gave to the products of the units through its extensive researches and stable management.

The series of advertisements reproduced here represents the second year of a five-year program. The advertisements appearing in 1923, the first year of the program, had for their theme the accomplishments of various manufacturing divisions of the corporation. By featuring its already famous members, General Motors was able to introduce itself to the public with no waste motion, attaching to itself established prestige, while at the same time it gave publicity to its members and thus incurred their goodwill.

Starting from this point, the advertising of the second year attempted to give a picture of the services rendered by General Motors and of the value which the corporation contributed to the products of its divisions. Two principal series of advertisements, it will be noted, were included. One, the "goodwill series," sought to attach merit to General Motors itself by the indirect but graceful procedure of praising the services rendered by doctors and others through the use of the automobile. Two advertisements of this series are shown in Exhibit 1.

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[1] Taken from *First Five Years—Harvard Advertising Awards, 1924–1928*, McGraw-Hill Book Company, Inc., New York.

The second series, known as the "facts series," is illustrated in Exhibit 2. It was not enough to run the goodwill series without at the same time explaining what General Motors

Exhibit 1: Example of the "Good-will" Series of Advertisements of the General Motors Corporation.

was and why it existed. Such factual explanations, however, could not suitably be included in the goodwill advertisements; hence a separate series was used. Employing the news approach

and giving pertinent facts concerning the corporation and its units, this series sought to build up patronage motives for General

Exhibit 2: Above, Advertisements from the "Fact" Series of the General Motors Corporation. Below, Advertisements Stressing the Value Which the Corporation Adds to Products of Its Various Divisions.

Motors. The use of small space permitted publication of 20 or 25 advertisements of this type in each of 21 publications during the year.

In addition to the goodwill and facts advertisements, a financial series, seeking to develop a market for the corporation's securities, appeared in business, general, and financial papers; also a foreign series, patterned after the domestic advertisements, appeared in 56 magazines and newspapers in 16 foreign countries.

Measures were taken to have these advertising messages brought to the attention of the personnel throughout the organization and also to the attention of dealers, as a means of bringing about the internal unification which was an essential part of the program. The planning behind the program as a whole, as well as the human-interest appeal of the copy, made the campaign conspicuous among the institutional advertising campaigns of 1924.

2. BALTIMORE & OHIO RAILROAD[1]

INSTITUTIONAL ADVERTISING

During the year 1930 the Baltimore & Ohio Railroad spent approximately $350,000 on an institutional campaign which appeared in selected magazines and in rotogravure sections of newspapers in the larger cities reached by the railroad.

A brief submitted with the campaign for the Harvard Advertising Awards stated in part:

The Baltimore & Ohio is *not* the fastest railroad between the East and the West. Nor does it carry the most passengers or the most tons of freight.

But the B. & O. has a man in its organization who has been able to instill in every employee of the Road a genuine will to please. That man is President of the Baltimore & Ohio, Mr. Daniel Willard.

The problem—briefly—was to cause people to come to think of the B. & O. as a friendly, human railroad, to say those things to the traveling public that would make them view the B. & O. in the warm, personal light in which one views it when Daniel Willard speaks; to tell people of the vast improvements in its equipment.

The objectives of the 1930 campaign were to induce an ever-increasing number of travelers to use the B. & O., to tell the courteous policy of the Road in handling passengers. And secondarily, to inspire the B. & O. personnel to even greater effort toward the courteous, personal service of which the advertisements spoke.

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[1] Adapted from a statement in *Harvard Advertising Awards, 1930*, McGraw-Hill Book Company, Inc., New York, pp 28–33.

Courtesy and comfort, then, were chosen as the chief copy appeals, because the B. & O. had developed this phase of passenger service to a degree of perfection unequalled by any other railroad in the country. Furthermore, the advertisements were planned to personify the ideals of Mr. Willard—written in honest, friendly, and homely language.

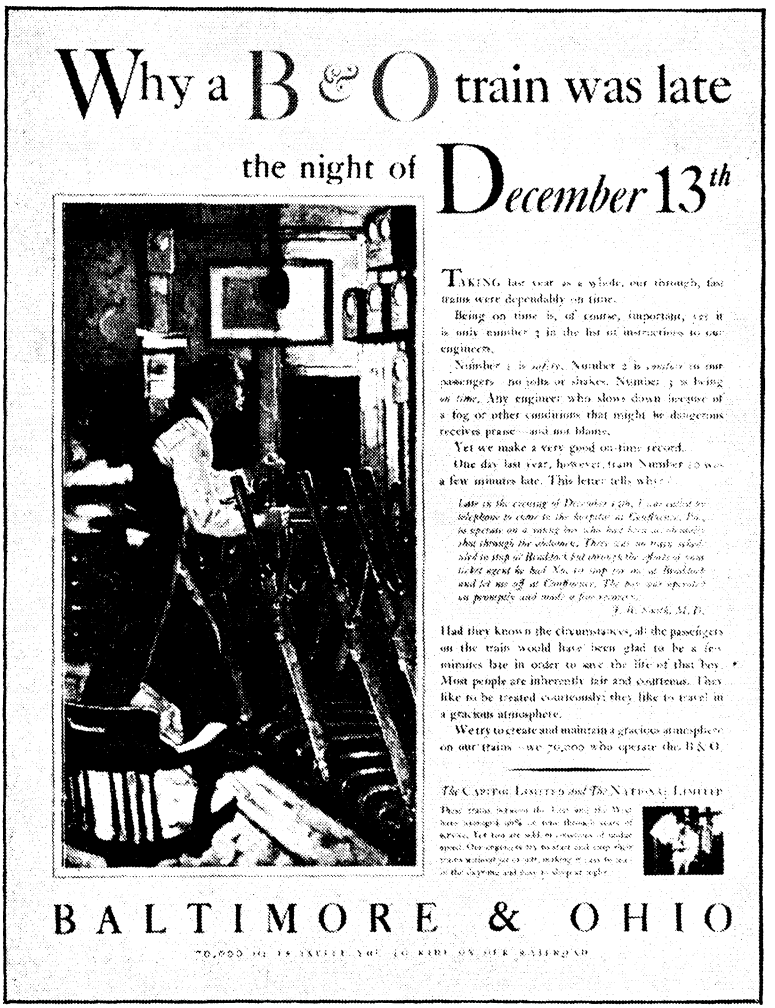

Exhibit 1: Example of Baltimore & Ohio Railroad Advertising.

Each national magazine advertisement was enlarged and hung in a frame in each of the 1,500 B. & O. stations and ticket offices throughout the system. Each advertisement was reproduced on

menu cards in B. & O. timetables, and in the *B. & O. Magazine*, the official house organ of the road. Passenger agents and personal solicitors sent reprints of the advertisements to hand-picked prospects, accompanied by letters asking for comments. Those addressed were then followed up by personal solicitation.

Exhibit 1 is an example of advertisements from this campaign. The tone of the copy is indicated by the following excerpt from one of the series:

YOU ARE VERY IMPORTANT TO OUR RAILROAD

One sentence occurs again and again in the letters that come to our offices every year: "I was led to make my trip over your railroad at the suggestion of a friend."

This is not an accident. It is the result of a definite plan which was started several years ago.

At that time we said to ourselves, "What can we offer people as an inducement to travel with us?"

And we answered, "We can honestly try to give people a little more than they've paid for.

"Their ticket calls for a ride on our railroad. We are required to provide a locomotive, an engineer, conductors, porters, various pieces of railroad equipment, and dining-car service. That's what every railroad must provide. But let *us* try to give them an enjoyable trip; an engineer who is doing his very best to start and stop his train without jolt, and a locomotive that will help him do it. Let us have tracks that are smooth, equipment that is modern and clean. Let us try to have conductors and porters who take pride in their work and who have a feeling of sympathy, kindliness, and thoughtfulness toward travelers. And let us provide our passengers with meals that are *really* good."

People like to talk about railroads, and when they found out what we were trying to do they began talking to their friends. That's one of the reasons our business has grown.

So it's you, after all, who have helped make our railroad more and more successful. You on your front porch, and in your club and church, and wherever you meet your friends.

We appreciate it. When you ride with us, we'll endeavor to show you that we do.

BALTIMORE & OHIO

In 1930, the Baltimore & Ohio Railroad operated approximately 7,700 miles of railroad, mainly in Pennsylvania, West Virginia, Maryland, Ohio, Indiana, and Illinois, with operating revenues of approximately $206,700,000, of which $173,700,000 was from freight, $18,600,000 from passengers, and $14,400,000

from other operations. Its net railway operating income was $40,248,614, and its net income was $21,423,770.

Was the expenditure for this institutional campaign a wise one?

3. NATIONAL ROCK DRILL COMPANY (C)

INSTITUTIONAL ADVERTISING

Salesmen of the National Rock Drill Company[1] in the mining districts reported that one difficulty they encountered in selling National tools was that, in territories which the company had not developed intensively prior to 1922, the mine executives were unfamiliar with the integrity and size of the National Rock Drill Company. Although they might read the advertisements, they apparently could not evaluate the truth of the claims made in the advertising. This same attitude was encountered among contractors who were accustomed to using tools manufactured by large companies of long-established reputation.

In order to overcome these difficulties, the company planned in 1926 to run a series of six monthly advertisements of an institutional character in its publication list in both the mining and contracting fields. These advertisements were to replace the regular specific product advertising and hence would not increase the advertising cost. The factory of the National Rock Drill Company was on the same grounds as the much larger factory of the original tool company. The advertisements were to show pictures of the entire group of factories without mention of the original tool company; pictures of tools in the process of manufacture; and appropriate text to lend an impression of size, large financial resources, precision in manufacturing, and responsibility.

Should this program of advertising have been adopted?

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[1] See p 113, National Rock Drill Company (A)

4. INSTITUTIONAL ADVERTISING FOR VARIOUS COMPANIES

Consider the suitability of institutional campaigns for the Buckner Textile Machinery Company, page 110, Armstrong Cork Company, page 285, General Foods Corporation, E. R. Squibb & Sons, Aluminum Company of America, R. H. Macy & Co., Inc.[1]

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[1] *Leading Advertisers*, 1936 (Curtis Publishing Company), p 56, lists the following expenditures for institutional advertising in leading magazines for the year 1935*:

Aluminum Company of America	$ 33,055
American Can Company	10,475
American Laundry Machinery Company	93,600
Armour and Company	2,879
Chrysler Corporation	61,315
Clark Grave Vault Company	8,550
Thomas A Edison, Inc	950
Ford Motor Company	12,865
General Electric Company	81,665
General Motors Corporation	388,065
Gulf Refining Company	13,846
Kelly-Springfield Tire Company	11,550
John Morrell & Company	4,833
Philco Radio & Television Corporation	14,400
Remington Rand, Inc	7,200
E R Squibb & Sons	165,390
Swift & Company	7,025

* Institutional expenditures for media other than magazines were not reported

SECTION V

THE DETERMINATION AND BUDGETING OF ADVERTISING APPROPRIATIONS

SUGGESTED READING

ASSOCIATION OF NATIONAL ADVERTISERS, *The Advertising Budget*

——— *An Analysis of 285 National Advertising Budgets, 1932–1933.*

——— *An Analysis of the Distribution Costs of 312 Manufacturers*

——— *A Survey of 299 National Advertising Budgets, 1934–1935*

CONVERSE, "Analysis of Retail Trading Areas," *National Marketing Review*, Vol I, p 316

FALK, *Advertising as a Stabilizing Force in Business* (Bulletin of the Advertising Federation of America)

GRISELL, *Budgetary Control of Distribution*

GUNDLACH, *Facts and Fetishes in Advertising*, Chap XXVI

HAASE, *The Advertising Appropriation*, Chaps I–VIII

HENSLEY AND BORDEN, *Marketing Policies of the California Walnut Growers' Association* Appendix B: Determination of Market Potentials for the California Walnut Growers' Association

Major Market Newspapers, *1934 Dentifrice Sales Potentials and Surveys*

VAILE, *Economics of Advertising*, Chap VI

WELD, L D H "The Building of Buying Power Indexes or Standards," *National Marketing Review*, Vol I, p 70

——— "Scientific Determination of Regional Sales Potentials," *American Marketing Journal*, Vol III, p 32

A. BASES FOR DETERMINING ADVERTISING APPROPRIATIONS

1. METHODS OF BUDGETING USED BY NATIONAL ADVERTISERS

A Survey of 299 National Advertising Budgets, 1934–1935, by the Association of National Advertisers, gives the following summary of the bases upon which 1935 consumer advertising budgets were determined:

A Percentage of 1934 Actual Sales	19 companies
A Percentage of 1935 Estimated Sales	65 companies
A Percentage of 1934 Sales and 1935 Estimated Sales	28 companies
A Percentage of Sales (Year Not Given)	5 companies
Estimated Amount Needed for Adequate Campaign	48 companies
Estimated Amount for Adequate Campaign and Percentage of 1934 Sales	2 companies
Estimated Amount for Adequate Campaign and Percentage of 1935 Estimated Sales	20 companies
Estimated Amount for Adequate Campaign and Percentage of 1934 and 1935 Estimated Sales	9 companies
Other Methods	19 companies

Among the "other methods," four advertisers appropriated a certain amount per unit for advertising. One figured the budget quarterly on the production of the previous quarter. Another stated that the budget was determined according to "past experience, competition, and unit cost"; another according to results of 1934; and another wrote: "judgment of how much increase could be made profitably." Two based it on previous experience, and three said arbitrary amounts were appropriated for advertising

Refer to the cases listed on page 352 and determine for each, in so far as possible, the basis or bases used in fixing the advertising appropriation.

1. In each instance was the basis of arriving at the advertising appropriation sound?

2. What generalizations concerning the determination of advertising appropriations may be drawn from these cases?

	Page
Associated Salmon Packers	3
National Shoe Retailers' Association	33
Harvard Economic Service	65
The Expello Corporation	75
Robbins Rope Company	93
Lydia E. Pinkham Medicine Company.	103
Buckner Textile Machinery Company	110
National Rock Drill Company (A)	113
Waverly Manufacturing Company	122
Rand Company.	134
Hartley Company.	211
Athena Corporation (A)	262

2. CARY CLEANSERS, INC. (A)

DETERMINATION OF ADVERTISING POLICY

In the summer of 1933 the officers of Cary Cleansers, Inc., engaged the services of Prentiss-Mason Company as advertising counsel. All advertising was suspended for the following four months, during which Mr. John Mason, a partner in the agency, devoted himself to an intensive study of the promotional problems of the cleansing concern. In November at a meeting with the executives of the company he outlined the advertising and marketing policy which he strongly urged them to adopt. In contrast to previous advertising, which had been of an institutional and name-display character, the suggested campaign was built around direct-action advertising of cleansing and dyeing services for specific articles at specific prices. The treasurer of Cary Cleansers, Inc., at once objected, defending the previous policy of the company as one that had successfully impressed upon the community the Cary name and reputation. The agency's suggestion, he declared, would destroy that reputation and put the company into competition with a great many cleansers offering services at lower prices. Mr. Mason asked the assembled executives to allow him to present his discussion of the situation in which he found Cary Cleansers, Inc., and to describe fully the proposed advertising campaign. They could then decide whether the new program should be adopted.

The firm of Cary Cleansers, Inc., had been engaged in business in a large eastern city for more than 100 years. It offered to do every variety of cleansing, pressing, and dyeing, being equipped

to cleanse more than 10,000 different articles, including men's suits, overcoats, and hats; women's dresses, gowns, suits, coats, and hats; neckties; gloves; domestic and oriental rugs; leather shoes, jackets, and handbags; fur coats; draperies; etc. It also performed regular laundry service. During its long history it had built up an enviable reputation for skill in its cleansing work. The company's prices, however, were as high as or higher than the prices of any other cleansing concern. Particularly during the depression years the company had acquired the reputation of being a "high-price" cleanser. Seven retail stores were operated and the company offered home pick-up and delivery service. All work from the stores was brought to the central plant.

Publicity generally either of an institutional or of a name-display character had been employed by Cary Cleansers, Inc., for a number of years. Media selected had included newspapers, car cards, billboards, direct mail, and programs. For several years almost one-third of the annual advertising appropriation had been devoted to purchasing space in programs for both professional and amateur theatrical performances. The distinctive trade-mark of the company had been the most prominent feature of most of the advertisements in all media and had become very well known. Copy had stressed the experience of the company, the high quality of its work, and its reputation for attention to detail. It had not informed the public of the price scale for individual cleansing, dyeing, laundering, and storage services, nor had it indicated the great variety of articles which the company was equipped to handle.

In beginning his discussion, Mr. Mason said that in his opinion potential users of the services offered by Cary Cleansers, Inc., possessed inadequate information with respect to the prices for which various articles could be treated by the company. Moreover, previous advertising had been general in its character and uncertain in its results. No attempt had been made to coordinate the advertising program with the production facilities in such a way as to give employment at a profitable volume to the several branches of cleansing and dyeing operations. He believed that it was particularly unfortunate that during the depression prices had not been lowered proportionate to the fall in the general price level on so-called "yardstick" items (men's suits, overcoats, and hats, women's dresses, and coats) which customers frequently compared with competitor's prices and for which they had a

general impression of what were "reasonable" prices. The result, he said, had been to earn for Cary Cleansers, Inc., the reputation of being exorbitant with services priced beyond the reach even of the middle- and upper-income groups which constituted its best market.

Mr. Mason believed that a change in advertising media and technique, such as that proposed in transferring from an institutional to a direct-action approach, would be of greatest value when it was closely associated with a detailed budgetary system designed to give the management an efficient tool for measuring operating results throughout the business. His first proposal, therefore, was the division of the company's operations into 11 different departments; a master profit budget would be set up with supplementary budgets for each department. Expense percentages would be related to gross profit rather than to sales.[1] With this control procedure he expected to be able to plan operations seasonally, monthly, and weekly by departments and by the use of tested advertising to maintain a flow of operations in all departments at a level that would maximize gross profits.

The advertising program was designed to inform and reassure the public on three points which Mr. Mason believed had been neglected in the past: (1) specific prices for specific cleansing, dyeing, laundering, and storage operations; (2) detailed statement of the great variety of articles which would be cleansed; (3) quality of work which customers could rely upon obtaining from the company.

In the contemplated program the institutional appeal was to be subordinated to concerted advertising pressure on individual articles. Mr. Mason did not believe, however, that all articles capable of being cleansed were equally suited for direct-action advertising. To secure effective results from advertising, it was necessary to have an item which had a high frequency of sale or a dense market. It was an additional advantage if a high margin could be secured while still maintaining a reasonable price.[2] After examination of the company's sales records he had divided the

[1] In accord with the principle of profit control developed by The Eddy-Rucker-Nickels Company, Marketing Counsel, Cambridge, Mass.

[2] Mr Mason acknowledged his indebtedness for the idea of guiding the sales and advertising activities on the basis of a profit budget, balanced pricing, frequency, and density to the work of The Eddy-Rucker-Nickels Company, Marketing Counsel of Cambridge, Massachusetts, described in promotional literature of that organization.

more important articles handled by the concern into three groups: (1) those which had a high frequency of sale (six or more times a year), including men's suits, women's dresses, men's and women's hats, neckties, women's blouses, and laundry service; (2) those which had a medium frequency of sale (three to six times a year), including gloves, evening gowns, tuxedo and full-dress suits, men's topcoats and overcoats, fur storage, laces and table linens; (3) those which had a low frequency of sale (two or less times a year), including leather coats, rugs, curtains, blankets, and dyeing service of several kinds.

The chief value of this division lay in its help in indicating the number of potential customers in the market at any one time. Although certain services, such as fur storage or cleansing overcoats, topcoats, and blankets, were highly seasonal, within their period of peak demand they could be treated as articles having a high frequency of sale. Mr. Mason indicated that it was not profitable to adopt a promotional program to change established habits with respect to using seasonally cleansing and dyeing services, particularly when, as in the case of rugs, the habits were strongly entrenched and were based on universal housekeeping practice.

Mr. Mason made a further division on the basis of the gross margin secured for various articles. Among the operations on which a high gross margin could be secured, he listed fur storage and the cleansing of women's evening gowns, laces, and table linens. Among those on which a medium gross margin could be secured, he numbered cleansing men's suits, women's dresses, general laundry service, cleansing men's overcoats and evening suits, and cleansing rugs, both domestic and oriental. Among those operations on which a low gross margin could be secured, he enumerated cleansing men's and women's hats, neckties, women's blouses, gloves, and blankets.

Mr. Mason stated that he expected to direct the advertising program with these facts in mind. He planned constantly to advertise services for those articles for which there was likely to be a large number of potential customers in the market at all times and on which a relatively high margin could be secured, and to advertise services for other items only in season.

He next turned his attention to the scale of prices. The advertising of cleansing services for yardstick items at the price

scale which had been maintained by Cary Cleansers, Inc., for a number of years would injure rather than help the company. He believed that advertised prices must seem reasonable to the people who constituted the potential market for the company's services. Cary Cleansers, Inc., was offering a service of high quality. He had no intention of encouraging competition with low-price cut-rate cleansers or of attempting to secure the trade of people who could not easily afford to spend more than such cleansers customarily charged. Reasonable prices meant to him prices which to the middle- and upper-income groups would not appear to be exorbitant. It was obvious that a tremendous increase in business could be secured by advertising a drastic reduction in all prices, but in view of the direct costs incurred in the operation of each department, the quality of the work performed, and the productive facilities, it did not appear advisable to lower prices merely to increase volume. Rather, Mr. Mason's purpose was to lower prices in search of the optimum price for each article, a price that would seem to be reasonable and would effect an increase in volume such as to maximize the gross dollar profit of each department. Such a price might vary seasonally and certainly would vary with changes in the general price level, but he did not contemplate advertising price changes when they occurred nor did he plan to make any use of "special" limited-period prices, a common device among low-price cleansers.[1]

Although he said that he was unable to determine in advance what prices would be established by Cary Cleansers, Inc., he estimated probable future prices for a few leading articles. For cleansing men's suits, he suggested that the optimum price might be around $1.25. This compared with the company's existing price of over $2 and with competitive prices ranging from as low as 19 cents in cut-rate cash-and-carry cleansers to 75 cents and $1 among several leading metropolitan cleansers offering services comparable to those offered by Cary Cleansers, Inc. For cleansing men's hats he suggested the price of 75 cents. Competitive prices ranged from 49 cents to 69 cents. In the laundry division he suggested the price of 17 cents for a man's shirt which compared with prices as low as 10 cents a shirt, set by small Chinese laundries, to a scale of 13 cents to 18 cents among the leading com-

[1] Mr. Mason acknowledged his indebtedness for this pricing policy to The Eddy-Rucker-Nickels Company, Marketing Counsel, Cambridge, Massachusetts.

petitors of Cary Cleansers, Inc. For cleansing women's evening gowns, he suggested a sliding price scale with a $2.50 minimum. Prices set by the competitors ran upward from $1.

As a result of the proposed change in advertising policy, Mr. Mason expected to break down the popular impression that Cary Cleansers, Inc., was a high-price concern; increase the number of items which could be advertised by balancing their prices with the general price level; increase the denseness of the market by calling specific cleansing services to the attention of people who might never have thought of using them; and enlarge the volume of business in such a way as to maximize profits by measuring the exact effect of changes in the prices and advertising of specific articles on sales and on profits. To carry the advertising message he outlined, Mr. Mason proposed to use small space in the metropolitan newspapers, double car cards on elevated, surface, and subway lines, and regularly to enclose with 20,000 monthly statements a four-page pamphlet, "Cary News," which would direct attention to a great variety of cleansing and dyeing services and their prices. He recommended discontinuance of advertisements in programs.

Although his plan specifically provided for the relation of promotional efforts to gross margins at varying volumes of operation rather than to net sales, he suggested that the figure of 5% of total sales would be a fair estimate of the cost of advertising. This was approximately equal to the percentage of sales devoted in previous years to advertising.

B. BUDGETING OF ADVERTISING IN RELATION TO SEASONAL DEMAND

1. CANADA DRY GINGER ALE, INC.[1]

ADVERTISING TO OVERCOME SEASONAL DEMAND

In September, 1923, Canada Dry Ginger Ale, Inc., completed a new plant for supplying New York City and the immediately surrounding territory with Canada Dry ginger ale. To operate the new plant at capacity required that sales in the territory be seven times as large as they previously had been. It was the autumn of the year, however, and the approach of cold weather invariably was accompanied by a drastic decline in the sales of ginger ale. As a method of overcoming this seasonal decline the company proposed, contrary to the usual practice of ginger ale manufacturers, to continue advertising throughout the winter months.

In the opinion of executives of the company, Canada Dry was a new kind of ginger ale. Other ginger ales were of the type known as "golden," being gold or brown in color and having a sweet taste. Canada Dry ginger ale was subjected to a special manufacturing process which, in technical terms, "inverted" the sugar that it contained. This made the product taste less sweet in spite of the retention of the usual sugar content. From this process Canada Dry ginger ale derived its characteristic "dry" flavor, which the company believed was more pleasing to consumers than the flavor of the so-called "golden" ginger ales. In addition to its unique flavor, Canada Dry ginger ale was stated to be differentiated from competing ginger ales by its light yellowish color and by its transparency and sparkling qualities. The utmost care was taken in the manufacture of the product. All ingredients were carefully selected, and strictly sanitary conditions were maintained within the plant.

The price of Canada Dry ginger ale was higher than that for most competing brands, but was approximately the same as that

[1] Another case dealing with the scheduling of advertising with relation to seasonal demand is Ettrick Company (A), p. 376.

charged for the ginger ale of the company's largest competitor in the New York territory. That company distributed its product throughout the United States. The best potential market for Canada Dry ginger ale was believed to be among consumers in the upper and middle economic classes.

Prior to 1923, Canada Dry ginger ale was manufactured solely in the plants of the J. J. McLaughlin Company, Limited, of Toronto, Canada, and was distributed throughout Canada and in a few cities of the United States. In New York City, until the spring of 1923, distribution was limited to sales made to a few night clubs and hotels by an agent representing the company. At that time, however, a subsidiary company, Canada Dry Ginger Ale, Inc., was formed to carry on the manufacture and sale of Canada Dry ginger ale in the United States. A small New York bottling plant was put into operation to supply New York City and the surrounding territory. In September, 1923, the larger plant was completed.

The company sold its ginger ale to selected grocery, drug, confectionery, and carbonated-beverage wholesalers who resold to unit grocery, drug, and confectionery stores; the company also sold directly to chain stores. The company had decided upon the sales volume which it should obtain in the New York territory and then had sought to sell to a sufficiently large number of wholesalers to attain that volume.

The first advertisement of the introductory campaign for Canada Dry ginger ale in the New York territory, a full page in the rotogravure section of the *New York Sunday Times*, appeared on April 29, 1923. Additional space was purchased in the *New York Sunday Journal*, in which full-page advertisements in colors were run every other week, alternating with the advertisements in the rotogravure section of the *New York Sunday Times*. The advertising schedule and space used in these newspapers from April to October, 1923, inclusive, was as shown on page 360.

In general, this schedule conformed to the usual practice in the advertising of ginger ale. The total linage used by Canada Dry Ginger Ale, Inc., however, was appreciably larger than that used by most of its competitors in the New York territory.

In their advertising, competing manufacturers usually emphasized the cooling and refreshing qualities of their ginger ales. Canada Dry Ginger Ale, Inc., however, stressed the unique

flavor and appearance of its product and the quality of the ingredients used. Such phrases as "the champagne of ginger ales," "aristocratic," and "like rare old wine" appeared fre-

Month	*New York Sunday Times*	*New York Sunday Journal*	Total Linage
April	One full page	.....	2,200
May	One full page	Two full pages	6,840
	Two advertisements 420 lines each	. ...	
June	One full page	Three full pages	9,160
	Three advertisements 420 lines each	. . ...	
July..... ...	Five advertisements 420 lines each	Two full pages	5,900
August	One full page	Two full pages	7,260
	Three advertisements 420 lines each	. ....	..
September..	One full page	One full page	4,940
	Two advertisements 420 lines each	.. ..	.
October .	One advertisement 420 lines	One full page	2,320

quently. The value of Canada Dry ginger ale as a beverage for the home and for entertainments also was mentioned.

Although exact figures on the results of the opening advertising campaign were not available, executives of the company stated that the increase in sales for the months from April to September, inclusive, was great. In October, however, the increase in sales was much less than in any previous month. At that time the question was raised as to whether the company should continue its advertising during the remainder of the autumn and throughout the winter.

During the colder months demand for ginger ale customarily decreased so seriously that the manufacturers ceased production except for the purpose of building up reserve stocks for the summer season. The manufacturers also curtailed their sales efforts,

and the company knew of no competitor that advertised during the winter months. This situation of seasonal activity was highly undesirable to the company, involving as it did a constant labor turnover and the idleness of a large plant. The seasonal nature of the demand for ginger ale complicated the company's problem of increasing sales so as to utilize the new plant to capacity. The company did not desire to undertake to sell Canada Dry ginger ale outside the New York territory at that time.

Against the company's proposal to advertise in the cold months in an effort to increase sales was the apparent opinion of experienced manufacturers of ginger ale that consumers could not be led to use that beverage extensively except in warm weather. This opinion was in agreement with their advertising emphasis on the refreshing and cooling qualities of ginger ale. Canada Dry Ginger Ale, Inc., however, had not stressed those appeals, but rather had pointed out the unique flavor and appearance of the product, its exceptional quality, and its value as a beverage for the home and for entertainments. Since the greater part

EXHIBIT 1

Lift the Glass and Drink a Toast in the Aristocrat of Ginger Ales!

Faint perfume—mellow light on napery and silver—the joy and urge of life—the ripple of low laughter.

Thanksgiving! Thanks for the abundance of the year! For harvest and for home! For friendship and the refining glow it casts upon all the relationships of life! For love! A toast! A toast!

Glasses up! Thanksgiving!

The lore which enters its making is akin to the lore of the wine-makers of France—a formula handed down from father to son. Only three men know the secret of its charm and vivacity, its mellow glow and friendliness.

You will find in Canada Dry a stimulation and dryness like that of mountain air. An authentic exhilaration, persuasive and alluring. It is the champagne of ginger ales!

Then taste it! Here is flavor that intrigues your taste—a delightful, refreshing flavor that is unlike that of any other ginger ale you have ever tasted. Aristocratic in its "dryness"! Mild, but gay and vigorous! The essence of youth and laughter, magically imprisoned in a beverage.

of social entertaining took place during the cool months, it seemed to the company that it should be possible to stimulate sales then. The company consequently initiated an advertising

campaign in November, 1923, designed to increase the sales of Canada Dry ginger ale during the winter months.

The first advertisement of the campaign, a full page in the rotogravure section of the *New York Sunday Times*, appeared on November 25, immediately preceding the Thanksgiving holiday. Throughout the advertisement the unique qualities of Canada Dry ginger ale and its value as a beverage for dinners and other entertainments were emphasized. A large illustration appeared at the top of the page, depicting a group of people drinking a toast in Canada Dry ginger ale in a luxuriously furnished home. The headline and text of the advertisement are in Exhibit 1.

After the first advertisement of this type, others appeared on the schedule shown below. The rotogravure section of the *New York Sunday Tribune* was substituted for the *New York Sunday Journal* in the last three months of the campaign. All the advertisements used followed the same general approach and emphasized the entertainment and holiday appeals.

Month	*New York Sunday Times*	*New York Sunday Journal*	Total Linage
November	One full-page advertisement One 420 line-advertisement	One full-page advertisement	4,520
December	One full-page advertisement	One full-page advertisement	4,100
	New York Sunday Times	*New York Sunday Tribune*	
January	One 840-line advertisement	One full-page advertisement One 420-line advertisement	3,460
February	One 840-line advertisement	One full-page advertisement One 420-line advertisement	3,460
March	One 840-line advertisement	One full-page advertisement	3,040

All retailers selling the product were given counter cards, window-display material, and other dealer helps during this period. The dealer helps had the same appeals as the newspaper advertising and were designed to tie in closely with it.

In October, 1923, the sales volume of the company in the New York territory had declined by approximately 200,000 bottles from that of September. In November, however, with the appearance of the opening advertisement of the new series, sales were larger than they had been in any previous month. Sales in December equaled those of August, and the sales in January, 1924, exceeded those of July, 1923, by 225,000 bottles. In March, 1924, the sales of Canada Dry ginger ale were twice as large as those made in any one month in 1923.

Executives of the company were of the opinion that the greater part of the increase in sales had been due to the stimulation of a new type of demand for ginger ale and to the excellence of the company's product. These executives believed that their product could be sold successfully throughout the year with the aid of aggressive advertising, provided that the advertising emphasized the distinctive quality of the product and, by stressing its use for dinners and entertainments, overcame the generally accepted belief that ginger ale was strictly a summer beverage.

As a result of its experience during the winter of 1923–1924, Canada Dry Ginger Ale, Inc., planned to continue advertising during the winter months of subsequent years. A careful analysis of the potential market and of the sales attributable to this initial winter advertising campaign convinced the executives of the company that, provided an aggressive advertising and selling program was maintained, they might reasonably expect to secure about 40% of the total yearly sales volume in the six months' period from October to March, inclusive. Upon this premise the advertising appropriation for the following year was allocated in direct proportion to the expected sales in each period. This procedure the company planned to follow permanently.

2. GRIGSBY-GRUNOW COMPANY

COMBATING SEASONAL DECLINE IN SALES OF RADIO RECEIVING SETS

By June, 1928, when the Grigsby-Grunow Company began to manufacture radio receiving sets, the radio industry had become well established. It had been the general experience of radio-

set manufacturers that sales to consumers fell to low levels and remained there during the summer months. Such seasonal contraction in sales promised to be particularly troublesome for the Grigsby-Grunow Company, which planned to produce sets on a large scale and at relatively low prices. In outlining sales policies, consequently, the company sought to devise measures for mitigating the severity of the annual summer slump.

The bulk of the company's manufacturing and selling experience had been acquired from producing single products on a large scale. Established in 1921 for the manufacture of automotive accessories, the company had later discontinued production of all items in its line except windshield visors. When the increase in the production of closed cars, which generally were equipped with visors by their manufacturers, curtailed the market for that product, the company turned to the growing radio industry. In this field, it first produced a horn-type loud speaker, and afterward an acidless eliminator for "A" and "B" batteries. Satisfactory markets for these products also, however, were short-lived: horn-type speakers were superseded by those constructed with cones; and the introduction of alternating-current receivers by receiving-set manufacturers rendered eliminators superfluous as consumers' goods, except for equipment of the declining number of battery-operated sets in use.

The company had reached a production rate on eliminators of 6,000 a day. It had assurance that it could continue producing them in large volume if it chose to sell the preponderant part of its production to manufacturers of receiving sets as fabricating parts. Such a limitation in number of customers, however, as well as the prospective detraction from the importance of the company's brand name, Majestic, seemed to promise uncertainty of sales. It was finally decided that the company should manufacture its own alternating-current receiving set.

The company anticipated that it would have two important competitive advantages in the manufacture of sets. First, it was thoroughly conversant with large-scale manufacture, the principles of which, in its opinion, had not yet been applied to an important extent in the production of sets. Second, it had acquired a knowledge of the construction of eliminators which it considered that few other set-producers could match; and it anticipated that most competitors would encounter more difficulty with this element

than with any other in redesigning their products to operate from alternating current.

The company judged that its opportunity also was favorable for distributing receiving sets. The group of wholesalers who acted as distributors of the company's products, and to whom alone it made direct sales, were thought to be outstandingly loyal. The company consistently had endeavored to retain their goodwill. On one occasion, when defects had been reported in the operation of the "A" circuit portion of its eliminators, the company had recalled all the outstanding units and reimbursed the dealers who held them, notwithstanding an existing deficiency in its working capital and its conviction that the reported defects were due to conditions of operation and not to any fault in construction. The present group of wholesalers and retailers was expected to form an excellent nucleus from which to build a new selling organization; the company's reputation for fair dealing was counted on to facilitate the enlistment of any necessary new distributors.

Inasmuch as the company had elected to carry its product direct to consumers under its own brand, the standing of the Majestic name was likewise an important factor in sales prospects. The company believed that the name was widely and favorably known by consumers. Some millions of dollars had been spent in advertising it, and the company was convinced that the quality demonstrated by Majestic battery eliminators in use had served to consolidate the reputation so acquired.

The company planned to produce the Majestic alternating-current receiving set in two models to sell at retail prices, without tubes, of $167.50 and $137.50. Most of the alternating-current receiving sets on the market at the time were sold at higher prices. The company recognized that in order to obtain an adequate profit at the prices it had stipulated on sets of the planned quality, mass production was predicated. The more sanguine of the company's executives envisaged an ultimate production rate of 4,000 to 5,000 sets a day. None of them questioned that large-scale operations would provide the company the greatest opportunity to exploit its competitive advantages.

This production policy placed a heavy burden on the company's sales organization. It was essential that expensive manufacturing equipment be utilized as nearly to capacity as possible. To

accomplish this objective meant that shipments of sets to wholesale distributors would have to be maintained uniformly, and the same regularity of transfer carried through retailers to ultimate consumers. Otherwise, excessively large stocks would accumulate at some point on the line of distribution.

The company understood, however, that the seasonal character of receiving-set sales previously had operated to prevent adherence to such a marketing schedule by set manufacturers. The fall and winter, particularly the five months between October 1 and March 1, constituted the favorable season for retail sales. During the summer, purchases of sets by consumers were of much smaller proportions, and distributors, as a rule, exerted little selling pressure.

That set manufacturers had acquiesced in such conditions was explained by the definite handicaps which had to be faced in selling receiving sets in hot weather. Chief among these handicaps were the seasonal atmospheric conditions, which hampered radio reception. In summer, furthermore, consumers were engaged more largely in outdoor activities than at other seasons. The reduced interest in listening to broadcast programs which this situation produced, moreover, was thought to be accentuated by a prevalent belief among consumers that the advent of summer witnessed a decline in the quality of the programs presented. In addition to these obstructions to sales of sets was the presumable disinclination of consumers to purchase "indoor" merchandise during summer months.

The sales executives of the Grigsby-Grunow Company thought that the complacent attitude of set manufacturers toward the annual summer slump in sales had arisen as a heritage of the earlier period of the industry and that it was no longer justified. The improvement in the construction of sets, they considered, had overcome much of the difficulty with summer reception and they had no doubt of the satisfactory summer operation of the Majestic receiver. Advertisers using this medium were less inclined to discontinue broadcasting in the summer months than formerly. By the inauguration of chain broadcasting, not only had programs generally been improved, but the necessity on the part of listeners for securing reception of distant stations at a sacrifice in clearness had been removed.

Thus, in the judgment of these executives, the disadvantages attributable to broadcasters or to set manufacturers themselves

had been substantially overcome. The remaining difficulty, however, inherent in consumers' seasonal activities and in the seasonal inertia of dealers, remained an obstacle to the execution of the company's plans. In order that the company might realize its projected uniform distribution schedule, it was essential that measures be found to combat this obstacle and the remaining force of the others.

By the end of 1929, the company was well satisfied with the results of its efforts at the solution of this problem. The methods which it had adopted represented approaches from four angles: agreement with wholesale distributors on the number of sets each was to sell; emphasis on the summer season in advertising to consumers; effort to induce greater summer sales pressure on the part of retailers; and relatively frequent introduction of new models.

The arrangements with wholesalers came first in point of time. The fields from which the Grigsby-Grunow Company enlisted its wholesalers, who numbered 54 in the fall of 1929, were varied. They included, among others, mill supplies, hardware, sporting goods, electrical goods, auto accessories, furniture, and musical instruments. Each wholesale representative was given an exclusive territory.

In order to assure aggressive promotion for its product, the company insisted that each wholesale representative sell no radio receiving set other than Majestic; in its turn, the company endeavored to make the association as profitable as possible for the wholesaler. Although many of the wholesalers whom the company selected continued the sale of the other lines in which they were interested, each was required to maintain a distinct selling and servicing organization for Majestic sets. In the more densely populated territories, where the volume of sales of Majestic sets alone promised to be adequate for the support of the wholesalers, each was required to sell nothing else. At the end of 1929, 75% of the total number of wholesale distributors fell in this latter classification.

Financial capacity was an essential factor in the company's selection of wholesalers. Despite its preference for musical instrument dealers as the logical channel of distribution, it was forced to attach more weight to the ability and disposition to pay bills promptly. The wisdom of this requirement was indicated by the fact that the company's pay roll alone ultimately amounted to

approximately $500,000 a week. Adequate capital also was essential in view of the contractual arrangements into which distributors entered with the company.

At the time of his appointment as Majestic territorial representative, each wholesaler contracted in writing to accept a stipulated number of sets during the remainder of the calendar year.[1] Subsequently, these agreements were renewed each January 1. The amounts of the territorial quotas were arrived at by agreement between the sales department and the distributor and were based as nearly as possible on all ascertainable factors which might influence sales in each territory. The sales department maintained continuous contact with territorial conditions and revised the quotas when necessary. Sales quotas for Majestic sets were assigned in turn by the wholesalers to their retailer customers. Inasmuch as they were not made the subject of contracts, however, these retailer quotas acted only as a psychological spur to aggressive effort.

The company retained a large degree of control in the selection of retail outlets. By the end of 1929, approximately 13,500 retailers throughout the United States sold Majestic sets, out of a total, according to the company's information, of 30,000 radio retailers for the country as a whole. Wholesale distributors were instructed not to sell Majestic sets to any retailer until he had been approved by one of the company's district sales managers as an authorized, or "franchised," dealer. This practice the company considered essential to the maintenance of close control over distribution. Retail representatives, unlike the wholesalers, were permitted to sell other makes of radio receiving sets in conjunction with the Majestic. Many of them also sold other types of merchandise, but the largest sales of Majestic sets per store were made by retailers of radio goods exclusively. The number of Majestic retailers in a single community in December, 1929, varied from 4 in an average town of 25,000 population to 300 in the company's home city, Chicago.

The company allowed its wholesale distributors discounts of 50 and 10% from suggested retail prices. The suggested dis-

[1] When the company was building up its force of distributors in the spring of 1928, each wholesaler selected was brought to the plant in Chicago to assure himself that its facilities were adequate to produce sets in the projected number and of the projected quality.

counts to be allowed by the wholesaler to retailers were 40 and 5%. These figures were considered to be above the average for the industry when the company first offered them, but most other set manufacturers were stated to have increased their discounts to correspond. By holding the loyalty of its dealers and by making the representation valuable enough to enlist the dealers' self-interest, the company tried to insure clean merchandising methods.

Since the wholesale market for the company's product was assured a year in advance by the sales contracts, the company had no need for salesmen in the ordinary sense. Twice a year the entire group of distributors visited the company's home office: in January, when the contracts were signed, and again in June, when the "radio trade show" was held annually in Chicago.[1] Between these visits, the company maintained contact with its wholesalers through a force of 54 field representatives, organized under district sales managers. Stationed one in each wholesale area, these field representatives were expected to know their territories thoroughly, to maintain relations with the retail outlets as well as the wholesale distributor, to observe the effects of competition and of the company's own advertising and promotional efforts, to educate retailers in selling methods, to keep a check on their sales and stocks, and otherwise to supervise the progress of the sale of Majestic sets. In addition to this force of field representatives, 10 other men with the title of "special representative" traveled directly from the factory on special assignments.

By its arrangements with its distributors, therefore, the company had provided stability for the flow of its product out of its own hands. Unless an equivalent flow into the hands of consumers could be maintained, however, the company recognized that the distributive channel would be clogged at some point by an accumulation of stocks. Provision for this final link in the sales chain was made in the company's advertising and sales promotion policies.

The Grigsby-Grunow Company advertised Majestic sets heavily from the time they were first introduced. Before any of the sets had been placed on sale at retail, the company had

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[1] At the "radio trade show," which had been attended by as many as 15,000 dealers interested in the industry, practically all manufacturers of receiving sets displayed their new models The exhibition for June, 1930, was to be held in Atlantic City, a departure from previous practice.

expended $90,000 for newspaper advertising. Between $2,000,000 and $3,000,000 were spent on advertising in 1929, and it was expected that this amount would be increased to $4,000,000 in 1930. The company endeavored to confine the cost of its advertising within a limit representing 4% of sales. The division of its 1929 appropriation among the several media used was approximately as follows: 40% in newspaper advertising; 30% in magazine advertising; 20% in outdoor and car-card advertising; and 10% in broadcasting, direct-mail advertising, stunt advertising, and other forms.

With magazine advertising and broadcasting, the company endeavored to create a background of favorable attitude toward Majestic sets on the part of consumers. It depended largely on newspaper advertising, and to some extent on outdoor and car-card advertising, for combating the seasonal fluctuations in sales.

In magazines and broadcasting no seasonal variation was observed in the frequency of insertion or of presentation of programs. All magazine advertisements were designed in four colors to occupy full pages. In the copy only a minor effort was made at direct selling; its chief function was to provide background for other means of sales promotion. In the selection of media, the company counted greatly on the value of wide circulation and on its conviction that women had become predominant in their influence over purchases of receiving sets at the same time that manufacturers had begun to place emphasis on the cabinets in which the sets were inclosed. The list of magazines which the company used included *Cosmopolitan*, *Red Book*, *Saturday Evening Post*, *Collier's*, *Delineator*, *Woman's Home Companion*, *Good Housekeeping*, and *Ladies' Home Journal*. No magazine reaching the farm market was used, because the lack of universally available electric service constituted a distinct handicap to sales in rural districts.

In addition to the advertising which the company itself placed, its wholesale distributors were expected to carry on aggressive local programs in their several territories. Up to October 1, 1929, local advertising had cost the wholesalers between 2 and 4% of their sales. On that date a plan was put into effect, with the approval of the distributors, which centralized the administration of these expenditures in the hands of the company's advertising department. A so-called "general advertising fund" was created,

to which each wholesaler contributed approximately 3% of his sales volume. Although the company was obliged to apportion the expenditures from this fund between areas in conformity with the contributions of the wholesalers, its control of the fund was expected to result advantageously in several respects. Acquaintance with media and current requirements of selling pressure throughout the country seemed to promise better disposition of expenditure if controlled by the company instead of by the distributors. The plan also relieved the wholesalers of the necessity for talking with media solicitors and for inserting advertisements in special, or "old-home week," editions of newspapers.

In planning the expenditure of its 1929 appropriation for newspaper advertising, the company scheduled a campaign providing greatly increased intensity during the months between March and September. The newspaper schedule throughout the year, however, remained a tentative one. When the sales of Majestic sets at retail, over which the company kept a close check through its territorial sales representatives, fell below expected amounts, more money was spent in newspaper advertising in the territories which, judged on this basis, required it. The company also urged wholesalers and retailers to increase their aggressiveness, when the slackening in sales appeared to be chargeable to their laxity. As far as the total expenditure for advertising was concerned, the company intended to hold it within the budget of 4% of sales. By the amount that this relationship was exceeded during the summer months, it reduced the expenditure on newspaper advertising for the latter portion of the year. The additional effort put forth, however, was found to result in a sufficient maintenance of the sales volume during the normally slack season so that the subsequent reduction in expenditure was not large.

In the company's newspaper advertising, copy designed to secure immediate sale was used. During the summer only indirect reference was made to the causes of reduced purchasing of receiving sets, by calling the attention of consumers, for instance, to the improvements brought about by chain broadcasting.

In the spring of 1929, the newspaper advertising was focused on "National Majestic Week," and the burden placed on the company's promotional measures throughout the summer was to induce consumers to see Majestic sets and accept them for trial. By means of a contest the company persuaded retailers in almost

1,000 localities simultaneously to install window displays. The company's newspaper advertising copy in these places urged consumers to inspect the windows. Where no displays were accessible, no mention was made of them in the copy, but the objective remained the same.

The newspaper campaign was supplemented by the sending of approximately 1,000,000 pieces of direct mail to residents of dwellings supplied with electricity. The signed requests for trials of the set which were received in reply were forwarded to the retailers through the company's territorial sales representatives. About half the sets taken on trial were purchased by consumers. The company's letter read as follows:

This is a personal invitation for you to have a demonstration of the beautiful Majestic Model, 72, *in your home.*

We have felt for some time that you, and many other householders, would like to see for yourself how much pleasure a really modern radio—such as the 72 is—would bring you. But you might be hesitant about making the necessary arrangements for a home demonstration.

Please understand that this invitation offers you a real opportunity, without any strings attached to it and with no obligation resting upon you.

The only purpose we have in view is to acquaint you with the sensational features which have made Majestic *the largest selling radio in the world.* Hear for yourself, as you sit in your easy chair, the fine reproductions made possible with the Majestic. See for yourself how beautifully this cabinet, made of the finest woods (much of which is imported) harmonizes with the rest of your furniture.

If, after trying the Majestic in your own home, you like it, you may purchase it through the Majestic finance plan with which your dealer is familiar. Terms so convenient and simple that you will be astonished. If you decide that the Model 72 is not the radio set you have dreamed of owning, it can be returned to the dealer with no obligation whatever, and with no expense to yourself.

Please turn over the page and accept our sincere offer of a free home demonstration.

Like most of the other methods for stimulating retailer activity, these home demonstrations were part of the selling program outlined for application throughout the year. During the summer season, however, the company endeavored to place greater stress on the necessity for aggressive sales effort at the point of purchase.

The retailer was urged to supplement his home demonstrations, for which leads could be secured from his own contacts and from

the company's newspaper, broadcast, and magazine advertising, with demonstrations at picnics and other public gatherings.

The company's promotion division designed and distributed a variety of dealer helps which the retailers paid for at cost.[1] Among others, these included neon and flashing electric signs, identification signs for sets, cardboard cutouts, pennants, cloth banners, folders, playing cards with Majestic backs, and balloons and school blotters for children. In June, 1929, the company announced a sales-promotional kit for retailers at a price of $17 in which it included a selection of the most essential dealer helps. The items and the number of each contained in the kit were as follows:

1,000 folders
12 mats of advertisements, in several sizes
2 cloth banners in two colors, one 10 × 3 feet, one 5 × 3 feet
2 streetcar cards
1 three-panel cutout sign, with electric flash showing Majestic trade-mark through red tissue paper
1 window streamer—advertising broadcast program
4 streamers—advertising new set models
3 mounted cutouts
1 velour pennant

In addition to its contractual arrangements with wholesalers and its emphasis on advertising and retailer promotion for overcoming seasonal dullness, the incidence of the announcement of new set models was considered to give further impetus in the same direction. The company followed the policy established in the industry of introducing new models in June on the occasion of the radio trade show. The responsibility for the practice of changing models it imputed to the desires of consumers, as in the case of automobiles. It did not expect owners of Majestic sets to scrap old models for the purchase of new ones. In fact, it maintained a continual check on that situation, through advertisements of furniture sales and other sources, and felt considerable gratification in its discovery that few Majestic sets were parted with by their owners and that most of those were traded in for new Majestics.

The company's first revision in models, with changes principally in cabinet design, was made in January, 1929. In June,

[1] In order to avoid the charge of favoritism as between retailers in near-by locations, the company paid only part of the cost of billboard contracts, the retailer selecting his own board, placing his name at the bottom of the poster, and assuming the balance of the cost.

the cabinets again were changed, and revisions were made in the circuit looking toward the elimination of the so-called "alternating-current" hum which had marred the quality of reception in some of the earlier alternating-current sets. This "no-hum" model, as the company named it, had not been superseded at the end of 1929. In November, however, tubes had been included with the sets at no increase in the prices,[1] which had been kept at $167.50 and $137.50 for each of the three models.

The only official reduction that had been made from these stated retail prices had occurred in May, 1929, the slack season before the trade show, when Majestic sets had retailed at $125 and $110. On that occasion, the company allowed each retailer a cash rebate to the amount of the price reduction on the sets he had in stock.[2] Similarly, in November, 1929, retailers were given a set of tubes, or allowed a merchandise credit for the equivalent, on each unsold set purchased under the preceding arrangement. The company considered it good policy to reimburse the retailers for losses in inventory value caused by price reductions. Its wholesale distributors shared with the company the cost of these rebates.

The monthly distribution of the company's shipments to wholesale distributors in 1929 is shown in the following table, in which the index numbers total 100, representing total yearly shipments.

January	5	July	8
February	2	August	8
March	0*	September	15
April	0*	October	20
May	4	November	20
June	8	December	10

* Less than 5.

In May, 1930, the company announced four new models of radio receivers in addition to the models being currently sold, which were to be retained. Individually built models in imported cabinets were also added to the line at prices ranging up to $5,000.

[1] The company had been manufacturing its own radio tubes since the spring of 1929

[2] The company's practice of selling only through "authorized" retailers, and of keeping in close touch with them through the territorial sales representatives, enabled it to know not only to whom to make rebates, but also the number of sets each retailer had in stock on which rebates were due.

At the same time, the company revealed its plans for producing relatively low-priced electric refrigerators.[1] The two models exhibited, production on which was expected to be in full sway by July 1, were finished in white porcelain and equipped with a "cold control" device for varying interior temperatures. The seasonal peak of retail sales for refrigerators was expected to balance the company's operations by offsetting the peak in radio sales.

Should the Grigsby-Grunow Company have scheduled its advertising as outlined in this case?

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[1] A number of other manufacturers either had combined the manufacture of radio receivers and mechanical refrigerators already, or had announced their intention to do so (See *Printer's Ink*, May 15, 1930, p 34 "Are Refrigerators and Radios Related Lines?")

C. RELATION OF ADVERTISING SCHEDULE TO CYCLICAL DEMAND

1. ETTRICK COMPANY (A)

CYCLICAL VARIATION IN ADVERTISING EXPENDITURES

The Ettrick Company, in 1914, established the policy of varying sales promotion expense inversely with the business cycle. The application of this policy in subsequent years was well illustrated in the company's expenditures for trade-paper advertising and in the size of its salesforce during different periods. In 1918 the company decided to adopt a regular program of consumer advertising in magazines having a national circulation and, at that time, considered the question of having its appropriation for national advertising conform to its policy of budgeting sales promotion expenses inversely to the business cycle.

The Ettrick Company was organized about 1850 to manufacture gift boxes. As the company expanded, it added other lines of cardboard and paper products. Its sales volume grew steadily, increasing from $4,450,000 in 1913 to $6,100,000 in 1917. It had three manufacturing divisions: gift boxes, paper novelties, and special holiday merchandise. The company sold 90% of its products directly to retailers and the remaining 10% to wholesalers.

The company sold its merchandise on the basis of a list price subject to trade and quantity discounts. The salesmen of the company, who were paid a straight salary, were sent out from 35 district sales offices and were divided into four classes. Those in Class A sold to jewelers; Class B salesmen sold to stationers; those in Class C sold to wholesalers; those in the fourth class, Class ABC, sold all the products of the company to all classes of customers in the smaller towns and cities. The majority of the salesmen were in this fourth class.

Beginning in 1913 the sales promotion work, determined by the sales committee, was coordinated under the advertising manager and the sales director. The sales committee consisted of the general executives of the company, the merchandise managers of

the manufacturing divisions, the advertising manager, and the sales director.

Prior to 1914 the company never had given serious consideration to the budgeting of its sales promotion expenses in relation to general business conditions. The sales promotion expenses had increased during periods of prosperity and decreased during periods of depression. In 1914, with a decline in sales, the board of directors expressed a wish that some of the appropriation spent in 1913 were available for sales promotion work in 1914. This situation induced the company to adopt the program of setting a tentative five-year budget for sales promotion work; the actual budget for the next calendar year was to be fixed during the latter part of the existing calendar year in accordance with the forecast of general business conditions and the probable production during the next calendar year. The amount to be expended on sales promotion work would increase when business conditions were poor and decrease in periods of general business prosperity.

From 1914 to 1918 the items included in sales promotion expense varied so much that the company had no comparable record of sales promotion expenses as between the various years. There were, however, two indices of the budgeting policy during this time. Exhibit 1 shows the company's trade-paper advertising from 1913 through 1917, its net sales, and the index of general business. While the amount expended in trade-paper advertising was small, it was a sensitive index of the application of the company's budgeting policy, as insertions could be varied within a month of the time a cyclical change appeared in general business conditions. Changes were not made for seasonal differences; these were provided for in the budget itself, and the sales promotion work of the company regularly attended the seasonal demand for its products.

The other index of the sales promotion budgeting policy was that of the company's net sales and the number of salesmen employed. The policy of this company was to keep its factory operating at capacity, without selling beyond production limits in times of general business prosperity. This policy caused the company to increase its salesforce during dull periods and to decrease its force during the periods of large sales volume when orders up to the capacity of the factory could be secured without intensive sales effort. The Ettrick Company considered it an

economic waste to carry on intensive sales promotion activities during the periods of business prosperity when it had more orders

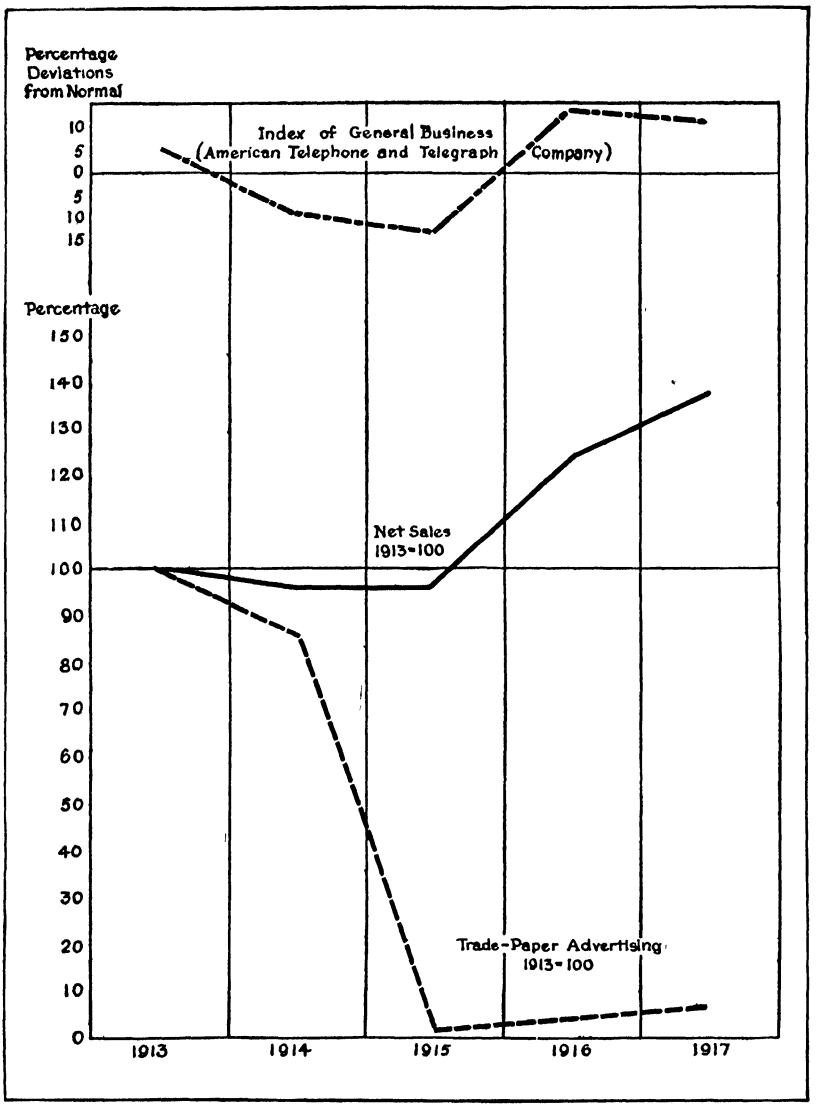

Exhibit 1· Trade-paper Advertising and Net Sales of Ettrick Company and Index of General Business, 1913–1917.

than it could handle; during periods of business depression, however, when added stimulus was needed to keep the plant manu-

facturing at capacity, the company did not hesitate to increase the amount spent in sales promotion work. Exhibit 2 shows the sales volume and the number of salesmen from 1913 through 1917.

EXHIBIT 2
Net Sales and Salesmen Employed by the Ettrick Company, 1913–1917

Year	Net Sales	Number of Salesmen
1913	$4,450,000	178
1914	4,300,000	184
1915	4,308,000	187
1916	5,500,000	180
1917	6,100,000	179

In 1918 the Ettrick Company decided to undertake a regular program of national advertising, varying the advertising directly with the seasonal sales volume. Since its heaviest sales came at the holiday season, magazine advertising was made to correspond to this. While the company did not consider a large amount of consumer advertising in magazines practical, it was of the opinion that a certain amount was necessary to help create consumer demand and to convince retailers that the company was helping them to sell its products. Because women were the largest buyers of Ettrick products, the company decided to divide its national advertising among four monthly publications for women. The company planned to key these advertisements by including in them an offer of certain booklets, to be obtained directly from the Ettrick Company or from retailers, for the price of 10 cents each.

At the time the company decided to follow a regular program of national advertising, the question was raised as to how closely the expenditures for this advertising could be made to agree with the company's policy of varying sales promotion expenses inversely with the business cycle. It would not be possible to vary the national advertising step by step inversely to general business conditions, because national advertising had to be contracted for several months in advance and because it was necessary to advertise to the final purchasers some months before an improvement occurred in general business.

The Ettrick Company decided to vary the expenditure for national advertising inversely with the business cycle as far as

it could forecast cyclical changes and as far as its space contracts permitted space revision.

The inverse relation maintained between sales effort and business conditions in the case of fluctuations of a cyclical nature did not apply in the case of seasonal variations in the company's own sales. The Ettrick Company planned its advertising schedule a year in advance, each year being divided into two seasons, spring and autumn. The company's records showed that inquiries were secured at lower cost in certain months of each of

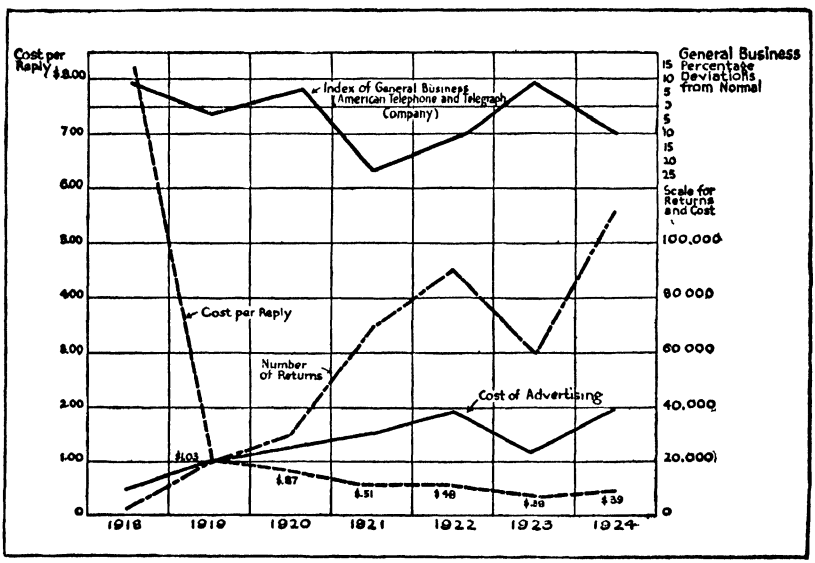

Exhibit 3 Cost of Advertising, Number of Returns, and Cost per Reply to Ettrick Company, and Index of General Business, 1918–1924

these seasons than in others; and that, on an average, inquiry costs were lower in the spring than in the fall. The company arranged its schedules of space to take advantage of these facts; although some advertising was done in the months which had shown relatively poor results, there was a definite concentration in the better months. This distribution of emphasis through the year was not varied under the cyclical influence of depression or prosperity.

Exhibits 3 and 4 show the results of the policy of this company, as applied to trade-paper and national advertising. Exhibit 3 shows the results of this advertising from 1918 through 1924 and also the relationship which existed between the cost of the advertising and general business conditions. The inquiries and

cost per inquiry on that chart represent the replies received by the Ettrick Company, which assumed that those figures significantly indicated the inquiries for booklets received by retailers.

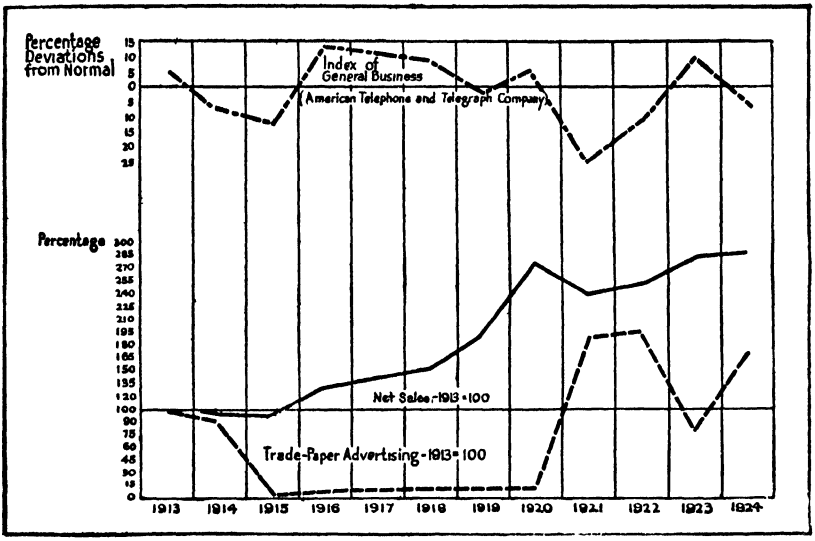

Exhibit 4 Trade-paper Advertising and Net Sales of Ettrick Company and Index of General Business, 1913–1914

Exhibit 5 shows the company's sales and the salesmen employed from 1918 to 1925.

EXHIBIT 5
Net Sales and Salesmen Employed by the Ettrick Company, 1918–1924

Year	Net Sales	Number of Salesmen
1918	$ 6,800,000	165
1919	8,470,000	105
1920	12,310,000	129
1921	10,440,000	191
1922	11,100,000	250
1923	12,625,000	249
1924	12,720,000	251

On December 31, 1923, the company's total assets were $11,500,000. It operated two factories, employing 4,000 people.

In addition to its national advertising, the Ettrick Company secured some advertising from articles in those magazines which

dealt with suggestions for holiday parties and in which mention was made of the Ettrick products suitable for such occasions.

In 1925, besides the advertising in trade papers and the national advertising, the sales promotion work of the Ettrick Company provided for catalogues, direct-mail campaigns to dealers, the publishing of house organs, the preparation of window displays and other dealer helps, the conducting of four retail stores, and the providing of instructors to show to final purchasers the various uses for Ettrick products. The four stores were located in New York, Boston, Chicago, and Philadelphia. Their maintenance was considered an advertising expense, because they were operated for educational purposes rather than as regular retail stores.

The Ettrick Company planned to do less in all its sales promotion work in times of prosperity and more in times of depression.[1] New uses for Ettrick products were introduced in periods of depression in order to increase the sales of the articles involved. In 1921, for example, the company introduced the making of hats from crepe paper and thus increased the sales in that one product. In 1922, as a further example, the company introduced boxes for druggists' supplies and for haberdasheries. Prior to this time, it had manufactured no boxes other than jewelry boxes of the finest quality. The company was uncertain at that time as to the advisability of changing its box-manufacturing policy, because there was a possibility that the cheaper boxes might detract from its prestige. Since the new boxes were sold through different channels, however, and were of high quality for their purposes, the company believed that they could be sold without injury to its sales of jewelry boxes. A 100% increase in the sales

[1] In an article appearing in *Printers' Ink*, October 22, 1931, "How Philco Doubled Sales during the Depression," it was reported that the Philco Radio and Television Company had greatly increased advertising in 1930 over 1929, and planned to double the appropriation of 1930 during 1931. Philco's business in 1930 was said to have gone over 100% ahead of its sales for 1929. A rapid increase in sales followed the introduction of a small, compact, comparatively inexpensive radio, and lower prices on larger models

In July, 1932, the directors of the Colgate, Palmolive, Peet Company were reported to have reduced the dividend on the common stock so that it would not be necessary for the company to curtail its advertising. Charles S Dewey, vice president in charge of finance, was quoted as saying: "The company contemplates continuing its advertising campaigns on a basis that will keep the position of the company in the industry and the reputation of its advertised product in the minds of the consuming public As no one can foretell for how long a period present conditions may last, the company intends to conserve its resources and maintain itself in a liquid position, believing that the carrying out of its program, even to the extent of reduced profits and dividends on the common stock, is the greatest ultimate service it can render its stockholders."

of boxes showed that the introduction of the new boxes at that time was a success. The new boxes were grouped in the same manufacturing division as jewelers' boxes.

Prior to 1920 the Ettrick Company had included its advertising appropriation as a part of the sales promotion budget with no definite division of items every year between advertising accounts and other sales promotion accounts. While some items always were charged to advertising and others to sales promotion, enough items were charged to one account in one year and to another in the next year to make impossible any significant comparison of appropriations made prior to 1920. In 1920 the company decided that national advertising, trade-paper advertising, the loss incurred through the operation of the retail stores, the revision and printing of catalogues, and the revision of booklets, with any loss incurred through their distribution, would be charged to advertising, while other sales promotion expenses were to be charged to accounts grouped as sales promotion accounts. The total advertising appropriations since 1920 could not be used as an index of the company's policy of varying advertising inversely to business conditions, because catalogues and booklets had to be revised every two or three years, regardless of business conditions. Exhibit 6 shows the total advertising appropriations from 1920 through 1925.

EXHIBIT 6
Advertising Appropriations of Ettrick Company, 1920–1925

Year	Amount	Year	Amount
1920	$168,000	1923	$133,800
1921	146,800	1924	214,600
1922	212,000	1925	256,000*

* Subject to revision if cyclical changes other than those anticipated occur during the calendar year.

While the appropriations for advertising and for sales promotion were fixed during the latter part of the year preceding that in which they were to be used, they were subject to revision during the year to which they applied, in so far as cyclical changes in business conditions made revision necessary.

1. Was the sales promotional policy of the Ettrick Company sound?

2. Consider the application of this policy to the following products:

Philco radios
International harvesting machines
Textile machinery
Hart, Schaffner & Marx clothing
Palmolive soap
Goodyear tires

2. ETTRICK COMPANY (B)

ADVERTISING RESERVE FUND FOR USE IN PERIODS OF DEPRESSION

The Ettrick Company[1] followed the policy of applying its selling effort in inverse relation to the cyclical position of general business. In 1927, the company's advertising manager recommended that this policy be furthered by setting aside, in years when profits were normal or above normal, a reserve fund to be utilized for advertising during subsequent periods of less prosperity.

Between 1920 and 1922, to combat the severe depression which followed the crisis of 1920, the company practically doubled its salesforce. At the same time, it increased its expenditures for other sales work and made strenuous efforts to induce public acceptance of new uses for its products. It was the company's conviction that the effect of the general business depression on sales of Ettrick products had been minimized by these measures.

The company appropriated approximately $200,000 for advertising in 1928. A large part of this sum was to be spent for consumer advertising in a long list of magazines, most of which appealed particularly to women.

In September, 1927, while the amount of the Ettrick Company's advertising appropriation for 1928 was in process of determination, the advertising manager had recommended to the board of directors that a sum of $50,000 in excess of the appropriation for the year should be set aside as a reserve for future advertising. He further suggested that this policy be followed for five successive

[1] See Ettrick Company (A), p 376

years, at the end of which time, provided there had been no withdrawals from the fund, there would be available a reserve of $250,000. It was the advertising manager's purpose to use this fund for increasing the company's advertising in years when business conditions were unpromising. At such times, it was represented, expenditure of the desired additional amount out of current income might not appear financially sound. As soon as business prosperity returned, the fund again would be built up to $250,000, a figure which tentatively was to be looked upon as a maximum.

Although the board of directors expressed themselves as approving the plan in principle, they did not vote the necessary funds to place it in effect. Up to March, 1930, when business had encountered a substantial recession, no further action had been taken. At that time, however, the advertising manager anticipated that such a reserve fund would be set up in the course of another year.

D. BUDGETING AND CONTROL OF DISTRIBUTION EXPENSE

1. LEDERLE LABORATORIES

BUDGETING OF PROMOTIONAL EXPENSE FOR LONG LINE

The Lederle Laboratories manufactured and distributed vaccine, antitoxins, and serums. It was primarily a biological house, unlike its competitors, which distributed similar products as a side line. In the spring of 1935 the company was faced with the problem of establishing a system for relating advertising and salesmen's efforts to the sales of items of merchandise in the company's various markets in order better to direct promotional efforts and to schedule production for each of its 300 products.

The Lederle Laboratories were founded in 1906 by Dr. Lederle, a former health commissioner of New York City. The company, recently acquired by and made a subsidiary of the American Cyanamid Company, was a well-known biological house, distinguished for having introduced a modern refined and concentrated diphtheria antitoxin and for pioneering several other items. While all products were governed by official standards of Federal law, some of the company's items were definitely superior to those offered by competing houses; thus the company had firmly established its name in the trade.

Production of "biologicals" at Pearl River, New York, consisted of developing the items desired in various animal bodies, bleeding the animals, and refining and concentrating the product. For such highly technical and perishable products sold to an exacting medical market it was desirable to have production carefully related to sales demands.

The company distributed through its own branches, located in Atlanta, Boston, Chicago, Kansas City, Los Angeles, Minneapolis, Montreal, New Orleans, Philadelphia, Pittsburgh, and San Francisco. Sales were made by 40 salesmen to various types of buyers, and shipments were made from branch stocks. A considerable volume of business was obtained from wholesale drug firms, but a large part of the company's sales were made direct to

9,000 of the approximately 60,000 druggists in the country. The company tried to obtain at least one good druggist to handle the Lederle lines within the reach of each physician. Direct sale to the selected prescription druggists was determined by the perishable nature of the products and by the custom of the trade. The attention of physicians was directed to the selected druggists handling Lederle products in their community through direct advertising and through the salesmen, who spent a considerable part of their time calling upon physicians. Some sales were made direct to physicians. Sales were also made to numerous types of institutions, such as private and public clinics, hospitals, laboratories, and large industrial companies. A considerable volume of products was sold direct to veterinarians, while veterinary supply houses were an even more important type of customer.

Foreign markets were reached through branch offices or agents in Argentina, Cuba, Porto Rico, Mexico, Spain, and England. A few miscellaneous sales were made in other countries.

In promoting the sale of its products, various methods were used. A house organ on human biologicals was sent to 102,000 doctors three times a year, and another on veterinary biologicals to veterinarians bimonthly. Advertisements were placed in the American Medical Association *Journal* and 22 other smaller professional and trade journals. Advertising material placed in 90% of these journals was subject to the approval of the American Medical Association. Displays were set up at all good medical conventions. Motion pictures and lectures were given at medical meetings. Allergenics were pushed by means of cards sent to doctors bearing a druggist's name. The company sent monthly folders bearing a selected druggists' imprint to 60,000 doctors, each folder dealing with a single Lederle specialty. Save for a few advertisements on remedies for dogs, no advertising to the consumer was done, in view of the attitude of the medical profession. A few products were suitable for sampling, and large distributions of samples to physicians and institutions were made.

Promotional budgeting consisted merely in allotting total expense figures for journal advertising, direct advertising, and convention exhibits. No detailed breakdown by products or classes had been attempted. Advertising copy for one item or another was prepared weekly without knowledge of total expense for a given item or results obtained from the promotional effort.

A new vice president and general manager who came to the company early in 1935 realized that the business was being run in an old-fashioned manner. Since the business had grown considerably in recent years, executives could no longer rely solely on memory for operating data. Modern statistical methods of management were necessary.

Records available showed: (1) annual shipments of the company's products from its production plant at Pearl River, New York, to its branches by items; (2) monthly totals, by items, in dollars of sales. The fact that 10% of sales were returned to the company for replacement on a dating basis to avoid possible deterioration complicated the sales record picture. Complexity arose from the fact that sales of the company's 300 items were made to 10 different classes of trade in 7 countries.

The management had no picture of the widely varying intensity of sale of its individual products in various areas or by classes of buyers Salesmen were not guided in the effort to devote to various items. No check upon the effect of advertising promotion on sales was possible from existing sales records, and promotional efforts for individual products were determined largely by hunch or by established practices of the trade. Sales data were needed which would enable the management to direct sales and promotional efforts more intelligently and to guide production schedules more accurately than formerly.

What procedure should have been followed by the management?

2. MILLS-GAYLEY COSMETIC CORPORATION

ADVERTISING CONTROL THROUGH ANALYSIS OF SOURCES OF SALES

The Mills-Gayley Cosmetic Corporation was a consolidation of several firms, each of which manufactured and distributed a nationally advertised and distributed product or line in the cosmetic field. Although its profits had shown a satisfactory trend, the company sought a basis for judging whether the company was procuring sales at too great an advertising cost and whether this advertising was developing the market adequately.

The company had sales of several million dollars annually. Before January 1, 1927, when a new method of analysis was inaugurated, the only classifications of sales figures kept for all lines had been by products and by states. Since economic, climatic, and social conditions in all the states differed, not even a translation of sales records into terms of sales per capita made state sales figures satisfactorily comparable for the development of standards of advertising and sales performance. Moreover, in many cases, a trading area included portions of two or more states; thus, from this viewpoint also, a comparison of sales by states was actually misleading. As a result of this lack of a sound classification, the only basis for judging the effectiveness of the sales and advertising program was the trend of aggregate sales. Obviously, this trend was of no help in tracing the effect of sales effort concentrated on local districts, nor was it of assistance in comparing the importance and trends of sales of different types of outlets.

The company's method of distribution was similar to that used by most proprietary product manufacturers. The company sold to all comers whose purchases were large enough to permit economical packaging and shipping. Its direct customers were drug and dry goods wholesalers; large drug retailers; department stores; and chain stores, both drug and sundry. The company employed a few missionary salesmen, but did not expect these men to sell; their work was to place window and counter displays with retailers and to give merchandising advice. Although the company's home-office sales executives secured the initial orders of chain stores and other large organizations, the bulk of routine sales were made to customers who sent in unsolicited orders.

The company's consumer advertising was primarily magazine and newspaper advertising; following the usual practice of manufacturers of proprietary preparations, approximately 25% of sales was spent on advertising.

Because of the lack of intimate contact by salesmen with the trade and because the major demand stimulant was national magazine advertising, which could not be made more or less intensive in particular localities, the company had done little to develop individual trading areas. Moreover, the fact that the sales records had afforded no accurate reflection of the increase or decrease of sales of individual cities or trading areas made impossible the accurate apportionment of local advertising to territories.

On January 1, 1927, the executives decided to adopt a new system of records devised in collaboration with the agency handling the company's advertising. This new system permitted an analysis of sales that would keep before the executives a month-by-month record of sales in individual local trading areas, so that the company could avoid excess advertising expenditures and increase advertising where it was needed. The executives expected that figures made available by the new system would indicate after several months the causal relationship between advertising and sales and could be used as a basis for setting three standards of performance: first, trend of sales; second, ratio of sales to total opportunity for sales; and third, cost of sales promotion. Since the company had no salesforce the only direct selling expense was the cost of advertising.

The first step in preparing for this new method of sales analysis was the division of the United States into sales territories based on economic factors. With the *Atlas of Wholesale Trading Areas*, compiled by the United States Department of Commerce, and other similar reference sources before them, the company's executives chose the 50 leading wholesale trading centers. Each of these trading centers became the nucleus of a trading area. In most cases, the division of territory between the areas thus built around the trading centers required merely the recognition of apparent spheres of influence. There were, however, a number of districts situated between the nuclei of two major trading areas which traded with each of the two large cities. The executives realized that in such cases any division would be to some extent arbitrary, but decided to draw the boundary at the locus of points where the newspaper circulation was equally divided between newspapers of both cities. For example, they decided to make San Francisco and Los Angeles each the nucleus of a major trading area; all territories in which San Francisco newspapers predominated would be allocated to the San Francisco area and all territories in which Los Angeles newspapers predominated would be allocated to that city.

The same method was followed in subdividing the 50 major trading areas into 230 minor trading areas. Since the basis for the subdivision of major trading areas into minor trading areas was again economic, the number of minor areas in each major one differed. In thickly populated sections of the country,

minor trading areas were smaller in size and, as a rule, more numerous per major area than in such regions as that lying immediately east of the Rocky Mountains, where there were very few minor trading areas to each major, since buying was concentrated in relatively few trading centers.

After they had completed this territorial division the executives constructed a buying-power index for each district. For convenience of computation they chose counties as the units for preliminary computation. Population, the number of Federal income-tax returns, and the number of retail outlets for the company's products were added together for each county. These county totals were then assigned to the minor areas, and from these figures the totals for major areas were found. When these totals had been assigned to trading areas the aggregate for the whole country was found. Each trading area was then considered to have a buying-power index corresponding to the percentage of its total of these three quantities to the aggregate for the nation.

Use of this buying-power index made it possible to compare the sales performance of trading areas of different size and population. Since the trading areas had been located around actual wholesale centers and since the boundary of each area was fixed by the limits of the preponderance of influence of the firms in the nucleal city, and the circulation of newspapers, there was no basis for assumption of equality in buying-power index. The comparableness came, however, from the fact that the buying-power index of any county, minor trading area, or major trading area indicated what portion of the company's total sales should, under usual conditions, be made in the district. If, for example, the minor trading area of which Des Moines was the nucleal shopping center had a buying-power index of .003, then .3% of all the company's sales should be made in this minor trading area. Any deviation from this expected ratio would have been regarded as a significant point for further investigation. Although the executives and the advertising agency readily admitted that this index was statistically unsound, they regarded it as sufficiently accurate for the needs of the company. In order to verify the accuracy of this buying-power index they had checked it with figures for retail sales for a period of five years in Pennsylvania, where the existence of a retail sales tax made accurate figures obtainable. They found that the buying-power index set up a theoretical geographical

distribution of sales that agreed with the actual distribution within 3%. This verification they regarded as adequate to establish the validity of the buying-power index for the purpose for which they intended it.

By means of these two devices, the territorial division of the county and the buying-power index, the executives set up a norm to which they expected the distribution of the company's sales to conform.

In order to make full use of this standard of probable distribution it was necessary to keep records and to classify the sales of all types of outlets of the company's products. Every customer of the Mills-Gayley Cosmetic Corporation, therefore, was classified in one of the following divisions:

1. Drugs
   a. Service wholesalers
   b. Mutual wholesalers
   c. Buying associations
   d. Independent retailers
   e. Chains
2. Dry goods
   a. Service wholesalers
   b. Department stores
   c. Chain variety stores
   d. Resident buyers
3. All others
   a. Mail-order house
   b. Five- and ten-cent stores
   c. Miscellaneous

In addition to being classified thus, each customer was given a number, and a record of sales to him was kept. A monthly analysis of sales by types of products and by classes of customers was made possible through the use of a tabulating machine installation. A monthly tabulation was also made of the sales in each major and minor trading area from which was computed the ratio of the sales in the area to total sales to be compared with the buying-power index for the area. With the figures available it was possible for the sales executives to learn the volume, the trend, and the norm for sales of its products for every area.

The use of the trading-area classification and of the buying-power index made it possible to allocate all advertising costs to definite areas. The costs were classified as:

1. Magazines, newspapers, and trade-paper space
2. Art and mechanical charges
3. Window-display cost
4. Material and service
5. Radio programs
6. Direct mail to dealers
7. All others

The company did not classify its sampling costs separately, although it included them in the total advertising cost and distributed them in general in proportion to magazine circulations.

The cost of magazine space was allocated to the trading areas in accordance with the advertising agency's classification of circulation. Wherever figures of circulation breakdown were not available, the buying-power index was used as a means of allocation. Newspaper space was allocated to the local trading areas in which it was used, while trade-paper space, which could not be localized, was distributed proportionately to the ratio of retail drug stores in each area to the total number for the county.

Art and mechanical charges were allocated proportionately to the allocation set up for magazine space cost. It was necessary to classify display-material cost in accordance with states to avoid duplicating records required by the post office. Such costs were rather roughly allocated to the 50 major trading areas by means of the buying-power index. The cost of radio programs was distributed by states and stations into the trading areas on the basis of the proportion of fan letters from each trading area. The direct-mail costs were allocated to trading areas in proportion to the number of drug stores in each trading area. Any unaccounted-for balance in the known selling expenses was allocated to the trading areas on the basis of the buying-power index analysis.

This whole method of analysis made it possible for the sales executives to establish a ratio of selling expense to sales for each trading area. Inasmuch as this ratio was not dependent upon the volume of sales, all trading areas, major or minor, were comparable.

The company's sales executives were satisfied that they had a method of measuring the effectiveness of their advertising program as a whole and that through this method of analysis they could locate districts in which sales were decreasing before the situation became serious, and, by intensive local advertising, counteract the trend. They did not expect the method of analy-

sis, at the outset, to measure the results of specific advertisements or even of types of advertising with any great degree of accuracy. It did, however, require the keeping of records that would, after several years, afford data from which they could draw such conclusions.

3. ARMSTRONG CORK COMPANY (B)

BUDGETING OF MARKETING EXPENSES

During the eight-year period, 1920–1927, the Linoleum Division of the Armstrong Cork Company had been conducting newspaper advertising campaigns in cities as a supplement to its long-established policy of advertising extensively to the consumer through magazines and to the trade.[1]

In 1927, the company made its first attempt at an intensive study of the potential buying power in individual cities before conducting advertising campaigns in those cities. This procedure was made possible by the studies of the company's sales statistician in cooperation with the division of marketing of the company's advertising agent, the George Batten Company. They had constructed purchasing-power indices for over 200 trading areas in the United States, which were available for use in allocating the 1927 newspaper advertising as well as in outlining a program of sales effort for each sales territory. Previously, the advertising had been placed principally in cities arbitrarily selected as important distributing points or for other reasons.

The purpose of the trading-area index was to obtain data that could be used for appraising tangible, understandable marketing units.

The indices were constructed to indicate the spending habits of communities for general commodities and were not intended to be absolute measures of the local potentialities for linoleum sales. The primary data used in compiling the indices were population statistics, number of retail outlets, and the Federal income-tax returns. The income-tax returns were taken as relative indicators of the wealth of a community; the number of

[1] For further particulars concerning the company's coordination with dealers, see Armstrong Cork Company (A), p. 285.

retail stores was taken as a measure of the businesses which had been established to serve the community; and the population statistics were used to measure the size of the community. These data were available by counties, as were other data which the company wished to compare to the index. The county, however, was a very small unit to study. Moreover, people in several adjoining counties often traded principally in a common near-by city. The counties were combined, therefore, into trading areas by a study of the dominant newspaper circulations in the counties. Newspaper circulation was used as the basis of these groupings into trading areas on the theory that people were inclined to read the newspapers from the places in which they purchased. At the beginning of this study the 3,000 or more counties were grouped into a total of 241 trading areas, but some of the large areas were later broken down so that the United States was divided into approximately 300 trading areas.

The indices thus constructed were tested by available data for Pennsylvania, where all businesses were required to report their total annual sales for taxation purposes. By selecting the returns from stores which dealt in general commodities, it was possible to learn how much was being spent for this type of merchandise or the general spending habits of a community. Indices based on the Pennsylvania retail sales figures were, therefore, constructed for the trading areas which had been established for this state. The maximum variation between this index and the first index was found to be less than 2%.[1] It was believed, therefore, that the indices based on population, number of retail outlets, and Federal income-tax returns were a reasonable measure of the spending habits of a trading area.

The company used the indices to help measure performance by comparing the actual sales of particular trading areas with the potentialities of those areas as shown by the indices. The relative efficiencies in different trading areas of a branch were brought out by comparing the results for any particular trading area with the best performance of any trading area in that same branch. It was deemed wise to make comparisons of attainment in trading areas among the areas within a branch, because conditions were more likely to be similar within branch territories than

[1] The first index was also checked against several other indices and found to be in reasonable agreement with them.

in widely separated trading areas. An example of the use of the data is given in Exhibit 1. The sales in total square yards of a trading area for the year (Column 1) were computed as a percentage of the total branch sales (Column 2). The next step was to express the buying-power index of each trading area as a percentage of the buying-power index for the whole branch (Column 3). A comparison of the percentages in Column 2 and Column 3 was taken to indicate the relative degree to which the company had succeeded in securing sales in various areas in comparison to the sales possibilities of those areas. The next step was to determine the sales increases desired for the following year. The sales increase desired for the best-performing territory was arbitrarily set at a certain percentage, e.g., 18% for trading area *A*. The quotas for the other trading areas included the 18% basic increase desired and an additional increase desired to bring the area up to standard. This additional increase was figured as described in footnote to Exhibit 1. After noting the additional sales needed to bring the performance of each trading area up to the standard of the first trading area, each branch manager determined what part of the desired increase could be set as a practical quota for the coming year. The mathematical quota figure appears in Column 4. The amount of the desired increases for trading area (Column 5) was obtained by subtracting the past year's sales (Column 1) from the new quota (Column 4).

In allocating the newspaper advertising, the test was whether conditions indicated that newspaper advertising should be used to aid in producing the desired sales increase or to help maintain present sales volume. To aid in determining this point the costs of magazine, newspaper, and farm-paper advertising were allocated according to circulation into each trading area. If the comparison between the indices of sales, buying power, and advertising costs indicated that an increased expenditure for the trading area was justifiable, then the distribution situation, both wholesale and retail, and economic conditions were checked to see whether all factors were favorable for a productive newspaper campaign. This policy applied to the specific cities given in Exhibit 1 is explained as follows:

A. *A* was the best-performing trading area in the *X* branch office. The buying-power percentage for *A* was .748 but the branch sales-index percentage, being 1.045, showed that *A* was producing more sales

EXHIBIT 1

Statistical Data Used in Determining 1927 Newspaper Advertising in the X Branch Territory

Name of City	1926 Total Sales, Square Yards	Percentage of Total Branch Sales	Trading-Area Purchasing Power as a Percentage of Branch Purchasing Power	Sales Quotas for Coming Year	Desired Sales Increases	Magazine Cost Allocations	Percentage of Branch Magazine Advertising Costs	Newspaper Cost Allocations	Percentage of Branch Newspaper Advertising Costs	Farm-Paper Cost Allocations	Percentage of Branch Farm-Paper Costs	Total Space Cost Allocations	Percentage of Total Branch Advertising Costs	Decision to Use Newspaper Advertising in 1927
A	30,423	1.045%	0.748%	35,932	5,509	$ 771	.649%	$ 190	.324%	$ 265	1.016%	$ 1,226	.602%	No
B	62,863	2.159	2.377	114,233	51,370	2,299	1.935	306	.520	498	1 909	3,103	1.524	Yes
C	31,193	1.071	1.244	59,777	28,584	1,473	1.240	231	.394	806	3.090	2,510	1.233	No
D	90,577	3.111	3.624	174,389	83,812	3,404	2.865	1,141	1.944	1,490	5.712	6,035	2.964	Yes
E	33,882	1.164	1 652	79,298	45,416	1,519	1 615	132	.225	365	1.284	2,386	1.172	Yes
F	57,975	1.991	2.837	136,266	78,291	1,966	1.655	1,596	2.720	343	1.315	3,905	1.918	No
G	97,845	3.361	4.859	233,300	135,455	4,090	3.442	3,292	5.610	646	2.477	8,028	3.943	Yes
H	134,249	4.611	7.125	342,366	208,117	7,411	6 237	5,444	9.277	1,209	4.635	14,064	6.908	No
I	50,648	1.740	2.888	138,819	88,171	2,060	1 734	1,824	3.108	215	.824	4,099	2.013	No
J	47,570	1.634	2.740	131,695	84,125	1,741	1.465	701	1.195	358	1.372	2,800	1.375	Yes

Formula for figuring normal performance: *A* city taken as best performer.

A sales : *A* index = *y* sales : Index of city

Illustrating with *C* city

$$30{,}423 : 0.748 = y : 1.244$$

$$y = \frac{30{,}423 \times 1.244}{0\ 748} = 50{,}595$$

$$\text{Quota} = y + 0.18y = 59{,}700+$$

relatively than might be expected from branch performance. Total cost of the advertising for trading area *A*, however, was only .602% of the branch costs. Since sales were better than could normally be expected and the advertising cost was low for the sales produced, it was decided that advertising was not needed in *A* in 1927. The desired increase might be secured without newspaper advertising.

B. For *B* the buying-power percentage was 2.377 while the percentage of branch sales was 2.159. The total cost of the advertising allocated to this trading area was 1.524. This situation indicated that the advertising given the territory was low, that undeveloped potentialities existed and that newspaper advertising might be justified. On checking the type of retail outlets in *B*, it was seen that they would be able to give good cooperation; thus it was decided to use newspaper advertising in that city during 1927.

C. In *C*, the buying-power percentage was 1.244 while the performance of the trading area was 1.071. The allocation of advertising to this trading area gave an index of 1.233. In this situation the sales were not up to possibilities, and the advertising cost was nearly all that the company was justified in expending according to its indices. Moreover, the retail situation was not favorable for good cooperation. Therefore, it was decided not to advertise in *C*, although, the trading area had undeveloped potentialities. It was decided to give considerable effort to promotional work among the retailers, so that advertising might be used advantageously at a later time.

D. The indices for *D* showed a situation similar to that of *B*. There was an undeveloped potential sale, and the advertising cost was low in comparison to the buying-power index, but the retail situation was not so favorable as that in *B*. Nevertheless, it was decided that newspaper advertising in *D* undoubtedly would be productive, particularly in stimulating retail outlets to greater activity. Accordingly, a newspaper campaign was scheduled for that city.

E. The indices for *E* showed a very favorable situation for the use of newspaper advertising. Since branch sales were lower than expected potentialities and the advertising cost was relatively low, it was decided to advertise to increase sales in that trading area.

F. The situation in *F* was not extremely favorable because buying-power index was high, while the advertising-expense index and the branch-sales index were approximately the same but much lower. Other conditions in the territory also operated to influence the executives in deciding to postpone advertising in *F* until a later date.

G. In *G*, there was a very high potential as shown by the purchasing-power index. The sales in that trading area, moreover, were considered to be low, since the wholesalers had not reported their total sales in that territory during 1926. Furthermore, since the advertising index was relatively low in comparison to the buying-power index, it was decided that linoleum offered good potentialities for a successful advertising campaign.

H. In *H*, the buying-power index was high and the advertising index nearly approached the buying-power index. Sales in the territory

were only approximately half of what they should have been according to the indices. Since the wholesale connections in *H* were poor and the advertising costs already were high, the company decided not to advertise in *H* in 1927.

I. In *I*, the indices indicated a situation in which it might be profitable to carry on a newspaper campaign. The sales index indicated that there were possibilities in bringing this trading area up to the buying-power index through the use of advertising because the advertising index was relatively low. On the other hand, since it had been expensive to obtain the business already secured in *I* and the building conditions in that territory were in a slump, it was decided not to advertise in *I* during 1927.

J. In *J*, the indices showed that a substantial volume of business was being attained at a relatively low cost. Furthermore, there were possibilities of expanding consumption in this trading area. All the factors being favorable to a newspaper campaign, it was decided to add this town to the schedule.

The company expected, by allocating newspaper advertising in this way and by comparing subsequent sales in trading areas, to obtain an indication of the effectiveness of the local advertising and personal sales effort.

4. CALIFORNIA WALNUT GROWERS ASSOCIATION (A)[1]

DEVELOPMENT OF WALNUT POTENTIAL TO HELP JUDGE ADVERTISING RESULTS

In the attempt to determine whether the advertising of the California Walnut Growers Association had any discernible effect on the Association's sales, the investigators of the Farm Credit Administration studied sales results in various territories and the advertising expenses in the territories. The following statement of the procedure is adapted from the report of the research.[2]

Ordinarily an insight into the effect of advertising and other forms of selling effort may be had by breaking down advertising expense and sales by territories, especially if an index of potential

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[1] See case of California Walnut Growers Association (E), p 535

[2] See Hensley and Borden· *Marketing Policies of the California Walnut Growers Association*—Bulletin No 10, Farm Credit Administration, Washington, Government Printing Office.

demand is had to provide a standard by which to judge attainment. The sales made in a territory, expressed as a percentage of national sales, and the selling expense devoted to the territory, may be compared with the sales potential or standard for the territory, expressed as a percentage of the potential for the country. By noting differences in advertising effort devoted to different territories and the consequent sales responses of these territories, some indication may be had of the effect of advertising in producing sales.

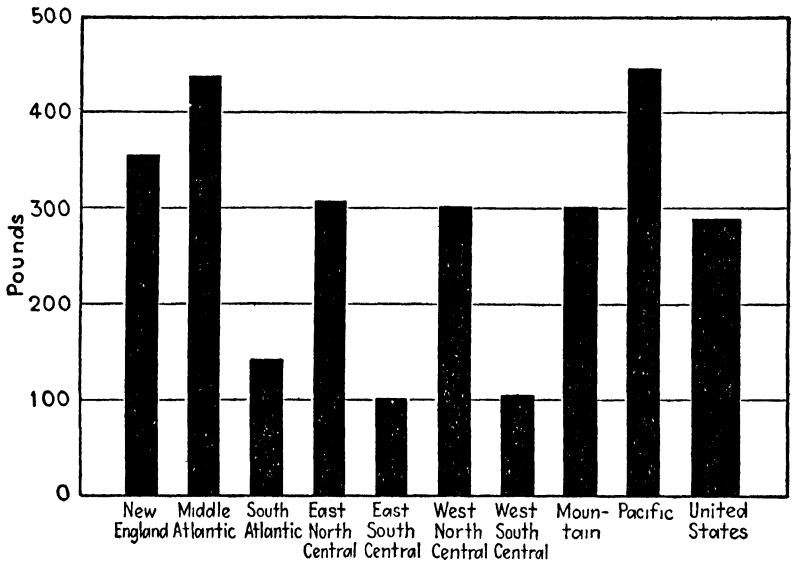

Exhibit 1. Unshelled Walnut Sales Made by the California Walnut Growers Association per Thousand Population, by Geographic Areas, 1933

A real difficulty was met in finding a fully satisfactory standard or index of market potential for walnuts, to serve as a guide in judging the results of sales promotion. The consumption of California walnuts does not vary in accordance with population, as will be seen from Exhibit 1 and Table 1. Since walnuts are a semiluxury, it might be supposed that buying power of population groups would have a considerable bearing on the quantity consumed. Probably the best index of the ability and willingness of people to buy may be had from the record of retail sales contained in the United States Census of Distribution.[1] In Table 1 an

[1] U. S. Department of Commerce, Bureau of the Census. Census of American Business: 1933. *Retail Distribution*, vol. 1, 1935.

index of general buying power based on an average of the retail sales from the distribution censuses of 1929 and 1933 is given. The index number for each geographic division represents the ratio of its retail sales to United States retail sales.

This index of buying power, however, does not provide a good index of the consumption of California walnuts by various territories, as shown in Exhibit 2. Characteristics of the population other than buying power undoubtedly have an important bearing on the consumption of the product Evidence from interviews with members of the trade and with officials of the California

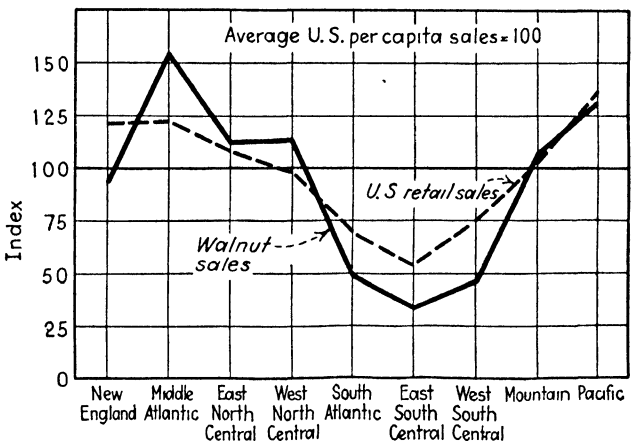

Exhibit 2. California Walnut Growers Association Sales of Unshelled Walnuts, and United States Retail Sales, by Geographic Areas

Walnut Growers Association and the evidence obtained from the consumer survey indicated that there were a number of attributes that would undoubtedly cause a variation in the potentials of different territories for walnuts.

A special index of the market potentials for walnuts was developed in an attempt to obtain a better standard of comparison than an index of general buying power. This market-potential index for walnuts is shown in Table 1. In Exhibit 3 it is compared with the index of buying power and with population ratios.

Briefly, the method employed was as follows: Since sales figures were not available for brokers' territories over any period of time, the nine geographic divisions of the Federal census were employed. Ordinarily in a study of this kind it is desirable to have a breakdown of territories into units which can be readily analyzed. In

TABLE 1

United States Population, General Buying Power, Market-Potential Index,* Advertising Costs and Sales of Unshelled Walnuts, by Geographic Divisions, 1926–1933

	New England		Middle Atlantic		South Atlantic		East North Central		East South Central	
Percentage of Total United States Population ..	6 65		21.39		12.86		20.61		8.05	
Index of Buying Power†	8.00		26 10		9.00		22.40		4.30	
Market Potential Index for Walnuts* . .	8.80		31.60		7.20		22.30		3.10	
Year	Percentage of Advertising Expended in Area	Percentage of Total Sales Made in Area	Percentage of Advertising Expended in Area	Percentage of Total Sales Made in Area	Percentage of Advertising Expended in Area	Percentage of Total Sales Made in Area	Percentage of Advertising Expended in Area	Percentage of Total Sales Made in Area	Percentage of Advertising Expended in Area	Percentage of Total Sales Made in Area
1926	7.78	4.50	23.15	34.02	7.64	5 96	23.42	19 27	3.15	2.69
1927	6.78	4.76	26.52	33.48	6.12	5.87	26.87	23.24	2 68	2.52
1928	7.41	4 87	21.04	30 82	7.07	6.39	29.85	25.20	3.50	2.88
1929	15.76	5.45	20.32	32.75	6.52	6.63	25.89	23 79	3.29	2.78
1930	14.46	6.38	29 11	36.18	5.31	6 81	23.50	23.78	2.36	2.29
1931	12.49	7.54	29 54	30.23	6 13	6.56	20 82	23.58	2.82	2.49
1932	10.13	8.42	28 20	35.32	6 08	5 71	25.74	21.45	1.97	2.73
1933	10 77	8.10	32 30	32.42	7.04	6.14	23.33	21.82	2 57	2.77

TABLE 1 (*Continued*)

	West North Central		West South Central		Mountain		Pacific	
Percentage of Total United States Population	10.83		9.92		3.02		6.67	
Index of Buying Power†	10.70		7.40		3.10		9.00	
Market Potential Index for Walnuts*	10.20		4.90		3.00		8.90	
Year	Percentage of Advertising Expended in Area	Percentage of Total Sales Made in Area	Percentage of Advertising Expended in Area	Percentage of Total Sales Made in Area	Percentage of Advertising Expended in Area	Percentage of Total Sales Made in Area	Percentage of Advertising Expended in Area	Percentage of Total Sales Made in Area
1926	10.61	12.29	6 38	6 70	3.57	4.21	14.30	10.36
1927	10.86	12.36	5.23	4 41	3.29	3.15	11.65	10.21
1928	11.79	12.36	5.33	6.13	3.39	3.47	10.62	7.88
1929	10.85	12.47	4 87	4 99	3.22	3.37	9.28	7.77
1930	9.86	11 29	3 69	3 99	2.85	2.94	8.86	6.34
1931	10.52	13.08	4 46	3 91	4.07	3.27	9 15	9.34
1932	10.82	12.43	2 34	3 76	3.81	2.77	10.91	7.41
1933	8.47	11.25	4 34	3 52	2.74	3.20	8.44	10.78

* A special index of market potentials for walnuts, described in the pages that follow.
† Based on average of retail sales, 1929 and 1933, U. S. Census of Distribution.

this case it would have been desirable to develop a potential for each broker's territory. Then, if sales were found to vary appreciably from the standard in any territory, it would have been relatively easy to determine the probable causes for such variation. Sales records of large geographic divisions may involve a composite of small territories, some satisfactory, some unsatisfactory; thus, isolation of factors affecting sales is difficult. Since it was not possible, however, to get adequate records for such a breakdown, the best data available were used.

First, the average sales of unshelled walnuts per thousand population were computed for each geographic division of the country for the period 1926–1927 to 1932–1933 inclusive, which was converted for each geographic division to a percentage of the United States consumption figure. These data are shown in Table 2. An eight-year average was used to overcome chance fluctuations of a short period.

TABLE 2

Association Sales of Unshelled Walnuts per Thousand Population, by Geographic Divisions and Ratio of Each Division's Sales to United States Sales, 1926–1933

Geographic Division	Average Annual Sales per Thousand Population,* Pounds	Ratio to United States Average Annual Sales per Thousand Population†	Geographic Division	Average Annual Sales per Thousand Population,* Pounds	Ratio to United States Average Annual Sales per Thousand Population†
New England	301	93%	West South Central	149	46%
Middle Atlantic	505	155	Mountain	349	107
East North Central	364	112	Pacific	425	131
West North Central	367	113			
South Atlantic	158	49	United States	325	
East South Central	107	33			

* California Walnut Growers Association.
† Index computed by dividing sales for each area by United States average sales.

In order to get a general buying-power index suitable for the period covered, the retail sales for the Census of Distribution of 1929 and 1933 were averaged and an index of per capita retail sales for each geographic division was computed, as shown in Table 3.

Exhibit 2 permits a comparison between the buying-power index based upon the 1929 and 1933 Census of Distribution and the ratio of walnut sales by districts. While the correlation

between the two curves is fairly good, it will be noted that the buying-power index in comparison with actual sales is low for the Middle Atlantic states and uniformly high for the southern states.

The question was then raised as to what variables accounted for a deviation of walnut sales from potential sales as indicated by a general buying-power index.

As stated, it appeared to be desirable in developing an index of market potentials for walnuts to work from a general buying-power index which indicates the ability and willingness of people to buy

TABLE 3

Average Per Capita Retail Sales by Geographic Divisions and Ratio of Each Division's Per Capita Sales to United States Per Capita Sales, 1929 and 1933

Geographic Division	Average per Capita Retail Sales*	Ratio of per Capita Sales in Division to United States per Capita Sales†	Geographic Division	Average per Capita Retail Sales*	Ratio of per Capita Sales in Division to United States per Capita Sales†
New England	$364 52	121 %	West South Central	$224.97	74 %
Middle Atlantic	368 45	122	Mountain	309.07	102
East North Central	327 64	108	Pacific	410.17	136
West North Central	297.49	98			
South Atlantic	211 43	70	United States	$301.98	
East South Central	161 71	54			

* Determined by dividing the average of retail sales as shown by the Census of Distribution, 1929 and 1933, by United States population for 1930.

† Index computed by dividing sales for each area by United States average sales.

goods and to modify this index by those particular variables which would account for differences in the purchase of walnuts from the purchase of merchandise generally.

Just what the factors affecting the purchase of walnuts are and what the relative importance of each may be is not definitely known. One variable quite clearly affecting the consumption of walnuts appears to be temperature. Where temperatures are high, the walnut season, and hence the consumption season, is shorter than in colder climates.

Another possible variable may be found in different population groups. The Association management indicated that foreign groups apparently are heavy users of walnuts. One multiple correlation study involving the percentage of foreign-born whites was tried out but did not prove to be significant. This particular figure proved to be a negative rather than a positive factor in its

bearing on the consumption of walnuts and accordingly was discarded.

The heavy consumption in the Middle Atlantic states and evidence obtained in the consumer survey indicated that Jews may be heavy consumers of walnuts. Jews were regarded as important consumers by Association officials.

Data are available by buying areas, relating to both Jews and temperature. It is, of course, necessary to find measurable factors if we are to modify a general buying-power index.

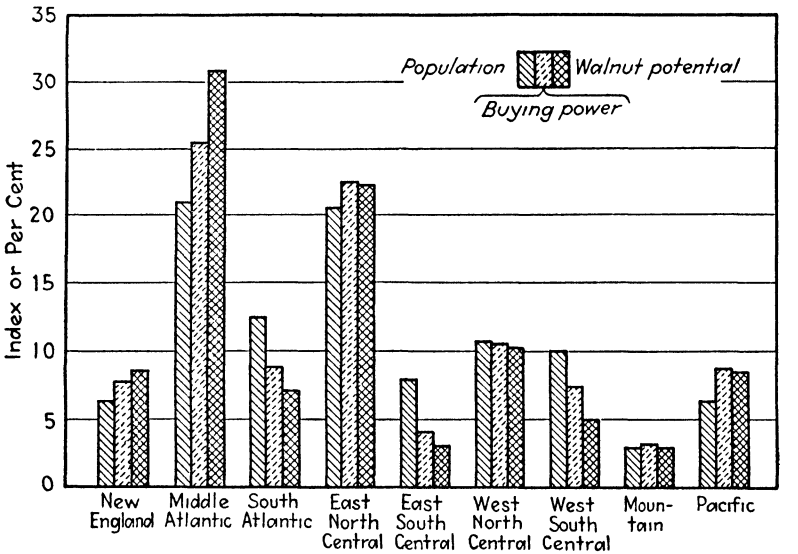

Exhibit 3 Population, General Buying Power, and Walnut Potential Index by Geographic Areas.

Another variable, indicated by the consumer survey as materially affecting consumption of walnuts, is the proximity of the area to pecan groves. In those areas in which pecans are produced, pecans were shown by the consumer survey to be the most widely consumed nut. In states within trucking distance of pecan producers, pecans were relatively more important than in more distant areas. Unfortunately, however, there were no available data to provide an index of the extent of pecan competition by territories.

Certain other factors which might explain the variation of past sales in different territories from a general buying-power standard

rests in the varying effectiveness of brokers, although no measurable indication of this is available.

Likewise there has been variation between territories in the amount of advertising effort put forth, and figures to indicate this variation are available. It was deemed undesirable, however, to try to include variables in advertising and selling effort in a study to develop a market potential for territories, because these variables are within the control of management; whereas differences in buying power, in population, and in temperature are characteristic of territories which are relatively fixed and are not subject to any managerial control. What is desired is a market potential to help in directing selling efforts.

The procedure adopted of correlating the variables of buying power, temperature, and number of Jews with a record of past sales may be questioned, since it involves reasoning in a circle. Such a procedure assumes that past sales of the Association represent potential sales for walnuts. It must be realized that a true potential index of walnut sales is probably not attainable. If past sales represented potential sales, the basis for a potential sales index would be found in past sales history and there would be no need of going further. But we are certain that past sales history does not provide a safe index of potentials, especially if relatively small sales areas are considered. Past sales of walnuts in different territories are affected by varying degrees of sales effectiveness and varying degrees of competition from other nuts. An indication of the danger of taking past sales as an index of market potential is found in the case of New England, in which over a period of eight years the percentage of sales secured practically doubled.

In spite of the questionable logic of working out a correlation of certain attributes of sales territories with past sales, the plan provided a practical approach to the problem. No better index of sales potentials was available. Accordingly, we proceeded on the assumption that correlation with an imperfect index, combining factors that appeared reasonably to affect sales, might in the end provide a truer index of potential than do past sales. Imperfect as the index might be, it would perhaps be a welcome addition as a management tool to use along with a record of past sales. It would provide an additional standards figure to employ in conjunction with past sales figures. It would have to be recognized as imperfect, as most sales indexes must be regarded.

Table 4 shows the percentage of Jews in each geographic area, as computed from the data provided in the United States Census of Religious Bodies, 1926. The number of Jews by counties may be had from this census in 19 of the 48 States. Generally speaking, these are the more important Jewish states. These data in turn can be supplemented by data on the number of Jews in certain cities, so that if it were desired to build up a figure of

TABLE 4
Percentage of Jewish Population by Geographic Divisions, and Ratio to Percentage of United States Population*

Area	Number of Jews in Area	Percentage of Total Population in Area	Ratio to United States Percentage
New England	338,428	4.14	1.24
Middle Atlantic	2,512,569	9.56	2.88
East North Central	644,506	2.54	.77
West North Central	148,493	1.11	.33
South Atlantic	156,345	.98	.29
East South Central	46,630	.47	.14
West South Central	61,972	.51	.15
Mountain	24,525	.66	.20
Pacific . . .	147,774	1.80	.54
United States	4,081,242	3.32	

*Data compiled from United States Census of Religious Bodies, 1926, and United States Census of 1930.

Jewish population by counties, close enough approximations could be obtained to provide workable figures.

Figures on temperature by states and, if desired, by sections of states, may be had from the publication "Climatological Data for the United States." The mean temperatures for the various states were averaged to provide a mean temperature for the various geographic areas. The May figure was used, inasmuch as May was thought to indicate the time when temperature might begin to restrict the keeping of walnuts both by the trade and the consumer, and hence limit their consumption. The mean temperatures of geographic areas are shown in Table 5.

In areas where temperatures are relatively high walnuts do not remain on display so long in retail outlets as in areas where temperatures are relatively low, and walnut consumption in such high-

temperature areas is curtailed.[1] In Exhibit 4 an attempt was made to indicate to what extent the ratio of Jewish population and variations in temperature would account for differences in walnut sales above or below the index of general buying power shown in Exhibit 2. In this exhibit the residuals of sales for each district are plotted; that is, the "residual" line shows the percentage of sales in any territory above or below what might be expected if a general buying-power index (Census of Distribution index) were

TABLE 5
Mean Temperatures for Month of May by Geographic Divisions*

Division	Mean Temperature for Month of May, °F.	Division	Mean Temperature for Month of May, °F.
New England	55.0	East South Central	68.3
Middle Atlantic	60.8	West South Central	71.0
East North Central	58.7	Mountain	55.5
West North Central	58.7	Pacific	54.7
South Atlantic	67.3		

* Determined by taking the average of the mean temperatures for the month of May for the states of each area, as given in Climatological Data for the United States by Sections, Vol. XX, No. 13, U. S. Department of Agriculture, 1933.

a true potential of walnut sales. For example, New England sales for the eight-year period were 28% below what would have been expected from a general buying-power index. The sales in the Middle Atlantic states were some 33% above what would have been expected, and so on. Against this was charted the May mean temperatures for each territory and the ratio of Jewish population. Since temperature would affect the consumption of walnuts inversely, that is, high temperatures in an area would tend to reduce the consumption of walnuts, the temperature scale is inverted. A study of this chart shows that while these two variables do not account uniformly for the variations from a buying-power norm for territories, they seem in many instances

[1] A test indicates that the ratios of the May mean temperatures for each of the geographic areas expressed as percentages of the United States mean temperature for May bears essentially the same relationship to ratios calculated on a broader temperature base, such as the annual mean temperature by geographic areas for the period 1926–1933

to be significant. For example, the high ratio of Jewish population in the Middle Atlantic states may indicate partial reason for the high consumption there. Temperature and small Jewish population correlate with the low sales secured in the South, and so on.

The next step was to determine the multiple correlation of average sales of unshelled walnuts per thousand population, with the three independent variables: (1) Buying power as shown by the United States Census of Distribution; (2) May mean temperature for each territory; and (3) the percentage of Jewish population. The coefficient of correlation was high; $R = 0.9212$. Since

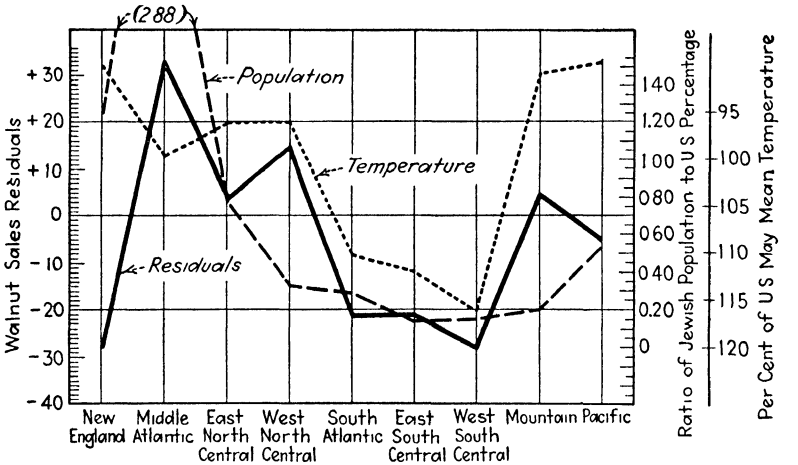

Exhibit 4 Walnut Sales Residuals, Jewish Population, and Percentage of United States Mean Temperature for May, Compared by Geographic Areas

the number of instances was so small, the study being restricted to the broad geographic divisions for which sales data were available, the degree of error is fairly large. If we allow for three standard deviations, it may mean that the correlation would be as low as 0.721, but even this appears to be high enough to be significant.

Using the weightings found by the multiple correlation computations, the relative potentials for each of the territories was determined and compared with the actual figures of sales of unshelled walnuts. This comparison is shown in Table 6.

It will be noted from this table that the discrepancies between actual sales and the relative potentials built up by multiple

correlations are substantial in only two or three cases, namely, New England, the Middle Atlantic states, and the West North Central states.

The question now arises whether a specially constructed index developed along these lines for brokers' territories might be of practical value to the Association.

A potential built in this way provides a device for locating territories in which sales are out of line with what might be expected, the standard being the average performance of all territories. The factors of general buying power, temperature, and number of Jews have been found significant in their relation-

TABLE 6
Walnut Sales in Pounds per Thousand Population and Potential Standards for Geographic Divisions

Divisions	Walnut Sales per Thousand Population, Pounds	Index of Potential Sales per Thousand Population	Divisions	Walnut Sales per Thousand Population, Pounds	Index of Potential Sales per Thousand Population
New England	301	419	East South Central	107	123
Middle Atlantic	505	467	West South Central	149	158
East North Central	364	342	Mountain	349	319
West North Central	367	297	Pacific	425	424
South Atlantic	158	176			

ship to the sale of walnuts, and they have been so weighted and combined that the potential sales which they indicate match the actual sales for geographic territories very well on the average. The coefficient of correlation shows the degree of matching, and in this case it is high. The three instances in which the potentials are substantially out of line have been noted. The potentials, by providing a rough standard, indicate instances in which it might be desirable to study further to see why sales are out of line with what might be expected from an average of all territories.

The high degree of correlation between this index and sales makes it a better standard for short-range sales comparisons than is had in a general buying-power index alone. Whether it provides a better absolute potential for walnuts is not known, but a satisfactory absolute potential cannot be had.

While theoretically it would be desirable to carry through a multiple correlation of data by brokers' territories in order to develop the potential index for territories, it is doubtful whether

from a practical standpoint it would be necessary or desirable to carry through such a laborious task. From this study an idea of the weighting of general buying power, of temperature, and of Jewish population in building an index is had. These weightings, which are shown in the multiple correlation computations, could be applied arbitrarily to data of brokers' territories to build the index without resorting to a long and involved multiple correlation.

For individual territories from year to year this index could then be modified by other factors which appear significant, such as local variations in business conditions, in order to build up sales-quota figures for brokers.

SECTION VI

METHODS TO CHECK THE EFFECTIVENESS OF ADVERTISING

SUGGESTED READING

ADVERTISING FEDERATION OF AMERICA, *The Measurement of Advertising Effect* (Bulletin by Donald R G Cowan and others)

BORDEN AND LOVEKIN, *A Test of the Consumer Jury Method of Ranking Advertisements* (Bulletin)

ELDER, "A New Type of Radio Coverage Research," *American Marketing Journal*, Vol III, p 41.

FALK, "Analyzing Advertising Results," Part I, *Harvard Business Review*, Vol VII, p 185, Part II, Vol VII, p 312

FIRTH, *Testing Advertisements*, Chaps. II–IX

FREYD, "Analysis of Keyed Returns," *Harvard Business Review*, Vol IV, p 313.

GIELLERUP, "Let's Stop Guessing About Advertisements," *Advertising & Selling*, October 31, 1928

GLIM, *Advertising Fundamentalist*, pp 65–79

GOODE AND POWEL, *What About Advertising?* Chaps V–VIII, XXI, XXV–XXVI

GRAGG, "Testing Advertising," *Harvard Business Review*, Vol IX, p 111

GROESBECK, "The Coupon Attitude Toward Advertising," *Printers' Ink*, December 4, 1930, p 3

——— *Copy Testing*, pp 29–40 (pamphlet)

GUNDLACH, *Facts and Fetishes in Advertising*, Chaps XVIII–XXII; Supplement, Chaps A–F

——— "Coupons and Curiosity Seekers," *Printers' Ink*, May 8, 1930, p 3

——— "What Position for the Coupon?" *Printers' Ink*, August 21, 1930, p 25

HAASE, *The Advertising Appropriation*, Chap VII

HENSLEY AND BORDEN, *Marketing Policies of the California Walnut Growers' Association*, pp 23–85.

HOPKINS, *My Life in Advertising*, Chaps XII–XIII

——— *Scientific Advertising*, Chaps I, IV, XIII, XV

LINK, *The New Psychology of Selling and Advertising*, Chap. VI

——— "A New Method of Testing Advertising Effectiveness," *Harvard Business Review*, Vol XI, p 165

NIXON, *Principles of Advertising*, Chap. XXI.

RHEINSTROM, *Psyching the Ads*

RUDOLPH, *Four Million Inquiries from Magazine Advertisements*

SANDAGE, *Advertising Theory and Practice*, Chaps XIX–XXI.

SHRYER, *Analytical Advertising*, pp 87–96

STARCH, *An Analysis of 5,000,000 Inquiries*

——— *Principles of Advertising* (1923 edition), Chaps XIII–XV

——— *Reliability of Methods for the Evaluation of Advertisements* (Booklet, privately printed)

WHITE, *Advertising Research*, Chaps XVII–XIX

A. LOCAL AREA SALES TESTS

1. W. F. YOUNG, INC.

METHOD OF TESTING THE RESULTS OF NEWSPAPER ADVERTISING[1]

In 1929 W. F. Young, Inc., decided to experiment with advertising in newspapers, a medium of which it had as yet made little use. An advertising agency acting for the company conducted a test campaign for the company's principal product, Absorbine, Jr., in the newspapers of seven cities. On the basis of this test, the agency undertook to determine the value of newspaper advertising for the product, particularly with reference to the cost of sales made by that means.

Absorbine, the company's original product, was for veterinary use, whereas Absorbine, Jr., which had become the more important product, was for human use, primarily in the relief of muscular soreness, although its use also was recommended for a variety of other purposes. The retail prices were $1.25 for a 4-ounce bottle and $2.50 for a 12-ounce bottle. The newspaper test advertising, like most of the company's advertising, was devoted to Absorbine, Jr. This product was of high quality, and the company had sought to make its advertising expressive of distinction and worth.

According to an estimate made by the company, 95% of the drug stores in the United States sold Absorbine, Jr. The company employed no salesmen; all orders were received by mail. Such retailers as had a sufficient sales volume in the product purchased directly from the company. Others bought from drug wholesalers, and the bulk of the company's sales was made to those distributors.

For several years prior to 1929, the company's annual advertising appropriation had represented between 15 and 20% of sales. The appropriation for 1929, however, had been increased to about 25% of expected sales. Of the total budget for 1928, which had been more than $200,000, approximately 65% was

[1] Descriptions of test campaigns of different character may be found in the cases of Hewes & Potter, Inc., p. 172, and of Pabst Corporation, p. 245.

spent in magazines; 20% in newspapers; and 15% in farm papers and miscellaneous media, largely for advertising the veterinary preparation.

Partly because of its desire to make its advertising reflect the high quality of its product, the company had used magazines, for the most part, rather than newspapers. It was suggested in 1929, however, that newspapers might be the more effective medium, and the company consequently was desirous of experimenting with them.

W. F. Young, Inc., had not established standard costs either for securing new users or for securing repeat orders. Ordinarily, total selling costs, inclusive of advertising, amounted to less than 25% of sales. Translated into dollars, this meant a cost of less than 19 cents per small bottle sold. When the company first introduced Absorbine, Jr., it had sold directly to consumers by mail and at that time it had regarded an advertising cost of $3 as reasonable for making a sale of a $1 bottle to a new user. The results of a test of window displays which the company made in 1929 were construed as showing the advertising cost per sale made by means of such displays to be 75 cents per small bottle. The company also had made a test of radio advertising. Two estimates were made of the cost of selling by that method. One estimate placed the cost as 25.4 cents per small bottle, and the other placed the cost at double that amount.

The advertising agency, which in 1929 undertook to test the effect on the company's sales of newspaper advertising, selected seven cities as test areas. In one of these cities 8-inch by three-column advertisements were inserted in the daily papers twice a week for four weeks. In the other cities the advertisements were 4 inches by three columns, but they appeared three times during each of the four weeks of the test period. In each of the seven cities certain drug stores were selected as test stores, and their sales of Absorbine, Jr., during four weeks preceding the test, and during the four weeks of the test, were carefully recorded. Sales of selected drug stores in an eighth city, in which no newspaper advertising of Absorbine, Jr., was done, were also recorded in order to provide a comparison with sales in the seven test cities.

The agency's statement of its method and its analysis of results follow:

The test advertising was concentrated in the period February 15, 1929, to March 15, 1929, and was placed in these cities:

Albany, New York
Hartford, Connecticut
Meriden, Connecticut
Manchester, New Hampshire
Pittsfield, Massachusetts
Portland, Maine
Schenectady, New York

Willimantic, Connecticut, was selected as the "control town," i.e., one in which no advertising was placed. This was for the purpose of comparison with those cities in which there was advertising.

The "test" stores were selected with care, the purpose being to obtain a fair cross-section of the market. We selected high-class, low-class, and chain stores. Sales were checked personally each week by the inventory-control method. Altogether 134 stores were included in the test checking and more than 1,300 personal calls were made at these stores to obtain the data which are presented in this report. Personal calls were made weekly at 16 test stores in Albany; 28 in Hartford; 12 in Meriden; 24 in Manchester; 21 in Portland; 9 in Pittsfield; 18 in Schenectady; and 6 in Willimantic—total 134 "test" stores.

The results of the campaign are summarized in Tables 1, 2, 3, and 4 on the following pages.

TABLE 1
Total Sales of Absorbine Jr., in 134 Drug Stores—7 Cities

	Before Advertising Total Sales Four Weeks (in bottles)	During Advertising Total Sales Four Weeks (in bottles)	Increase		Decrease	
			Bottles	Per Cent	Bottles	Per Cent
Small Size.	1,163	1,447	284	24.4%	.	.
Large Size	330	231	.	.....	99	30.0%

Relatively little apparently has been done in the advertising field in this type of research, for the druggists stated that this sort of testing was entirely new in their experience. Had other advertising agencies been checking sales of other products at the same time, it is likely we should have encountered some resistance from the druggists who, on the whole, gave us generous cooperation.

Results. The net result of the campaign, then, is that sales of small bottles showed an increase of 284 bottles, or 24.4%; and that sales of large bottles decreased 99, or 30%. This decrease in the sale of large bottles is not surprising because:

1. The test advertising would create sales of small bottles rather than large bottles. New customers would not care to risk the purchase of a large bottle; for "trial" purposes, the average customer would prefer to buy a small bottle.

TABLE 2
Total Sales of Absorbine, Jr., in 134 Drug Stores, by Cities

Towns	Before Advertising Total Sales Four Weeks (Bottles)	During Advertising Total Sales Four Weeks (Bottles)	Increase		Decrease	
Manchester						
Small	56	104	48	85.7%	..	... ..
Large	13	13	0	0	0	0%
Portland						
Small	76	133	57	75.0	.	. . . ...
Large	14	29	15	107.0	..	. .
Meriden						
Small	63	85	22	34.9		
Large	9	4	.	....	5	55.5
Hartford						
Small	524	661	137	26.2		. . . .
Large	227	115	...	... .	112	49.3
Schenectady						
Small	134	168	34	25.4	.	. ...
Large	21	25	4	19.0		.. ...
Pittsfield						
Small	137	118*	..	..	19	13.9
Large	19	19	0	0	0	0
Albany						
Small	173	178	5	2.9		. .
Large	27	26	..	..	1	3.7
Net Results						
Small	1,163	1,447	284	24.4		. .
Large	330	231	..	.	99	30.0
Willimantic						
Small	31	20	...	.....	11	35.5
Large.....	2	7	5	250.0	.	. ..

* Local department store not in check sold 120 small bottles in two weeks during advertised cut-rate sale. Sale came during period of Absorbine test advertising.

2. Since the advertising has little or no effect on large-bottle sales, it is clear that the decline of such sales is entirely in sympathy with the usual seasonal movements of sales. The decline then, was to be expected, regardless of whether special advertising was carried on or not.

Analysis of Results. It is therefore logical to state that the effect of the special advertising campaign, if any, would be reflected principally in "small-bottle" sales. It has already been pointed out that "small-bottle" sales showed an increase of 284 during the test period. Normally, sales of both small and large bottles of Absorbine, Jr., decrease considerably during that period of the year covered by the "test campaign." Therefore, an increase of Absorbine, Jr., sales

(small size) during the advertising period is doubly significant. Sales increased in a period during which a decrease in sales was a natural expectation.[1]

TABLE 3
Total Sales of Absorbine, Jr., by Store Groupings

Store Groupings	Before Advertising Total Sales Four Weeks (Bottles)	During Advertising Total Sales Four Weeks (Bottles)	Increase		Decrease	
Chain Stores (8 stores)						
Small	309	409	100	32.4%		
Large	45	16			29	64.4%
Department Stores (Hartford, 3 stores)						
Small	214	218	4	1.9		
Large	152	101			51	33.6
Other Leading Stores (5 stores)						
Small	97	139	42	43.3		
Large	21	24	3	14.3		
1 Wholesaler						
Small	180	312	132	73.3		
Large	72	0			72	100.0
All Others (117 stores)						
Small	363	369	6	1.7		
Large	40	90	50	125.0		
Totals (134 stores)						
Small	1,163	1,447	284	24.4		
Large	330	231			99	30.0

We have calculated that sales of Absorbine, Jr. (small size), during the test period were approximately 50% greater[2] than would have been the case if no special advertising had been done. This increase in Absorbine, Jr., sales is directly attributable to the advertising carried on during that period.

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[1] We have made a careful study of the movement of sales at the factory over the years 1923–1928 inclusive—limiting study to the first quarter of each year. A common movement for the sales of each year so examined was found, and the result of this examination has been graphically portrayed. In applying the movement of factory sales to retail sales, a lag of three to four weeks has been allowed Willimantic, for instance, showed a decline in small-bottle sales during the test period—a normal seasonal recession The decline in Willimantic sales is in direct contrast to the movement of sales in the other cities

[2] After making provision for secular trend or, in other words, the natural increase in sales which might have been expected whether special advertising had been instituted or not The sales of W. F. Young, Inc., have been showing a steady upward movement since 1918, a movement which is still under way. It is this normal increase that has been allowed for.

In Table 3, it will be noticed that each of the main divisions there showed an increase of small-bottle sales during a test period. A seasonal decline indicates a falling-off in the consumer need for the product. The fact that this decline was overcome is highly significant.

Recommendation. With such significant results attaching to the area in which the advertising was conducted, it is doubly clear that extension of advertising to greater areas would be correspondingly more productive. The very good result obtained in the "test area" is the best evidence procurable for a more liberal use of newspaper advertising.

The beneficial effect of the test advertising does not necessarily limit itself to the period of the test. The good results of the test advertising can be expected to carry on, in some measure, to immediately succeeding weeks as well.

It is worthwhile to note that chain stores accounted for 100 bottles of the increase of 284 bottles (small size) shown during the test period —or 35%. Some of that increase is attributable to special advertising or "cut-price" sales of the chains themselves. It is important to note that the prominent part played by chains in the sales of Absorbine, Jr., is entirely due to the prominence of Absorbine, Jr., in the national market. Were that prominence to diminish, it is very certain that chains would drop what efforts they now make in behalf of Absorbine, Jr. Chains will handle a product only so long as that product retains its prominence among consumers; and the only way to maintain that prominence, and increase it, is by the use of advertising.

Advertising is essential for the maintenance of Absorbine, Jr., in the position it now occupies in the drug field. Advertising develops brand recognition and brand preference by consumers, and brand preference by consumers will place and maintain Absorbine, Jr., in a position of commanding strength in the market.

Variance among "Test" Towns. We have pointed out the general results of the advertising campaign. On the whole, what already has been said with respect to the seven cities combined applies to each of the individual cities in the "test area." The seven cities exhibited some variance in the movement of sales during the test period, it is true; but all showed one feature of great interest and that is the marked uniformity in all seven cities toward resistance of the usual seasonal decline of sales. This, we feel, can be directly attributed to the newspaper advertising.

Manchester, Portland, Meriden, Schenectady, and Hartford showed especially well.

Pittsfield showed a decline; however, this decline is more than compensated for by the special "mill-end" sale, in which Absorbine, Jr., was used as a "price leader" by a department store during the midst of our "test campaign." This store suddenly came into the picture with their sale in which Absorbine, Jr., was advertised at the cut price of 98 cents. We were checking in almost every other drug outlet in Pittsfield and the price level was around $1.15 at these other stores. In two weeks the price-cutting store sold 120 bottles of Absorbine, Jr., which was more than 11 other stores combined sold

during a period of two weeks. These figures were not included in our "test" figures inasmuch as the store did not represent one of our "test" stores.

Many of the sales which would have gone to our "test" stores thus were deflected to this store as a result of this special sale. Hence, Pittsfield's colorless showing is readily understandable.

Albany showed a marked decline in the fourth and fifth weeks; however, it should be borne in mind that the advertising program did not get under way until the beginning of the sixth week (which is not shown in Exhibit 3). From the sixth week on, Albany exhibits a very decided increase in sales. In addition, on account of an accident which put our field-research correspondent in the hospital at the beginning of the checking, the calls on druggists were postponed. The first check then was for a three-weeks' period and there was considerable chance for error. In all other "test" towns the calls were made weekly without a hitch.

Table 4 shows Absorbine, Jr., sales by weeks in the "test" towns.

In Schenectady, special advertising was used, namely:

5 inches by three columns—two times a week—four weeks—cost $188.16.

Whereas, the other cities had the following:

4 inches by two columns—three times a week—four weeks—cost $1,061.76.

A study of Table 2 and Table 4 indicates that the showing in Schenectady was not particularly impressive. Consequently, it is safe to state that the larger advertisements used in Schenectady were not a great deal more productive of results than smaller advertisements, inserted more frequently, would have been.

Manchester and Portland achieved fair results but in these towns advertisements were used in both morning and evening papers, whereas in all other towns with the exception of Schenectady, advertisements appeared in the evening papers only. In Schenectady a morning paper was used.

Sales-efficiency Rating of Newspaper Advertising. In our window-display test report we pointed out: the measure of efficiency of any form of sales effort may be expressed by the ratio:

$$\frac{\text{Sales Expense or Cost}}{\text{Total Sales}}.$$

Applying the same formula to the newspaper test campaign a sales-efficiency rating may be obtained.

The sales-expense ratio is applied as follows:

Cost of Newspaper Advertising in Six "Test" Towns Based on 4 inches by Two Columns Three Times a Week for Four Weeks	**$1,061.76**
Production Cost	**677.96**
Total Costs	**$1,739.72**

Sales were checked in 116 stores in the six "test" towns where the 4 inch by two-column advertisements were used. These stores showed an increase of 250 small bottles over the previous four weeks when no

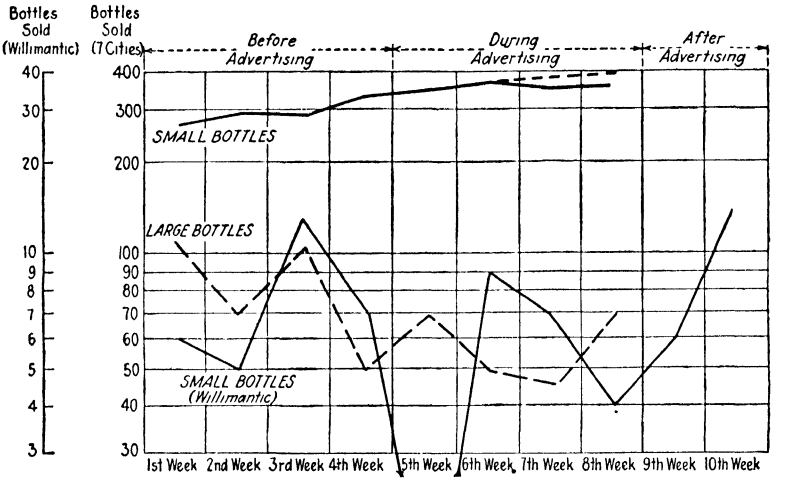

Exhibit 1: Actual Sales of Absorbine, Jr (Seven test cities combined)

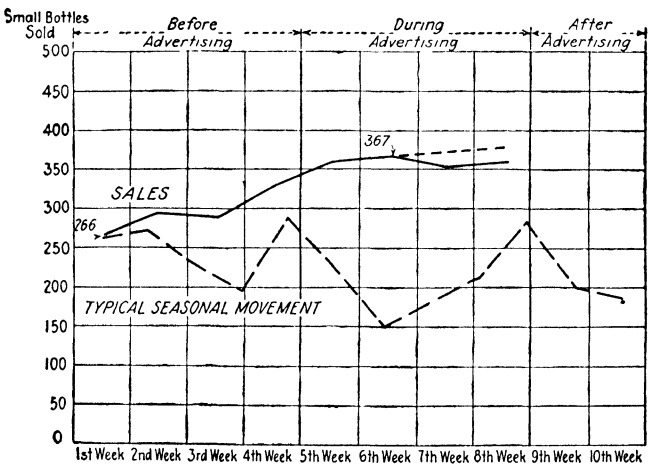

Exhibit 2: Total Sales of Absorbine, Jr. (Seven selected cities)

advertising was placed. The increase per store is obtained by dividing 250 by 116. This increase per store is 2.15 bottles.

To get the probable sales increase for the trade area of the six cities it is necessary to multiply the unit increase per store by the total number of retail druggists in the trade area of these six cities.

TABLE 4
Absorbine, Jr., Sales by Weeks in "Test Towns"

Towns	Number of Stores	Period before Advertising				Total Sales before Advertising	Period during Advertising				Total Sales during Advertising	Increase or Decrease (in bottles)
		First Week	Second Week	Third Week	Fourth Week		First Week	Second Week	Third Week	Fourth Week		
Manchester.	24											
Small	..	17	15	9	15	56	30	19	29	26	104	48 increase
Large ...	.	2	3	4	4	13	4	4	2	3	13	No change
Portland..	21											
Small	.	10	14	17	35	76	38	27	36	32	133	57 increase
Large . .		4	4	0	6	14	16	1	2	10	29	15 increase
Meriden	12											
Small...		15	11	18	19	63	21	25	20	19	85	22 increase
Large.....		0	2	5	2	9	1	2	0	1	4	5 decrease
Hartford..	28											
Small .. .		117	137	123	147	524	158	198	151	154	661	137 increase
Large .. .		78	50	74	25	227	28	30	22	35	115	112 decrease
Schenectady	18											
Small . ..		30	28	34	42	134	40	38	46	44	168	34 increase
Large .		4	3	9	5	21	3	3	13	6	25	4 increase
Pittsfield .	9											
Small .. .		24	3	36	40	137	38	22	26	32	118	19 decrease
Large.....		13	0	4	2	19	12	0	3	4	19	No change
Albany .	16											
Small .. .		53*	53	33	34	173	38	46	54	40	178	5 increase
Large..		7*	8	7	5	27	9	4	11	2	26	1 decrease
Totals												
Small		266	295	270	332	1,163	363	375	362	347	1,447	284 increase
Large		108	70	103	49	330	73	44	53	61	231	99 decrease
Willimantic	6											
Small .		6	5	13	7	31	0	9	7	4	20	11 decrease
Large ...		0	0	1	1	2	0	2	3	2	7	5 increase
Total	134											

* Three weeks' estimate.

This was done as follows: 2.15 bottles equals the increase per store. 690 equals the approximate number of retail druggists in the trade area of these six cities.

$$2.15 \times 690 = 1{,}484 \text{ bottles, increase.}$$

The total increase of bottles sold in the trade area of the six cities multiplied by 75 cents gives the sales in dollars at the factory or 1,484 × 75 cents equals $1,113.

By dividing the total advertising and production costs—$1,739.72—by total estimated increase sales—$1,113—the sales-expense ratio is obtained:

$$\frac{\$1{,}739.72}{\$1{,}113} = 1.56\text{—Sales-expense ratio newspaper advertising.}$$

Or the cost of selling each bottle increase may be expressed:

$$\frac{\$1{,}739{,}72}{\$1{,}484} \text{ or } 1.17 \text{ a bottle.}$$

In order to get further information the agency conducted a test of newspaper advertising in five other cities, using the same

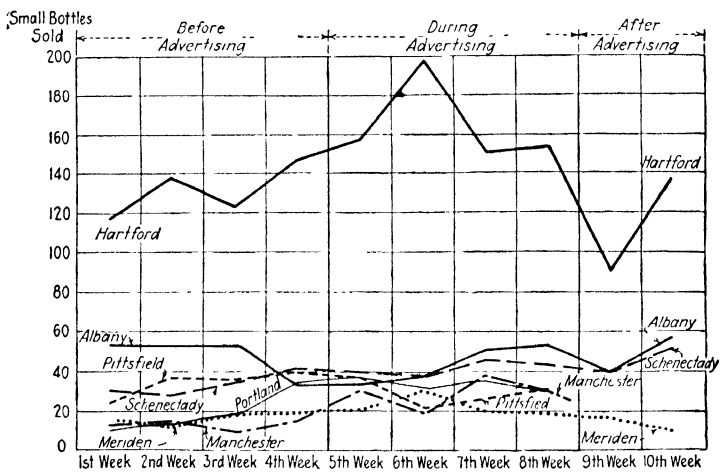

Exhibit 3 Actual Sales of Absorbine, Jr (Seven selected cities)

technique in appraising results that had been used in the original test. In the new test, 3-inch single-column space was used. The advertisements consisted almost entirely of reading matter. The advertisement considered most effective by the agency was one which was headed "All People past 40 Read This" and in which

was stressed in six-point type the value of Absorbine, Jr., as a palliative for rheumatism and stiffened joints.

The agency estimated that the advertising cost per small bottle of Absorbine, Jr., sold as a result of this test campaign was 49 cents. No estimate was made as to what part of the sales stimulated by the advertising was to new users.

1. Were the methods used in this test campaign sound?
2. Were the agency's conclusions justifiable?

2. JANUS CHEMICAL COMPANY

LOCAL AREA TEST

In the fall of 1935, executives of the Janus Chemical Company of Cincinnati, manufacturer of Clearo, a cold remedy, decided to make use of the local area test technique to determine the relative effectiveness of two series of advertisements with different copy themes. Its advertising counsel planned to supervise the test in four cities in February and March, 1936, and secured the assistance of the Colpitt Company,[1] an independent fact-finding organization which regularly reported sales of drug items in a number of cities, to conduct the test and report results in four other cities.

Disastrous floods disrupted business conditions in the four cities in which the advertising agency was checking Clearo sales. When the Colpitt Company filed a report summarizing its observations in the remaining test cities, considerable opposition arose to the conclusions reached therein and several executives stated that the data were inadequate and misleading.

The first series of advertisements, known as the "preventive" campaign, featured Clearo as a preventive of colds. The second series of advertisements, known as the "curative" campaign, featured relief for colds from Clearo. As plans were originally laid out, each campaign, consisting of a series of eight advertisements, was scheduled to run in newspapers in four cities. One advertisement would appear each week for eight consecutive

[1] A fictitious name.

weeks from the week ending Saturday, February 1, 1936, through the week ending March 21, 1936. Advertisements would be uniformly 800 lines in size, which agency executives believed was the smallest space that could be relied upon to dominate the market within the limited period of the test.

The relative effectiveness of the two types of copy approach was to be determined by comparing sales trends for Clearo in cities where the preventive campaign was featured with sales trends in cities where the curative campaign was featured. In each test city a record of sales of Clearo by sizes was to be obtained through the cooperation of druggists. These records would include sales during December and January, the two months preceding the test campaign, and during February and March, the period of the test campaign. Druggists would be requested by the Janus Chemical Company to make no radical change in Clearo display or selling prices during the entire four months' period, and to keep sales effort as nearly normal as possible. In each of the cities checked by representatives of the advertising agency, two men would call upon approximately 10 leading drug stores and one local drug wholesaler to check sales records by sizes. Retail sales were determined by the following formula: stock on hand at the beginning of the month, plus quantity received, equaled total supply, which, minus stock on hand at the end of the month, equaled sales. It was proposed to offer to cooperating retail druggists a quantity of Clearo equivalent to double their December sales of the product. Each cooperating drug wholesaler would be given two cases of the 50-cent size package. The Colpitt Company regularly checked sales of drug items in drug stores accounting for 70% of the total drug sales volume in each city.

The following cities were selected for the test: South Bend, Peoria, Utica, Erie, Springfield, Worcester, Hartford, and New Haven. Sales of Clearo in the first four cities were to be checked by the Colpitt Company and in the latter four by the advertising agency. The cities chosen varied in population between 100,000 and 200,000, a size which was believed to be large enough to give quick sales response and yet small enough to permit the control of test conditions. All were cities in areas with good per capita Clearo sales. All were cities more than usually free from the domination of large chain outlets or the competition of cut-price

stores. All were cities distinguished for a low coverage by the *American Weekly* and *Metropolitan Comics*, in both of which publications Clearo advertisements were currently appearing. In Exhibit 1 is shown the newspaper coverage in the test cities.

EXHIBIT 1
Newspaper Coverage in Test Cities

Campaign	City	Population	Ratios of Circulation		
			To Population, Local Newspapers	To Families, *American Weekly*	To Population, *Metro Comics*
Curative	South Bend	104,193	34%	25%	21%
Preventive	Peoria	104,969	38	17	25
Curative	Utica	101,740	30	17	11
Preventive	Erie	115,967	37	10	14
Curative	Springfield	149,900	69	25	18
Preventive	Worcester	195,311	40	27	14
Curative	Hartford	164,072	39	21	17
Preventive	New Haven	196,192	34	20	19

The total cost of the test campaign including production cost was estimated to be $14,200, which was divided by cities as shown in Exhibit 2.

In order to give no advantage to any city or campaign by means of opportune appearance, all advertisements were scheduled to appear on Wednesday of each week.

The continuance of the test in Springfield, Worcester, Hartford, and New Haven was disrupted by flood conditions. These conditions did not exist in the four cities surveyed by the Colpitt Company, however, and that organization filed a report on its observations. The preventive campaign had been featured in Peoria and Erie; the curative campaign in South Bend and Utica. The Colpitt Company included in its report complete sales data for leading competing products for the four cities from October-November, 1935, through February–March, 1936. These cold-remedy sales in the four test cities are summarized in Exhibit 3, and unit sales of Clearo by size of containers are summarized in Exhibit 4. The sales trend for Clearo on a percentage basis is indicated in Exhibits 5 and 6.

EXHIBIT 2
Cost of Test Campaign by Cities

City	Paper	City Zone Circulation	Rate per Line	Cost
Peoria	*Journal Transcript* (M. E.)	21,353	$ .09	
	Star (E.)	19,391	.07	
		40,744	$ .16	$ 1,024
South Bend	*News Times* (E.)	13,448	.08	
	Tribune (E.)	22,399	.09	
		35,847	$ .17	1,088
Erie	*Times* (E.)	21,247	.08	
	Dispatch Herald (E.)	21,928	.08	
		43,175	$ .16	1,024
Utica	*Observer Dispatch* (E.)	22,109	.12	
	Press (M.)	8,287	.08	
		30,396	$ .20	1,280
Springfield	*Republican Union* (M. E.)	34,746		
	Union News (M. E.)	68,295		
		103,041	.28	1,792
Worcester	*Times* (M. E.)	58,138	.19	
	Post (E.)	19,590	.10	
		77,728	$ .29	1,856
Hartford	*Times* (E.)	46,982	.17	
	Courant (M.)	17,554	.10	
		64,536	$ .27	1,728
New Haven	*Register* (E.)	50,000	.15	
	Journal Courier (E.)	15,843	.07	1,408
		65,843	$ .22	
			$1.75	$11,200
Production				3,000
Total Cost				$14,200

EXHIBIT 3
Leading Cold-remedy Sales in Four Test Cities, Percentage of Total, October–November, 1935, February–March, 1936

Product	October–November	December–January	February–March
Peoria			
Clearo	19.1%	15.8%	18.4%
A	30.0	29.9	37.0
B	5.2	4.7	3.7
C	24.4	24.3	18.8
D	0.2	0.3	0.1
E			
F	14.3	17.5	15.6
G	6.8	7.5	6.4
Total	100.0%	100.0%	100.0%
Erie			
Clearo	17.4%	16.6%	15.6%
A	20.7	28.3	24.8
B	7.9	8.2	7.4
C	34.9	25.7	19.5
D		0.1	
E			
F	12.5	12.8	16.4
G	6.6	8.3	16.3
Total	100.0%	100.0%	100.0%
South Bend			
Clearo	14.7%	13.0%	11.7%
A	27.6	31.8	33.3
B	7.6	7.1	6.3
C	22.9	23.5	20.8
D			
E			
F	16.8	15.9	15.5
G	10.4	8.7	12.4
Total	100.0%	100.0%	100.0%
Utica			
Clearo	17.9%	15.7%	15.5%
A	26.3	30.6	30.5
B	6.5	6.4	6.7
C	30.9	29.4	28.7
D	0.3	0.2	0.6
E	0.3	0.3	0.4
F	9.3	11.9	11.0
G	8.5	5.5	6.6
Total	100.0%	100.0%	100.0%

EXHIBIT 4

Consumer Sales of Clearo in Units in Four Test Cities, October–November, 1935, February–March, 1936

	Size of Container					Total
	$0.15	$0.30	$0.50	$1.00	$2.00	
Peoria						
October–November ...	493	1,751	720	155	230	3,349
December–January .	574	1,335	1,106	251	253	3,519
February–March (advertising period) .	792	1,889	802	152	241	3,876
Erie						
October–November	471	1,113	561	257	116	2,518
December–January	678	1,001	478	254	106	2,517
February–March (advertising period) .	690	1,049	650	257	120	2,766
South Bend						
October–November . .	213	742	305	150	117	1,527
December–January .	152	718	347	149	109	1,475
February–March (advertising period). . . .	229	791	417	157	123	1,717
Utica						
October–November ..	1,462	1,439	295	65	114	3,375
December–January	1,784	1,348	276	88	86	3,582
February–March (advertising period)	1,900	1,370	359	26	111	3,766

EXHIBIT 5

Trend in Sales of Clearo in Four Test Cities—Manufacturer's Revenue Basis
Two Pretest Periods Average = 100

	Preventive Copy Appeal		Curative Remedy Appeal	
	Peoria	Erie	South Bend	Utica
Two Pretest Periods Average	100	100	100	100
November–December	92	104	100	102
January–February	108	97	100	98
March–April (advertising period)	100	109	113	103

In commenting on conditions in the four test cities the Colpitt Company stated that in Peoria during the period, December–January, Clearo was offered at special prices by a relatively large number of stores. In Erie, Clearo was featured at special prices to about the same extent in all three periods. In South Bend, the February–March volume for Clearo was higher than for either pretest period. Clearo was featured in these months at special prices by more than half the stores in this city. In Utica, Clearo sales were slightly better than average in both October–November and February–March. In each of these periods Clearo was offered at special prices.

The Colpitt Company stated that its observations indicated that Clearo sales became during February and March relatively better in the cities where the curative appeal was used (South Bend and Utica) than in the cities where the preventive appeal was used (Peoria and Erie).

EXHIBIT 6
Trend in Sales of Clearo in Four Test Cities—Manufacturer's Revenue Basis
Two Pretest Periods Average = 100

	Peoria plus Erie Preventive Appeal	South Bend plus Utica Curative Appeal
Two Pretest Period Average	100	100
November–December	97	101
January–February	103	99
March–April (advertising period)	104	107

Both the agency representatives and executives of the Janus Chemical Company felt some hesitation in accepting this conclusion. It was stated that the data submitted were insufficient, that too few cities were included in the test to give meaning to the results, that there was not enough differentiation between the results of the two campaigns, and that no control had been exercised over cut-price sales. One suggestion for the apparent success of the curative appeal was that it was a new copy approach for Clearo, inasmuch as magazines, the *American Weekly*, and *Metropolitan Comics* were all carrying advertisements generally featuring the preventive appeal. A few disagreed with this view and stated that the data appeared to be sufficiently conclusive to indicate that the curative appeal should be given greater prominence in general Clearo copy in both magazines and newspapers.

3. GRANDEE COMPANY

READER INTEREST AS FACTOR IN SALES TESTS

The Grandee Company, a leading manufacturer of various drug products, contemplated conducting a local area test on its tooth paste, Glowso. In advance of conducting the local area test, the company's advertising agency conducted a newspaper reader interest test in the four cities chosen for the local area test. The report submitted by the agency follows:

READER INTEREST TEST TO MEASURE EFFECTIVENESS OF NEWSPAPERS IN FOUR CITIES PRELIMINARY TO GLOWSO SALES TEST

November, 1933

Purpose

A sales test of four Glowso candidate campaigns is contemplated. Each of the four is to run in a newspaper in one city, and sales figures will be watched to see which produces best results.

Because sales figures are regularly furnished by drug stores in certain cities, these four cities have been selected as the sites of tests:

City	Population
City A, Michigan	35,000
City B, Illinois	38,000
City C, Illinois	45,000
City D, Ohio	45,000

In newspaper tests made this summer, we found that reader interest in the newspapers themselves varies by as much as 2½ to 1. Obviously, a test campaign running in a newspaper with low reader interest is handicapped in advance. No rating factor available in ABC reports indicates how much interest any newspaper holds for its readers. Nor can this be told by examining the editorial contents, for much depends upon what better newspapers from outside are circulated in the city.

Therefore, it was decided to try out intensity of interest in the newspapers under consideration by the following method:

Method

The same advertisement of Malcuro (a well-known proprietary remedy of the Grandee Company) was run in each paper, on the same day and in similar position. Malcuro was chosen because: (1) like tooth paste, it is a product for both men and women; and (2) it was deemed advisable not to confuse the issue by running any local Glowso advertising in advance of the test.

The advertisement appeared in all newspapers in the four cities. All four had evening papers. Two forced the use of morning papers in a combination rate. One had an independent morning paper. One had no morning paper.

On the day following the insertion in the evening paper (insertion day of morning issues), agency investigators canvassed the four cities interviewing house-to-house, in offices, stores, etc.

They interrogated men and women as to whether they had taken and read the paper or papers in which the Malcuro test advertisement appeared. Track was kept of those who had not read, and of duplication where there were two papers per city.

They sought about 200 women and 100 men who had read the issues in which we are interested. Social classes were kept in uniform proportions in each city—15% Class A; 30% Class B; 35% Class C; 20% Class D. These proportions were maintained rather than taking classes at random as they came, because we have previously learned that Class C women are the most thorough readers of newspapers, and if one city had more Class C than another, the results would be influenced.

Each reader of the paper was questioned along these lines:

1. Did you notice (certain advertisements, including Malcuro as one)?
2. Did you read part of text?
3. Did you read all of text?

A new paper was used for each interview, each advertisement marked by the standard method of 1 for not seen, 2 for noticed but not read, 3 for read part, 4 for read all.

Newspaper Situation in City A, Michigan. There is a forced combination of newspapers published in City A that can best be understood by considering the unique geographical position of the city, and reviewing how the *Mirror-Globe* meets difficult competition.

City A is ringed in by six bigger cities 40 to 125 miles away. These cities send in a heavy morning coverage of better papers than the *Mirror* (morning) can afford to print. So the *Mirror* has relatively little circulation in City A. It goes principally to the outside towns, where it holds better circulation than any of the big city papers because it prints unlimited numbers of personals sent in by resident correspondents. In these towns and cities, the *Mirror* is said to be looked upon as their own newspaper. Deliberately, the publishers try to hold City A circulation of the *Mirror* to a minimum, to reduce duplication with the *Globe* (evening).

The *Mirror* sells for $3.00 a year. White paper and postage alone amount to $3.79 a year. It can live only by advertising revenue. To get that revenue, the publisher endeavors to get advertisers to accept the *Mirror* as merely the outside edition of the *Globe*, taking the place of a bulldog.

We found but 10% duplication between *Mirror* and *Globe* in City A.

The circulation of the *Mirror* outside of City A would naturally tend to help sales for Glowso in the drug stores of the localities where the

Mirror circulates. Yet it would probably do little to help sales in the stores of City A.

A recapitulation of our findings on *Mirror-Globe* coverage follows:

Of all people canvassed in City A, men and women combined:

80% read the *Globe*
20% read the *Mirror*
10% read both

Therefore, the *Mirror* would seem to add about 10% to the City A effective coverage of the *Globe*.

Newspaper Situation in City B, Illinois. There is a forced combination of newspapers published in City B: the *Camera* (Morning), and the *Herald* (Evening). The papers from the larger surrounding cities in Illinois are widely read. But the interest in local affairs is high and most people read either the City B morning or evening paper.

It was found that the *Camera*, the morning paper, had a much higher percentage of men readers than of women readers. Therefore, we found lower coverage for the *Camera* than the Publishers' Statement would indicate, because our interviews were predominantly with women.

The *Herald* (evening) is the paper favored by women. Duplication in readership of the two papers is comparatively low.

A recapitulation of our findings on *Camera-Herald* coverage follows:

Of all people canvassed in City B, men and women combined:

63% read the *Herald* (Evening)
43% read the *Camera* (Morning)
14% read both

Newspaper Situation in City C, Illinois. We have only an evening paper to consider here, and no complications.

Newspaper Situation in City D, Ohio. The morning paper is under separate ownership. The evening paper has greater women readership, and is therefore recommended.

Results

Of primary concern is how the readers of each newspaper compared on the Malcuro advertisement as a constant by which interest in the newspaper was measured.

This is shown in Table 1.

As we are most interested in women, it would seem simplest and soundest to take the proportion of women who read part or all as the most significant index.

The men's reader interest is a complex subject, affected greatly by cross currents of heavy interest in the outside newspapers that reach these cities in varying intensities. Men's interests are usually less restricted to hometown affairs. Fluctuations of men reader interest in the hometown paper are principally due to divided interest with nearby big city newspapers. Some local papers give better

national and international news than others. There isn't any constant of comparison between these cities, so far as men readers are concerned. They are much more nearly comparable as regards women readers.

TABLE 1
Malcuro Test Advertisement Reader Interest in Four Cities

	Not Seen		Noticed		Read Part or All	
	Men	Women	Men	Women	Men	Women
City B						
Herald (E)*	34%	37%	39%	28%	27%	35%
Camera (M)	34	50	32	23	34	27
City C						
Chronicle (E)	56	40	23	28	21	32
City D						
Gazette (E)	40	40	46	28	14	32
Advocate (M)	52	40	36	21	12	39
City A						
Globe (E)*	49	49	30	29	21	22
Mirror (M)	45	47	27	22	28	31

* Forced Combinations.

The preceding table means, to us:

1. That reader interest among women is about comparable in three evening papers, viz.,

City B *Herald* 35% read all or part
City C *Chronicle* 32% read all or part
City D *Gazette* 32% read all or part

2. That one paper is out of line:

City A *Globe* 22% read all or part

This is the typical condition that makes advisable a reader interest test in advance of a sales test. There are several contributing causes, but the main factor in low interest is that City *A* is a stodgy, non-progressive city, where new ideas are practically taboo. Its whole atmosphere is that the people are 25 years behind the times. Hence, it is perfectly natural that interest would be low in a new (to them) national advertising campaign.

Comment upon the research procedure followed in this case.

What bearing should the results have upon the local area test campaigns to be conducted?

4. CARY CLEANSERS, INC. (B)[1]

TESTING METHODS

The work of the Prentiss-Mason advertising agency in testing the effectiveness of advertisements placed for Cary Cleansers, Inc., came to the attention of the controller of a local department store in the spring of 1935. He had been endeavoring, in cooperation with the store's publicity director, to discover a satisfactory method for testing department store advertising, and he thought that the procedure followed by Prentiss-Mason Company could easily be adapted for use by the store. Inasmuch as no method had been discovered for testing department store advertising which successfully circumvented the difficulties raised by the great number of variable factors affecting the volume of sales of advertised items, the publicity director was skeptical of the technique used by the agency. At the controller's suggestion, however, he assigned his assistant to study the testing procedure and make a report on its adaptability to the field of department store advertising.

For testing the effectiveness of advertisements of Cary Cleansers, Inc., Prentiss-Mason Company had developed a technique based on actual sales. The situation appeared to be favorable to the use of a testing procedure of this nature. All advertisements were of the direct action type. They featured specific articles at specific prices. They were placed in selected media with circulation in a limited market and all sales focused at one point, the company's cleansing, dyeing, and storage plant. This situation contrasted with that existing prior to 1934 when the company's publicity had been almost entirely of an institutional or name-display character and the sales resulting from individual advertisements could not be traced with any accuracy. A knowledge of the effectiveness of individual advertisements was

[1] See case of Cary Cleansers, Inc (A), p 352.

valuable not only in distinguishing between effective and ineffective advertisements and productive and unproductive newspapers; it was an integral part of the newly installed departmental budgetary control system.

As the basis for the testing procedure, Mr. John Mason, who took active charge of the Cary account, held constant in turn every variable but one and made experimental changes in that one until the most satisfactory results were obtained. He then conducted similar experiments with the other variable factors. By studying sales of the various departments of the cleansing concern for more than five years, he was able to establish normal seasonal, weekly, and daily sales expectancies for the various services offered by Cary Cleansers, Inc. With these data as a base, he inserted advertisements and measured their effectiveness by the sales response in excess of the normal sales expectancy without advertising.

In testing advertisements offering cleansing services for men's hats, for example, he determined by a survey of five years' experience normal sales expectancy for the month, week, and day in question. This figure he considered to be sufficiently accurate for test purposes. An advertisement was inserted in one newspaper. Sales resulting from the advertisement were noted and the volume was compared with the normal expectancy without advertising. He then went on to test various types of copy offering cleansing service for men's hats at a given price, holding constant the size of the advertisement and the newspaper in which it was inserted. By this method of extending the normal sales expectancy without advertising and contrasting it with sales resulting from direct action advertising, he succeeded in establishing the best type of copy approach. He then went on to experiment with insertions in other metropolitan papers, holding constant the size of the advertisement, the type of copy approach, the article advertised, in this instance men's hats, and the price. A similar procedure was followed when offering services for other articles.

Inasmuch as one purpose of the budgetary control system was to aid in discovering optimum prices for the various services offered by the company, he made further experiments in advertising over a period of time one article at several different prices, in each case comparing the actual sales volume with the extended normal

sales expectancy for that season, week, and day. In this way he believed he was able to build tables which indicated with reasonable accuracy the sales volume that could be expected with direct action advertising for a great many different articles at various prices. This information was used in conjunction with the departmental budgetary control system to determine optimum prices for the various articles handled by the company.

In gauging the effectiveness of advertisements he made use of a weekly sales summary supplemented by a daily report of telephone calls. As a result of his experience he stated that he was able to judge the effectiveness of an advertisement appearing in a morning newspaper by the number of telephone calls received at the retail stores and the main plant before noon of the same day.

In criticizing the effectiveness of his own testing technique, Mr. Mason pointed out that the weather was a variable factor beyond control. The sales resulting from any advertisement were directly affected by weather conditions on the day of its insertion. A further disturbing factor which appeared to defy measurement was the effect of the repetition of identical or nearly identical advertisements for several successive weeks. It was also difficult to measure with any accuracy the effect of an advertisement's position on a newspaper page. He endeavored to compensate for the influence of rapid changes in business conditions by modifications of the normal sales expectancy based on past experience. The degree to which he was successful depended, of course, on the accuracy of his estimates of the effect of changes in general business conditions on the local demand for cleansing services of a particular type. The last variable factor which seemed to becloud the accuracy of the test was the effect of advertising on the sales of unadvertised articles. The agency's experience indicated that some articles when advertised served as "pullers" for other articles. The advertising of cleansing service for men's flannel trousers, for instance, stimulated the sale of cleansing service for men's topcoats and suits. Drivers calling at homes for flannels, in response to a telephone request, were instructed to suggest the other services of the company. Customers frequently found it convenient to send suits and topcoats at the same time.

Coincident with the opening of the campaign in metropolitan newspapers a program of car card advertising had been initiated featuring articles which received no publicity in newspaper adver-

tisements running concurrently. Double car cards were allowed to remain in circulation for a week, a month, or even longer, and their effectiveness was checked in the same way as that of advertisements appearing in newspapers. Experiments were made with different types of copy and information was also derived which assisted in the segregation of those articles most fitted for car card advertising. A similar procedure was followed in checking the effectiveness of advertising appearing in the "Cary News."

With the information obtained from these tests Mr. Mason stated that he was able to establish criteria for determining which services could be advertised profitably. In any one department the following facts and figures were known: capacity in units per given time period, direct cost for any volume, and overhead for any volume. The pulling power of an advertisement of a given size offering cleansing service at a given price at any time in the year could be estimated in advance with what was considered reasonable accuracy. Hence it was possible to estimate the cost of securing the desired volume of sales. Gross margin could be determined for that volume and price, and it then became a question of comparing advertising cost with gross margin. Advertisements could be varied in size or could be run in different media simultaneously or in turn.

B. ANALYSIS OF COUPONS

1. CALIFORNIA WALNUT GROWERS ASSOCIATION (B)[1]

ANALYSIS OF INQUIRY RETURNS

In 1934, the Cooperative Division of the Farm Credit Administration made an analysis of the inquiry returns of advertisements of the California Walnut Growers Association for the period of 1926–1934 inclusive. Each advertisement published was studied and tabulated, as shown in Exhibit 1.

Typical advertisements of various campaigns are shown in Exhibits 2 to 9.

What recommendations regarding advertising procedure should have been made on the basis of these inquiry returns?

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[1] See California Walnut Growers Association (E), p 535

EXHIBIT 1
Inquiries and Inquiry Costs
Campaign 1926–1927

Number of Advertisement	Magazine	Month	Size and Color		Number of Requests	Inquiry Cost	Central Theme	Type of Illustration	Prominence of Offer*
201	A	Nov.	1 p.	Color	190	$52 63	Branding of Diamond	Branded nuts	Fair†
201	B	Nov.	1 p.	Color	131	91.60	Branding of Diamond	Branded nuts	Fair†
204A	C	Dec.	1 p.	Color	54	125 92	Branding of Diamond	Branded nuts	Poor
204	D	Dec.	1 p.	Color	89	134.83	Branding of Diamond	Branded nuts	Poor

* No coupons were used in any of these advertisements.
† Only these two advertisements of those appearing during this season carried an offer.

EXHIBIT 1 (*Continued*)
Campaign 1927–1928

Number of Advertisement	Magazine	Month	Size and Color		Number of Requests	Inquiry Cost	Central Theme	Type of Illustration	Prominence of Offer*
†	A	Nov.			2,176	$4.59			
225	A	Dec.	½ p.	B & W	470	8.08	Low price	Bowl of walnuts	Poor
†	A	Feb.	1 p.	Color	2,903	3 65	Recipe appeal	Nuts and recipes	Fair
237	A	Mar.	½ p.	B & W	1,139	3 59	Recipe appeal	Attractive dishes	Poor
238	A	Apr.	½ p.	B & W	722	5.67	Recipe appeal	Attractive dishes	Poor
222A	C	Nov.	1 p.	Color	681	11.01	Low price	Bowl of nuts	Poor
	C	Dec.	1 p.	Color	397	18 89	Low price	Bowl of nuts	Poor
235	C	Feb.	⅔ p.	B & W	536	5.36	Recipe appeal	Shelled cans, recipe	Poor
229	C	Feb.	1 p.	Color	2,383	3.14	Recipe appeal	Attractive dishes	Fair
238A	C	Mar.	⅔ p.	B & W	1,172	2.45	Recipe appeal	Attractive dishes	Poor
237A	C	Apr.	⅔ p.	B & W	550	5.22	Recipe appeal	Attractive dishes	Poor
224	B	Nov.	1 p.	Color	730	16.43	Low price	Bowl of nuts	Poor
226	B	Dec.	½ p.	B & W	202	21 03	Low price	Bowl of nuts	Poor
236	B	Feb.	½ p.	B & W	646	6.57	Recipe appeal	Line cut of recipes	Poor
232	B	Mar.	1 p.	Color	2,340	4.91	Recipe appeal	Recipes and bowl	Fair
†	E	Nov.	1 p.	Color	426	17.13			
227	E	Dec.	½ p.	B & W	191	14.13	Low price	Bowl of nuts	Poor
233	E	Mar.	1 p.	Color	1,439	5 07	Recipe appeal	Attractive dishes	Fair
239	E	Apr.	½ p.	B & W	315	8.57	Recipe appeal	Attractive dishes	Poor
220	F	Dec.	1 p.	Color	614	16.28	Low price	Bowl of nuts	Poor
228	F	Jan.	½ p.	B & W	364	10.43	Low price	Bowl of nuts	Poor
†	F	Mar.	1 p.	Color	2,724	3.67			
239	F	Apr.	½ p.	B & W	876	4.34	Recipe appeal	Attractive dishes	Poor
222 (shelled nuts)	G	Dec.	1 p.	Color	206	14.56	Low price	Bowl of nuts	Poor
	G	Feb.	½ p.	Color	188	7.18	Recipe appeal	Shelled cans and dishes	Poor
236	G	Feb.	½ p.	Color	238	5.67	Recipe appeal	Line cut of recipes	Poor
239B	G	Mar.	½ p.	Color	529	2.55	Recipe appeal	Attractive dish	Poor
238B	G	Apr.	½ p.	Color	263	5.13	Recipe appeal	Attractive dish	Poor
	J	Dec.	1 p.	Color	252	59.52	Low price	Bowl of nuts	Poor

* No coupons were used in any of these advertisements.
† Advertisement not furnished.

EXHIBIT 1 (*Continued*)
Campaign 1928–1929

Number of Advertisement	Magazine	Month	Size and Color		Number of Requests	Inquiry Cost	Central Theme	Type of Illustration	Prominence of Offer*
	E	Oct.	1 p.	Color	468	$17.09	Walnuts for holiday	Bowl of nuts	Poor
	E	Nov.	1 p.	Color	227	35.24	Walnuts for holiday	Bowl of nuts	Poor
	E	Dec.	1 p.	Color	113	70.79	Walnuts for holiday	Bowl of nuts	Poor
	B	Oct.	1 p.	Color	556	20.68	Walnut time again	Nuts in shell	Poor
	B	Nov.	1 p.	Color	313	36.74	Walnuts for holidays	Bowl of nuts	Poor
	B	Dec.	1 p.	Color	225	51.11	Walnuts for holidays	Bowl of nuts	Poor
	F	Nov.	1 p.	Color	547	19.37	Walnuts for holidays	Bowl of nuts	Poor
	F	Dec.	1 p.	Color	319	33.22	Walnuts for holidays	Bowl of nuts	Poor
	G	Nov.	1 p.	Color	282	11.70	Walnuts for holidays	Bowl of nuts	Poor
	G	Dec.	1 p.	Color	76	43 42	Walnuts for holidays	Bowl of nuts	Poor
	A	Nov.	1 p.	Color	392	27.04	Walnuts for holidays	Bowl of nuts	Poor
	A	Dec.	1 p.	Color	309	34.30	Walnuts for holidays	Bowl of nuts	Poor
	C	Nov.	1 p.	Color	292	27.39	Walnuts for holidays	Bowl of nuts	Poor
	C	Dec.	1 p.	Color	272	29.41	Walnuts for holidays	Bowl of nuts	Poor

*No coupons were used in any of these advertisements.

EXHIBIT 1 (*Continued*)
Campaign 1929–1930

Number of Advertisement	Magazine	Month	Size and Color		Number of Requests	Inquiry Cost	Central Theme	Type of Illustration	Prominence of Offer*
279	A	Nov.	1 p.	Color	489	$22 90	It's walnut time	Nuts in shell	Poor
282	A	Dec.	1 p.	Color	857	13.06	Walnuts for holidays	Bowl of nuts	Poor
291	A	Feb.	1 p.	Color	23,848	0.46	Recipe appeal	Attractive dishes	Fair to good
279	C	Nov.	1 p.	Color	379	22.42	It's walnut time	Nuts in shell	Poor
283	C	Dec.	1 p.	Color	1,083	7.84	Leisurely dining	Bowl of nuts	Poor
289	C	Mar.	1 p.	Color	681	12.42	Leisurely dining	Bowl of nuts	Poor
279	D	Nov.	1 p.	Color	491	25.45	It's walnut time	Nuts in shell	Poor
284	D	Dec.	1 p.	Color	465	26.88	Walnuts for holidays	Bowl of nuts	Poor
288	D	Feb.	1 p.	Color	7,931	1.57	Recipe appeal	Attractive dishes	Fair
292	D	Mar.	1 p.	Color	9,007	1.38	†	†	†
279	B	Nov.	1 p.	Color	470	24.46	It's walnut time	Nuts in shell	Poor
281	B	Dec.	1 p.	Color	522	22.03	Walnuts for holidays	Bowl of nuts	Poor
280	F	Dec.	1 p.	Color	496	21.37	Walnuts for holidays	Bowl of nuts	Poor
286	F	Jan.	1 p.	Color	402	26.36	Walnuts for holidays	Bowl of nuts	Poor
285	G	Dec.	1 p.	Color	226	13.27	Walnuts for holidays	Bowl of nuts	Poor
287	G	Jan.	1 p.	Color	128	23 43	Walnuts for holidays	Bowl of nuts	Poor

* No coupons were used in any of these advertisements.
† Advertisement not available.

EXHIBIT 1 (*Continued*)
Campaign 1930–1931

Number of Advertisement	Magazine	Month	Size and Color		Number of Requests	Inquiry Cost	Central Theme	Type of Illustration	Prominence of Offer*
302	F	Nov.	1 p.	Color	4,455	$2 51	Walnuts to crack, good dishes	Bowl and attractive dishes	Fair to good
306	F	Dec.	1 p.	Color	5,127	2 18	Walnuts to crack, good dishes	Bowl and attractive dishes	Fair to good
302	B	Nov.	1 p.	Color	3,960	2.90	Walnuts to crack, good dishes	Bowl and attractive dishes	Fair to good
307	B	Dec.	1 p	Color	2,939	3 91	Walnuts to crack, good dishes	Bowl and attractive dishes	Fair to good
303	D	Nov.	1 p.	Color	2,268	5.48	Walnuts to crack, good dishes	Bowl and attractive dishes	Fair to good
308	D	Dec.	1 p.	Color	3,582	3 48	Walnuts to crack, good dishes	Bowl and attractive dishes	Fair to good
303	A	Nov.	1 p.	Color	2,759	4 05	Walnuts to crack, good dishes	Bowl and attractive dishes	Fair to good
310	A	Dec.	1 p.	Color	1,889	6 35	Walnuts to crack, good dishes	Bowl and attractive dishes	Fair to good
304	C	Nov.	1 p.	Color	2,522	3 64	Walnuts to crack, good dishes	Bowl and attractive dishes	Fair to good
312	C	Dec.	1 p.	Color	1,885	4 88	Walnuts to crack, good dishes	Bowl and attractive dishes	Fair to good

* No coupons were used. Booklets were pictured. Offer was carried in subhead.

EXHIBIT 1 (*Continued*)
Campaign 1931–1932

Number of Advertisement	Magazine	Month	Size and Color		Number of Requests	Inquiry Cost	Central Theme	Type of Illustration	Prominence of Offer*
323	D	Nov.	1 p.	Color	2,847	$4.37	Walnuts, a bargain	Bowl and attractive dishes	Good
329	D	Dec.	1 p.	Color	4,123	3.03	Walnuts, a bargain	Bowl and attractive dishes	Good
324	A	Nov.	1 p.	Color	1,733	6.92	Walnuts are here	Bowl and attractive dishes	Fair†
325	E	Nov.	1 p.	Color	4,966	2.15	Walnuts, a bargain	Bowl and attractive dishes	Good
331	E	Dec.	1 p.	Color	2,606	4.10	Walnuts, a bargain	Bowl and attractive dishes	Good
326	C	Nov.	1 p.	Color	2,228	4.12	Walnuts, a bargain	Bowl and attractive dishes	Good
332	C	Dec.	1 p.	Color	1,286	7.15	Walnuts, a bargain	Bowl and attractive dishes	Fair†
327	B	Nov.	1 p.	Color	2,900	3.62	Walnuts, a bargain	Bowl and attractive recipe	Good
333	B	Dec.	1 p.	Color	2,500	4.20	Walnuts, a bargain	Bowl and attractive recipe	Good
328	F	Nov.	1 p.	Color	4,927	2.27	Walnuts, a bargain	Bowl and attractive recipe	Good
334	F	Dec.	1 p.	Color	3,803	2.94	Walnuts add to menus	Bowl and attractive recipe	Good

* No coupons were used in any advertisements. Booklet offered is pictured in all.
† No subhead to feature offer as in other advertisements.

EXHIBIT 1 (*Continued*)
Campaign 1932–1933

Number of Advertisement	Magazine	Month	Size and Color		Number of Requests	Inquiry Cost	Central Theme	Type of Illustration	Prominence of Offer
354	D	Nov.	1 p.	Color	3,051	$3 68	Walnuts, a bargain	Grocer, bowl, dishes	Good
357	D	Dec.	1 p.	Color	2,143	5 24	Add walnuts—cheap and good	Photo, bowl, dishes	Good
355	A	Nov.	1 p.	Color	5,051	1 89	Walnuts, a bargain	Grocer, bowl, dishes	Very good
358	A	Dec.	1 p.	Color	2,815	3 99	Add walnuts—price low	Photo, bowl, dishes	Good
356	E	Nov.	1 p.	Color	2,736	3 39	Prices lower	Photo, bowl, dishes	Good
359	E	Dec.	1 p	Color	4,507	2.06	Add walnuts, etc.	Photo, bowl, dishes	Good
356A	C	Nov.	1 p.	Color	1,053	4 30	Prices low	Photo, bowl, dishes	Good
357A	C	Dec.	1 p.	Color	1,013	8.29	Add walnuts—cheap and good	Photo, bowl, dishes	Good
353	B	Nov.	1 p.	Color	656	12.95	Good nuts at low prices	Grocer and bowl of nuts	Poor
360	B	Dec.	1 p.	Color	1,827	4.65	Roasted walnuts	Photo, bowl, recipe	Good
353	F	Nov.	1 p.	Color	913	10 51	Good nuts—low prices	Grocer, bowl of nuts	Poor
361	F	Dec.	1 p	Color	2,013	4 76	Six reasons for buying	Photo, bowl of nuts	Good
362	H	Dec.	½ p.	B & W	346	8 67	Walnuts, a bargain	Photo, bowl, dishes	Good
357	H	Jan.	1 p.	Color	700	10 71	Add walnuts —cheap and good	Pnoto, bowl, dishes	Good
353A	I	Dec.	1 p.	Color	590	6 94	Good nuts—low prices	Grocer, bowl of nuts	Poor
363	I	Jan.	½ p	B & W	279	6.41	Just add walnuts, etc.	Photo, bowl, dishes	Good
380	J	Jan. 22	1 p	Color	9,544	1 67	Recipe appeal—just add walnuts	Numerous dishes	Good
380A	K	Jan 22	1 p.	Color	2,519	2 69	Recipe appeal—just add walnuts	Numerous dishes	Good
381	J	Feb. 5	1 p.	Color	28,346	0 564	Recipe appeal—just add walnuts	Numerous dishes	Excellent*
381A	K	Feb. 5	1 p	Color	9,216	0 99	Recipe appeal—just add walnuts	Numerous dishes	Excellent*
382	J	Feb. 26	1 p.	Color	41,797	0 382	Recipe appeal—just add walnuts	Numerous dishes	Excellent*
382A	K	Feb. 26	1 p	Color	8,118	1.14	Recipe appeal—just add walnuts	Numerous dishes	Excellent*
383	J	Mar. 19	1 p	Color	25,102	0.637	Recipe appeal—add walnuts for Lent	Numerous dishes, bowl	Excellent*
383A	K	Mar. 19	1 p.	Color	9,084	1 10	Recipe appeal—add walnuts for Lent	Numerous dishes, bowl	Excellent*

* Contained coupon.

EXHIBIT 1 (*Continued*)
Campaign 1933–1934

Number of Advertisement	Magazine	Month	Size and Color		Number of Requests	Inquiry Cost	Central Theme	Type of Illustration	Prominence of Offer*
393	D	Nov.	1 p.	Color	5,087	$2.21	Health	Doctor, bowl, recipes	Excellent
399	D	Dec.	½ p.	B & W	2,541	1 68	Beauty	Woman exercising, bowl	Excellent
404	D	Jan.	1 p.	Color	3,513	3.20	Dental health	Dentist, bowl, recipes	Excellent
401	D	Feb.	½ p.	B & W	1,801	2.37	Beautiful teeth	Movie actress, bowl	Excellent
406	D	Apr.	½ p.	B & W	823	5.19	Beauty	Woman's face, bowl	Excellent
394	A	Nov.	1 p.	Color	8,206	1.24	Beautiful teeth	Woman's face, bowl, recipes	Excellent
400	A	Dec.	½ p.	B & W	1,673	2.30	Health	Doctor, bowl	Excellent
402	A	Feb.	1 p.	Color	4,623	2.20	Beauty	Woman, bowl, recipes	Excellent
395	A	Mar.	½ p.	B & W	1,888	2.03	Beauty	Woman's face, nuts	Excellent
395	E	Nov	½ p.	B & W	1,950	1.79	Beauty	Woman's face, nuts	Excellent
393	E	Dec	1 p	Color	6,098	1.52	Health	Doctor, bowl, recipes	Excellent
407	E	Feb.	½ p.	B & W	1,659	2.10	Beauty	Woman's face, bowl	Excellent
409	E	Mar.	1 p.	Color	5,002	1.85	Beauty	Woman, bowl, recipes	Excellent
396	C	Nov.	1 p.	Color	3,536	2.37	Beauty	Woman, bowl, recipes	Excellent
401A	C	Dec.	⅔ p.	B & W	1,267	2.95	Beautiful teeth	Movie actress, bowl	Excellent
405	C	Jan	⅔ p.	B & W	1,421	2.63	Beauty	Movie actress, nuts	Excellent
408	C	Feb	1 p.	Color	2,724	3.08	Health	Doctor, bowl, recipes	Excellent
397A	C	Mar.	⅔ p.	B & W	1,452	2.58	Beautiful teeth	Woman's face, bowl	Excellent
397	B	Nov	½ p.	B & W	1,491	2.17	Beautiful teeth	Woman's face, bowl	Excellent
402A	B	Dec.	½ p	B & W	917	3 54	Beauty	Woman's face, bowl	Excellent
398	B	Jan.	½ p	B & W	1,439	2.24	Health	Doctor, bowl	Excellent
398	F	Nov.	½ p	B & W	2,817	1 31	Health	Doctor, bowl	Excellent
403	F	Dec.	1 p.	Color	8,084	1 18	Beauty	Woman, bowl, recipes	Excellent
406	F	Jan.	½ p.	B & W	993	3.72	Beauty	Woman's face, bowl	Excellent
410	F	Mar	1 p.	Color	6,306	1.52	Dental health	Family, bowl, recipes	Excellent
400	F	Apr.	½ p.	B & W	915	4 04	Health	Doctor, bowl	Excellent

*Contained coupon.

EXHIBIT 1 (*Continued*)
Campaign 1934–1935

Number of Advertisement	Magazine	Month	Size and Color		Number of Requests	Inquiry Cost	Central Theme	Type of Illustration	Prominence of Offer*
442	D	Nov.	1 p.	Color	12,478	$0.90	Make favorite dishes famous	Attractive dishes	Excellent
448	D	Dec.	1 p.	Color	11,367	0 99	Avoid spoon foods	Woman, attractive dishes	Excellent
454	D	Jan.	1 p.	Color	7,598	1.48			
443	A	Nov.	1 p.	Color	19,085	0 57	Convert spoon foods	Woman, attractive dishes	Excellent
449	A	Dec.	1 p.	Color	18,147	0 60	Make foods better	Attractive dishes	Excellent
444	E	Nov.	1 p.	Color	11,647	0 80	Change spoon foods, etc.	Attractive dishes	Excellent
450	E	Dec.	1 p.	Color	10,948	0 85	Beauty—spoon foods	Woman, attractive dishes	Excellent
445	C	Nov.	1 p.	Color	9,503	0 88	Walnuts to convert spoon foods	Doctor, attractive dishes	Excellent
451	C	Dec.	1 p.	Color	7,899	1.06			
446	B	Nov.	1 p.	Color	25,600	0 33	No more tired menus	Attractive dishes	Excellent
452	B	Dec	1 p.	Color	8,889	0 96	Make dishes look and taste expens.ve	Attractive dishes	Excellent
447	F	Nov.	1 p.	Color	23,187	0.41	Walnuts for chewing, teeth	Woman, attractive dishes	Excellent
453	F	Dec.	1 p.	Color	8,661	1 11	Walnuts give extra touch	Attractive dishes	Excellent
455	F	Jan.	1 p	Color	7,256	1.32	Sugared walnuts	Photograph of cooking, sugared nuts	Excellent

Note lower costs in November.
* Contained coupon.

Exhibit 2: No. 201—Typical magazine advertisement of the 1926–1927 season. Emphasis was placed upon the new plan of trade-marking the nuts. Actual advertisement was in colors.

Exhibit 3: No. 285—Typical magazine advertisement of the fall season, 1929–1930, featuring holiday use. Actual advertisement was in colors. This advertisement was used in the consumer jury test.

Exhibit 4: No. 291—Recipe type of advertisement introduced in February, 1930. Actual advertisement was in colors. This advertisement was used in the consumer jury test.

Exhibit 5: No. 325—Typical advertisement of 1931–1932 season. The walnut bowl for holiday entertaining predominated as illustration, but recipes were interspersed. Actual advertisement was in colors. This advertisement was used in the consumer jury test.

Exhibit 6: No. 355—Typical advertisement of 1932–1933 season, featuring low prices. Photographic reproduction was used; bowl of nuts and recipes were in color.

Exhibit 7: No. 393—Typical advertisement of the 1933–1934 campaign, featuring the health appeal. Actual advertisement was in colors. This advertisement was used in the consumer jury test.

Exhibit 8: No. 394—Typical advertisement of the 1933–1934 campaign featuring the beauty appeal. All full-page advertisements of this campaign were in colors; some half pages in black and white were also run. This advertisement was used in the consumer jury test.

Exhibit 9: No. 446—Recipe type of advertisement used in the 1934–1935 campaign. Actual advertisement was in colors. This advertisement was used in the consumer jury test.

2. DENNISON MANUFACTURING COMPANY (A)

DETERMINATION OF AMOUNT OF PURCHASE RESULTING FROM CONSUMER ADVERTISING OF PAPER PRODUCTS

In 1929, the Dennison Manufacturing Company decided to ascertain, if possible, how much of its merchandise was purchased by consumers as a result of its advertising and promotional activities. Consumers' purchases of most of the company's consumer products had been both infrequent and small in amount. The company had endeavored to expand the market by educating consumers, through personal instruction and instructional booklets, in both new and old uses. A substantial proportion of the instructional booklets were distributed to consumers directly in answer to inquiries from space advertising. The company had complete records of the immediate results of its advertising, measured by cost per inquiry. It had not undertaken systematically, however, to discover the ultimate results in the form of sales after the promotional material was in the hands of consumers.

The company's so-called "dealer line," the only one it advertised to consumers, consisted of 8,000 to 10,000 items. It was difficult for individuals not associated with the company to grasp the nature of these items as a group. Although paper was a constituent of most of them, some were made entirely of other materials; and from the standpoint of utility, no close relationship existed except among a limited number of them. Some of the most commonly known were crepe paper, paper napkins and towels, gummed labels, baggage tags, and sealing wax. These were of the class designated by the company as staples. The other classification which it made arbitrarily in its dealer line was that of holiday goods. These consisted of accessories for use in entertainment.

The term "dealer line" had been applied to the company's consumer products because they were distributed through wholesalers and retailers, whereas the rest of the company's products were made largely to individual order and were sold directly to manufacturers, to jewelers, and to other retailers. The company sold the products in its dealer line directly to retailers whose annual volume of purchases totaled $150 or more. Other retailers were expected to purchase these products from wholesalers. Stationery stores, drug stores, and department stores constituted

a large proportion of the 20,000 retail outlets for the products in the dealer line. The company operated a retail store of its own in each of four large cities in the United States. These stores were not expected to be self-supporting, but were used for experimenting in methods of selling and in craft instruction, for the development of new uses for the company's products, and for similar purposes.

In its marketing strategy, the company had endeavored to induce retailers to sell its products aggressively rather than to force the products into their stocks through consumer demand. The diversity and multiplicity of the items, and their low prices and relatively infrequent repeat sales, seemed to block the development through advertising of strong brands either for individual items or for the line as a whole. The company was convinced, furthermore, that if it was to succeed in broadening its market by educating consumers to new uses for its products, the assistance of retailers was essential.

Whenever possible, the company persuaded a retailer to segregate Dennison products in a separate department of his store and to devote special selling effort to them. Such dealers as were willing to cooperate further detailed one or more employees, at the company's suggestion, to provide personal instruction for consumers in making craft articles, in whose construction the use of products like those made by the Dennison Manufacturing Company was required. The company assisted retailers in organizing such departments. It maintained a staff of traveling instructors who gave store demonstrations as well as personal instruction to store clerks and infrequently to consumers. It also operated an experimental school for craft instruction to which were admitted store clerks and women who intended to engage in such instruction as a means of livelihood.

For more than 30 years, as a stimulus to sales, the company had endeavored to promote interest in craft work. Its greatest activity in this direction, however, had followed the year 1918, when it had initiated for the first time a consistent program of consumer advertising. Prior to that time most of the company's instructional booklets had found their way into the hands of consumers through retailers. By 1929, however, a considerable portion was sent directly to consumers in answer to inquiries received from the company's advertising.

Up to 1922, the company had issued four of these educational booklets. One, entitled *Art and Decoration*, dealt largely with the making of decorations for the home. The other three described entertainments, decorations, and favors for parties, one being devoted to each of the three seasons comprising spring, fall, and year-end holidays. Although the company had charged consumers 10 cents each for the booklets, *Art and Decoration* had cost 35 cents a copy to produce, and the distribution of the three party booklets had also occasioned a loss. To retailers, the company had sold the booklets at 5 cents each.

In 1922 and succeeding years, the company made many changes in its promotional literature. *Art and Decoration* was replaced by six smaller booklets, each dealing with a single restricted subject, as follows: *Sealing Wax Art; Weaving with Paper Rope; How to Make Paper Costumes; How to Decorate Halls, Booths and Automobiles; How to Make Paper Flowers; Tables and Favors.* These smaller booklets cost the company 5 cents each, but they were still sold to consumers for 10 cents and to retailers for 5 cents. After the company had determined the probable popularity of other crafts by experiment in its retail stores, it prepared descriptive leaflets and small packets of the essential materials for the purpose of introducing them to consumers. The popular appeal in most of these diversions, however, was relatively short-lived; when interest in any of them gave evidence of waning, the company ceased promoting it. No charge was made for the instruction in such "fad" crafts.

Throughout the company's experience in sales promotion it had distributed much educational material free, but it seldom had mentioned such material in its advertisements. In its 1927 advertising, for the first time in several years, the company gave emphasis to an offer of free craft instructions. These were contained in two folders describing the construction of paper flowers, one on roses and one on sweet peas. When it had been demonstrated that the free offer stimulated inquiries, a third folder was added, giving instruction for making paper jonquils.

Publication of the three party booklets was discontinued, and in their place the company issued a periodical called the *Party Magazine*, which was published six times a year for the first two years and afterward quarterly. On the latter basis, it was sold to consumers at 25 cents a copy or $1 a year. The *Party Annual*,

appearing once a year and costing consumers $1 a copy, was later introduced to supplement the *Party Magazine*. The company also added to its group of 10-cent booklets three new ones on party subjects.

Three complete courses of instruction were prepared: one in flower making in 1927; one in arts and crafts, and one in school crafts, in 1929. These were sold to consumers at $2 each, both directly through the medium of large-space advertising and by mail solicitation of individuals who had responded to other advertisements.

Summarized, the subjects of the pieces of educational literature which the company was distributing in 1929 were as follows:

Free Folders:
- Roses
- Sweet Peas
- Jonquils
- Waxed Pond Lilies
- Crepe Twist Bags
- Crystal Trees
- Glorified Glass Pictures
- Lamp Shades
- Talcum Dolls
- Novelty Dolls
- Swinging Parrots

10-cent Booklets—Crafts:
- Crepe Paper Flowers
- Weaving with Paper Rope
- Sealing Wax Craft

10-cent Booklets—Parties:
- Crepe Paper Costumes
- Table Decorations
- Children's Parties
- Showers and Announcements
- Money-making Parties
- Decorating Halls and Booths

Other Parties:
- Party Magazine (quarterly)
- Party Annual

Courses:
- Paper Flower Making
- Arts and Crafts
- School Crafts

The company's main objective in its advertising was to secure the distribution of this educational material. Although it was convinced that constant space advertising of the varied uses for its products interested some consumers sufficiently to make them buy Dennison goods even without first securing the printed instructions, it had no measure of the extent of this influence. Inquiries from consumers for booklets, magazines, or courses, on the other hand, were a tangible measure of advertising effectiveness; and the company based its advertising policies on analyses of its complete records relating to the cost of securing such inquiries.

In these records were listed the following factors concerning each advertisement: name of publication; date of issue; size of space; subject featured; copy treatment (by code symbol for each

piece of copy used); cost of space; number of inquiries received; gross cost per inquiry (space cost divided by number of inquiries); number of pieces of promotional literature, subdivided by types, which were ordered by inquirers; cash received in payment for items ordered; the cost of these items to the company;[1] net cost of the advertisement (cost of space less profit on literature ordered, the profit being the difference between the cost of the literature and the cash received); and net cost per inquiry. The unit profit, or net credit to advertising cost, from sales of each of the various pieces of literature used in 1929 was as follows:

10-cent Booklets	$0.05
Party Magazine, Single Copy	0.13
Party Magazine, Subscription	0.50
Party Annual	0.50
Courses—Each	1.00

Special analyses of these data were made at intervals to assist in determining specific lines of approach in problems relating to media, copy policy, subjects advertised, and other factors. Regular summaries, furthermore, were drawn up at the end of each spring and fall season, covering these semiannual periods.

The regular analysis of the company's spring advertising, 1929, comprised six folders of statistics. In four of these folders the figures were classified by subjects, in one by publications, and in one by the individual pieces of copy which had been used in advertising the paper-flower crafts. The four general classifications used for the analysis by subjects and the individual analyses they comprised were as follows:

1. Paper flowers: sweet peas, roses, jonquils, and 10-cent flower booklet.
2. Parties.
3. Miscellaneous crafts: crystal trees, lamp shades, crepe twist bags, etc.
4. School crafts: crepe-paper curtains, etc., and the School Craft Course.

In the classification by individual advertisements, the following number of pieces of copy relating to the booklets or folders on flower-making were analyzed:

[1] The cost figures used in this computation were set arbitrarily at one-half the selling prices to consumers There existed, consequently, a discrepancy between these figures and the actual unit expense of preparation and printing In the case of the instructional courses, for example, cost was charged at $1, although the unit expense was only 40 cents.

	Advertisements
10-cent Flower Booklet	4
Roses	4
Sweet Peas	3
Jonquils	3
Combination	2

So-called "combination" advertisements did not relate solely to flower-making, but also made reference to a number of different crafts in one piece of copy.

As an illustration of the Dennison Manufacturing Company's method of analyzing the returns from its advertising, part of the breakdown by publications covering the full year 1927 is shown in Exhibit 1. Only the first seven publications, as arranged in rank by net cost per inquiry, are shown in the exhibit. In tabulations intended to reveal the results from specific advertisements, the first four columns were also filled in; they were not applicable to an analysis by publications.

These analyses had enabled the company to make revisions in its advertising procedure with informed judgment. Since the company's only tangible advertising objective was to stimulate interest in and to secure the distribution of instructional literature concerning handicrafts and entertainment, the cost of obtaining inquiries had seemed an ideal measure of the effectiveness of its advertisements. Inquiry costs were used to show, for example, the value of different copy approaches, whether an individual craft was rising or waning in popularity, and what size of space was most profitable for the company's use. The company had realized, however, that for the determination of the ultimate effectiveness of its advertising effort its knowledge was deficient. It did not know with any degree of certainty whether the stimulus provided by its educational measures actually resulted in purchases by consumers, whether such purchases were of Dennison products, and whether the volume of purchases was sufficient to compensate for the cost of advertising.

From sporadic investigations conducted in previous years, the company had endeavored to learn how much women spent for craft material after receiving its instruction booklets, and in what types of stores they made their purchases. The sample for each

EXHIBIT 1

Analysis of Inquiries from Consumer Advertising of Dennison Manufacturing Company by Publications, 1927

Rank	Publication	Issue	Space	Subject	Copy	Space Cost	No. of Inquiries	Cost per Inquiry	10-cent Books
1A	*Women's Monthly*‡						88	$.00	
2B	*Fashion Monthly*					$ 412 80	2,385	.17	1,728
3C	*Women's Monthly*					2,424 90	6,797	.36	2,772
4D	*Educational Monthly*					1,320 00	12,679	.10	2,485
5E	*Educational Monthly*					303 35	3,787	.08	582
6F	*Fashion Monthly*					1,008 00	8,201	.12	1,038
7G	*Women's Monthly*					1,050.00	6,322	.17	1,489

Rank	Publication	P M.* Single	P M.* Subscription	F.C † Enrolled	Cash Received	Cost of Books	Total Cost	Net Cost	Net Cost per Inquiry
1A	*Women's Monthly*‡		..	88	$ 176 00	$ 44.00	$ 44.00	$132.00§	$1.50§
2B	*Fashion Monthly*	134	3	555	1,252 60	378 00	790 80	461.80§	.19§
3C	*Women's Monthly*	492	9	1,247	2,878 60	815.80	3,240 70	362 10	.05
4D	*Educational Monthly*	1,518	54	219	1,044.10	412.55	1,732 55	688.45	.05
5E	*Educational Monthly*	406	7	..	146 40	73.20	376.55	230.15	.06
6F	*Fashion Monthly*			13	129 80	58.40	1,066 40	936.60	.11
7G	*Women's Monthly*	253	8	93	393 50	150.25	1,200 25	806.75	.13

(Similarly for all publications used)

* P.M. = Party magazine.
† F.C. = Flower course.
‡ No advertising was placed in this publication in 1927, but inquiries were received from the advertising of the previous year.
§ Profit.

of these tests had been taken from inquiries prompted by a group of advertisements on a single subject such as Hallowe'en parties. The company had been unable, on account of the type of questions asked, to make cross analyses of the data. It desired a knowledge of the relative results in the form of sales of its advertising in different publications and of its advertisements on different subjects. This information, as well as that which its earlier studies had revealed, it sought to secure in the fall of 1929 by means of a questionnaire survey.

For the survey 25 different insertions[1] were chosen from those comprising the company's program of advertising during the spring of 1929. Five hundred names were taken at random from the list of individuals who had responded to each of these insertions, and questionnaires were mailed to the 12,500 persons so selected. The questionnaire was contained in a letter which offered a newly issued instruction booklet to those who replied. The letter follows:

DENNISON-CRAFT SERVICE

300 Howard Street

Framingham, Mass.

FREE—to Our Friends—

Instruction Booklet on the *Newest Dennison-craft Subject*

DEAR FRIEND:

Here is a brand new Dennison-craft which you will surely want to hear about—a fascinating new subject which is already creating unusual interest among women everywhere.

It's called "Crepe Paper Curtains and Draperies"—and in order that all our friends may experience no delay in starting on this delightful new work, we are going to send you, free, the interesting instruction booklet which has just come off the press.

Just mail us this sheet in the enclosed envelope (no postage necessary), and while doing so won't you fill in the answers to the following few questions? It will take but a minute and will help us so much!

In any event, send at once for your free booklet on "Crepe Paper Curtains and Draperies." See how many surprising effects you can obtain, quickly, easily—for windows, dressing tables and closets.

1. How many of the following Dennison Instruction Books and circulars have you had? (please check)

[1] Plus 3—92B, 82B, and 16B in Exhibit 4.

_____Novelty Dolls	_____Glorified Glass Pictures
_____Crystal Trees	_____Crepe Twist Bags
_____Swinging Parrots	_____Table Decorations
_____Sealing Wax Crafts	_____Children's Parties
_____Lamp Shade Packet	_____Showers and Announcements
_____Weaving with Paper Rope	_____Money-making Parties
_____Crepe Paper Flowers	_____Decorating Halls and Booths
_____Waxed Pond Lilies	_____The Magazine "Parties"
_____Crepe Paper Costumes	_____The Party Book

And others?_____

2. What subjects have you most enjoyed?_____

3. Have you the complete Course in Flower Making?_____ Or the Arts and Crafts Course?_____ Or School Crafts and Projects?_____ Or Course on Decorations and Favors for Entertaining?_____

4. Where do you buy your Dennison materials? Drug Store_____; Department Store_____; Stationery Store_____; Mail Order _____; General Store_____; Chain Store_____; Others_____. Please write the name of store_____

5. Do you use Dennison materials exclusively? Yes_____No_____.
   (*a*) Please state why you do or do not use Dennison materials exclusively.

6. (*a*) Do you have any difficulty in getting the Dennison materials you need? Yes_____No_____Why?_____
   (*b*) What is the distance from your home to the nearest store where Dennison materials are obtainable?_____

7. (*a*) Please list below some of the Dennison-craft things you have made.
   (*b*) Have you sold any of the Dennison-craft things you have made? Yes_____No_____. How much money have you received altogether from the craft things you have sold?_____

8. About how much money have you spent on Dennison materials altogether since September 1, 1929?

Nothing_____	About $3.00_____
Under $1.00_____	About $4.00_____
About $1.00_____	About $5.00_____
About $2.00_____	Over $5.00_____
	(please state amount)

9. Please state below any special success or interesting experience you may have had in connection with the Dennison-craft work.

Very sincerely yours,
Secretary, Dennison-craft Service.

P.S. Please be sure to write below your full name and address:
Name_____
Street (or R.F.D.)_____
City_____State_____

The number of replies and the answers received to these questions are summarized in Exhibit 2.

EXHIBIT 2

Dennison Manufacturing Company, Summary of Replies to Questionnaire, 1929

Number of Questionnaires Sent	12,500	
Number Returned	1,504	12.0%
1. Number of Instruction Booklets Used		
Number Answering	1,336	
Total Number of Booklets Used	5,030	
Average Number for Those Answering	3 8	
2. Subjects Preferred		
Number Answering	817	100.0
Novelty Dolls	98	12.0
Crystal Trees	23	2 8
Glorified Glass Pictures	19	2.3
Crepe Twist Bags	11	1.3
Swinging Parrots	18	2.2
Sealing Wax Craft	39	4.8
Lamp Shade Packet	31	3 8
Weaving Paper Rope	18	2 2
Crepe Paper Flowers	670	82.0
Waxed Pond Lilies	16	2 0
Crepe Paper Costumes	51	6.2
Table Decorations	26	3.2
Children's Parties	5	0.6
Showers and Announcements	4	0 5
Money-making Parties	5	0 6
Decorating Halls and Booths	18	2 2
Party Magazine	10	1.2
Party Annual	10	1.2
3. Have Flower Course	240	
Have Arts and Crafts Course	41	
Have School Course	27	
Total Having Courses	308	20.0
4. Where Do You Buy?		
Number Answering	1,282	100 0
Drug Store	754	59.0
Department or General Store	292	23 0
Stationery Store	342	27 0
Mail Order	224	17 0
Chain Store	46	4 0
Dennison Store	19	1 0
5. Do You Use Dennison Materials Exclusively?		
Number Answering	1,254	100 0
Yes	1,020	81 0
No	234	19 0
6. Any Difficulty Buying Dennison Materials?		
Number Answering	1,240	100 0
Yes	316	25 0
No	933	75.0
7. Amount Reported Spent		
(*a*) Number Answering	1,197	100 0
Nothing	212	18 0
Under $1 00	183	15 0
About $1.00	184	15 0
About $2.00	210	18 0
About $3 00	146	12 0
About $4 00	83	7.0
About $5.00	107	9 0
Over $5.00	103	9 0
(*b*) Total Amount Reported Spent	$3,402 20	
(*c*) Average Amount Reported Spent per Person Answering, (*b*)/(*a*)	$2.84	
(*d*) Total Space Cost of the 25 Advertisements	$11,652.25	
(*e*) Total Number of Inquiries Received from Them	79,123	
(*f*) Gross Cost per Inquiry, (*d*)/(*e*)	$0.15	
Estimated Total Return, (*c*) × (*e*)	$224,709.32	
Estimated Net Return per Inquiry, (*c*) − (*f*)	$2.69	

In Exhibit 3 the replies to the questionnaire are classified under each of the 25 advertisements producing the inquiries from which the mailing list was derived. The code for each advertisement

consisted of a number, indicating the publication in which it appeared, together with a letter indicating the specific insertion in that publication. Each of three publications appears twice in the tabulation: the women's monthly, fiction monthly, and national weekly designated respectively by key numbers 3, 14,

EXHIBIT 3

Dennison Manufacturing Company, Analysis of Replies to Questionnaire Classified by Advertisements Producing Inquiries from Which Mailing List Was Derived, 1929

Type of Publication	*Women's Monthly*		*Women's Monthly*		*Women's Monthly*		*Home Monthly*	
Key Number of Advertisement Subject of Advertisement	1 Party Plans		3-*B* Party Plans		3-*D* Jonquils		19-*B* Roses	
Number of Questionnaires Sent	500		500		500		500	
Number Returned	36	7 %	16	3 %	96	19 %	51	10 %
Average Number Booklets Used	4 1		3.8		4 6		3.6	
Have Flower Course	4		1		14		12	
Have Arts and Crafts Course	1				1		3	
Have School Course					1			
Per Cent Having Courses		14		6		17		29
Where Do You Buy?								
Number Answering	24	100	14	100	83	100	45	100
Drug Store .	7	29	4	29	37	45	28	62
Department or General Store	5	21	2	14	17	20	7	16
Stationery Store	10	42	8	57	29	35	14	31
Mail Order	4	17			13	16	8	18
Chain Store					2	2		
Dennison Store	2	8			2	2	1	2
Do You Use Dennison Materials Exclusively?								
Number Answering	30	100	12	100	80	100	44	100
Yes	27	90	11	92	68	85	38	86
No	3	10	1	8	12	15	6	14
Any Difficulty Buying Dennison Materials?								
Number Answering	31	100	13	100	80	100	43	100
Yes .	8	26	4	31	17	21	12	28
No .	23	74	9	69	63	79	31	72
Amount Reported Spent (% of number answering)								
Nothing		3		8		23		6
$5 or Under		71		84		69		76
Over $5..		26		8		8		18
(*a*) Average Amount Reported Spent per Person Answering	$6.26		$6.00		$2.43		$3.80	
(*b*) Space Cost of Advertisement	$1,187 50		$1,025 00		$875.00		$560.00	
(*c*) Total Number of Inquiries Received	1,722		2,505		6,991		1,768	
(*d*) Gross Cost per Inquiry, (*b*)/(*c*)	$.69		$.41		$.13		$.32	
Estimated Total Return, (*a*) × (*c*)	$10,779.72		$15,030.00		$16,988.13		$6,718.40	
Estimated Net Return per Inquiry, (*a*) − (*d*)	$5.57		$5.59		$2.30		$3.48	

and 15. In three instances, i.e., publications 82, 92, and 116, the 500 names for the mailing list had been derived from replies to two insertions. Thus, 22 publications and 28 individual advertisements were represented in the survey.

EXHIBIT 3 (*Continued*)
Dennison Manufacturing Company, Analysis of Replies to Questionnaire Classified by Advertisements Producing Inquiries from Which Mailing List Was Derived, 1929

Type of Publication	Women's Monthly		Women's Monthly		General Weekly		General Weekly	
Key Number of Advertisement Subject of Advertisement	14-*B* Party		14-*C* Sweet Peas		15-*B* Flower Booklet		15-*C* Jonquils	
Number of Questionnaires Sent	500		500		500		500	
Number Returned	57	11 %	70	14 %	83	17 %	86	17 %
Average Number Booklets Used	4 6		3.9		3.8		3.7	
Have Flower Course	14		11		23		20	
Have Arts and Crafts Course	2		2		2		2	
Have School Course	2		2		1		4	
Per Cent Having Courses	...	32		21	...	31		30
Where Do You Buy?								
Number Answering	51	100	56	100	76	100	88	100
Drug Store	23	45	22	39	19	25	20	23
Department or General Store	11	22	18	32	18	24	28	32
Stationery Store	15	29	19	34	38	50	38	43
Mail Order	5	10	5	9	2	3	13	15
Chain Store			2	4	4	5	5	6
Dennison Store	2	4			2	3	2	2
Do You Use Dennison Materials Exclusively?								
Number Answering	52	100	58	100	80	100	86	100
Yes	42	81	53	91	76	95	76	88
No	10	19	5	9	4	5	10	12
Any Difficulty Buying Dennison Materials?								
Number Answering	52	100	61	100	81	100	86	100
Yes	10	19	10	16	17	21	16	19
No	42	81	51	84	64	79	70	81
Amount Reported Spent (% of number answering)								
Nothing		6		7		4		15
$5 or Under		83		77		80		68
Over $5		11		16		16		17
(*a*) Average Amount Reported Spent per Person Answering	$3.30		$3.80		$4.77		$3.12	
(*b*) Space Cost of Advertisement	$871.25		$717.50		$595.00		$595.00	
(*c*) Total Number of Inquiries Received	1,980		9,812		1,677		5,243	
(*d*) Gross Cost per Inquiry, (*b*)/(*c*)	$0.44		$0.07		$0.36		$0.11	
Estimated Total Return, (*a*) × (*c*)	$6,534.00		$37,285.60		$7,999.29		$16,358.16	
Estimated Net Return per Inquiry, (*a*) − (*d*)	$2.86		$3.73		$4.41		$3.01	

EXHIBIT 3 (*Continued*)

Dennison Manufacturing Company, Analysis of Replies to Questionnaire Classified by Advertisements Producing Inquiries from Which Mailing List Was Derived, 1929

Type of Publication	Fashion Monthly		Women's Monthly		Women's Monthly		Women's Monthly	
Key Number of Advertisement Subject of Advertisement	68-*C* Combination		6-*C* Flower Booklet		11-*C* Roses		34-*B* Talcum Dolls	
Number of Questionnaires Sent	500		500		500		500	
Number Returned	161	32 %	65	13 %	59	12 %	86	17 %
Average Number of Booklets Used	4.2		2.1		3.7		3.9	
Have Flower Course	23		13		7		9	
Have Arts and Crafts Course	6		4				3	
Have School Course	2				1		1	
Per Cent Having Courses		19		26		14		15
Where Do You Buy?								
Number Answering	140	100	60	100	50	100	73	100
Drug Store	62	44	35	58	34	68	39	53
Department or General Store	41	29	10	17	8	16	13	18
Stationery Store	42	30	12	20	7	14	16	22
Mail Order	17	12	6	10	9	18	16	22
Chain Store	3	2	2	3	1	2	3	4
Dennison Store	3	2	1	2				
Do You Use Dennison Materials Exclusively?								
Number Answering	103	100	57	100	48	100	75	100
Yes	90	87	42	74	39	81	54	72
No	13	13	15	26	9	19	21	28
Any Difficulty Buying Dennison Materials?								
Number Answering	101	100	56	100	50	100	75	100
Yes	27	27	20	36	18	36	21	28
No	74	73	36	64	32	64	54	72
Amount Reported Spent (% of number answering)								
Nothing		10		17		15		19
$5 or Under		81		80		76		77
Over $5		9		3		9		4
(*a*) Average Amount Reported Spent per Person Answering		$2.92		$2.28		$2.23		$1.92
(*b*) Space Cost of Advertisement		$1,250.00		$455.00		$595.00		$350.00
(*c*) Total Number of Inquiries Received		6,388		1,951		10,232		5,872
(*d*) Gross Cost per Inquiry, (*b*)/(*c*)		$0.20		$0.23		$0.06		$0.06
Estimated Total Return, (*a*) × (*c*)		$18,652.96		$4,448.28		$22,817.36		$11,274.24
Estimated Net Return per Inquiry, (*a*) − (*d*)		$2.72		$2.05		$2.17		$1.86

EXHIBIT 3 (*Continued*)

Dennison Manufacturing Company, Analysis of Replies to Questionnaire Classified by Advertisements Producing Inquiries from Which Mailing List Was Derived, 1929

Type of Publication	Religious Weekly		Mail-order Monthly		Women's Monthly		Weekly Farm Newspaper	
Key Number of Advertisement Subject of Advertisement	66-*C* Jonquils		78-*B* Jonquils		30-*C* Jonquils		82-*A* and *B* Jonquils and Flower Booklet	
Number of Questionnaires Sent	500		500		500		500	
Number Returned	76	15%	39	8%	67	13%	31	6%
Average Number Booklets Used	3.3		3.4		3.8		2.1	
Have Flower Course	9		3		9		6	
Have Arts and Crafts Course	4		1		2			
Have School Course	2		2		1		2	
Per Cent Having Courses		20		15		18		26
Where Do You Buy?								
Number Answering	62	100	32	100	57	100	22	100
Drug Store	23	37	19	59	26	46	14	64
Department or General Store	26	42	6	19	15	26	3	14
Stationery Store	22	35	4	12	13	23	1	5
Mail Order	7	11	5	16	8	14	5	23
Chain Store	2	3	4	12	1	2		
Dennison Store							1	5
Do You Use Dennison Materials Exclusively?								
Number Answering	68	100	35	100	56	100	26	100
Yes	58	85	25	71	37	66	15	58
No	10	15	10	29	19	34	11	42
Any Difficulty Buying Dennison Materials?								
Number Answering	66	100	28	100	56	100	24	100
Yes	13	20	9	32	15	27	8	33
No	53	80	19	68	41	73	16	67
Amount Reported Spent (% of Number answering)								
Nothing		16		24		28		21
$5 or Under		74		74		63		79
Over $5		10		2		9		
(*a*) Average Amount Reported Spent per Person Answering	$2 60		$1.84		$2.19		$1.16	
(*b*) Space Cost of Advertisement	$87 50		$175 00		$420.00		$175.00	
(*c*) Total Number of Inquiries Received	465		2,857		2,990		1,607	
(*d*) Gross Cost per Inquiry, (*b*)/(*c*)	$0.19		$0 06		$0.14		$0.11	
Estimated Total Return, (*a*) × (*c*)	$1,209.00		$5,256.88		$6,548 10		$1,864.12	
Estimated Net Return per Inquiry, (*a*) − (*d*)	$2.41		$1.78		$2.05		$1.05	

EXHIBIT 3 (*Continued*)

Dennison Manufacturing Company, Analysis of Replies to Questionnaire Classified by Advertisements Producing Inquiries from Which Mailing List Was Derived, 1929

Type of Publication	Farm Weekly		Farm Monthly		Sectional Farm Semimonthly	
Key Number of Advertisement Subject of Advertisement	67-*B* Sweet Peas		23-*C* Jonquils		21-*C* Jonquils	
Number of Questionnaires Sent	500		500		500	
Number Returned	88	18%	62	12%	58	12%
Average Number Booklets Used	8.7		3.1		4.2	
Have Flower Course	17		7		6	
Have Arts and Crafts Course	4				1	
Have School Course	2				3	
Per Cent Having Courses		26		11		17
Where Do You Buy?						
Number Answering	79	100	57	100	47	100
Drug Store	33	42	28	49	13	28
Department or General Store	21	27	19	33	8	17
Stationery Store	22	28	7	12	2	4
Mail Order	14	18	13	23	14	30
Chain Store	4	5	1	2	4	9
Dennison Store	1	1				
Do You Use Dennison Materials Exclusively?						
Number Answering	73	100	50	100	51	100
Yes	61	84	39	78	40	78
No	12	16	11	22	11	22
Any Difficulty Buying Dennison Materials?						
Number Answering	71	100	54	100	49	100
Yes	22	31	9	17	16	33
No	49	69	45	83	33	67
Amount Reported Spent (% of number answering)						
Nothing		12		18		30
$5 or Under		82		75		70
Over $5		6		7		
(*a*) Average Amount Reported Spent per Person Answering	$3.50		$2.15		$1.18	
(*b*) Space Cost of Advertisement	$490.00		$420.00		$203.00	
(*c*) Total Number of Inquiries Received	2,801		6,186		1,709	
(*d*) Gross Cost per Inquiry, (*b*)/(*c*)	$0.17		$0.07		$0.12	
Estimated Total Return, (*a*) × (*c*)	$9,803.50		$13,299.90		$2,016.62	
Estimated Net Return per Inquiry, (*a*) − (*d*)	$3.33		$2.08		$1.06	

EXHIBIT 3 (*Continued*)

Dennison Manufacturing Company, Analysis of Replies to Questionnaire Classified by Advertisements Producing Inquiries from Which Mailing List Was Derived, 1929

Type of Publication	Sectional Farm Weekly		Farm Semimonthly		Sectional Farm Weekly	
Key Number of Advertisement Subject of Advertisement	85-*B* Roses		105-*B* Roses		116-*A* and *B* Roses	
Number of Questionnaires Sent	298		500		500	
Number Returned	20	7%	39	8%	25	5%
Average Number of Booklets Used	3.4		3.4		3.3	.....
Have Flower Course	8	.	3			.....
Have Arts and Crafts Course	.			.		.....
Have School Course	. .				.	.....
Per Cent Having Courses .		40		8	..	. ..
Where Do You Buy?						
Number Answering	14	100	33	100	23	100
Drug Store	3	21	21	64	15	65
Department or General Store	6	43	11	33	4	17
Stationery Store	6	43	4	12	4	17
Mail Order	2	14	5	15	3	13
Chain Store	1	7	3	9	1	4
Dennison Store	1	7			. .	. .
Do You Use Dennison Materials Exclusively?						
Number Answering	16	100	32	100	21	100
Yes	14	88	23	72	16	76
No	2	12	9	28	5	24
Any Difficulty Buying Dennison Materials?						
Number Answering	17	100	36	100	21	100
Yes	5	29	7	19	6	29
No .	12	71	29	81	15	71
Amount Reported Spent (% of number answering)						
Nothing		21	.	16	...	10
$5 or Under . .	...	68	...	84	...	90
Over $5 .		11			. .	.
(*a*) Average Amount Reported Spent per Person Answering	$4.10		$1.34		$0.72	
(*b*) Space Cost of Advertisement	$42 00		$175 00		$154.00	
(*c*) Total Number of Inquiries Received	298		922		871	
(*d*) Gross Cost per Inquiry, (*b*)/(*c*)	$0.14		$0.19		$0.18	
Estimated Total Return, (*a*) × (*c*)	$1,221.80		$1,235.48		$627.12	
Estimated Net Return per Inquiry, (*a*) − (*d*)	$3.96		$1.15		$0.54	

EXHIBIT 3 (*Continued*)
Dennison Manufacturing Company, Analysis of Replies to Questionnaire Classified by Advertisements Producing Inquiries from Which Mailing List Was Derived, 1929

Type of Publication	Farm Weekly		Canadian Monthly		Sectional Farm Monthly	
Key Number of Advertisement Subject of Advertisement	104-*C* Jonquils		92-*A* and *B* Roses and Party Plans		95-*B* Sweet Peas	
Number of Questionnaires Sent	500		500		500	
Number Returned	30	6%	53	11%	41	8%
Average Number of Booklets Used	2.9		3.0		3.2	
Have Flower Course	2		9		10	
Have Arts and Crafts Course	1		1		1	
Have School Course			1			
Per Cent Having Courses		10		21		27
Where Do You Buy?						
Number Answering	24	100	41	100	31	100
Drug Store	11	46	14	34	7	23
Department or General Store	3	13	8	20	5	16
Stationery Store	3	13	9	22	7	23
Mail Order	5	21	22	54	23	74
Chain Store	2	8			1	3
Dennison Store						
Do You Use Dennison Materials Exclusively?						
Number Answering	24	100	45	100	32	100
Yes	16	67	38	85	22	69
No	8	33	7	15	10	31
Any Difficulty Buying Dennison Materials?						
Number Answering	22	100	42	100	34	100
Yes	4	18	10	24	12	35
No	18	82	32	76	22	65
Amount Reported Spent (% of number answering)						
Nothing		48		20		15
$5 or Under		52		78		70
Over $5				2		15
(*a*) Average Amount Reported Spent per Person Answering	$0 78		$2.25		$3 38	
(*b*) Space Cost of Advertisement	$70.00		$108.50		$56 00	
(*c*) Total Number of Inquiries Received	1,002		512		762	
(*d*) Gross Cost per Inquiry, (*b*)/(*c*)	$0 07		$0.21		$0 07	
Estimated Total Return, (*a*) × (*c*)	$781.56		$1,152 00		$2,575.56	
Estimated Net Return per Inquiry, (*a*) − (*d*)	$0.71		$2.04		$3 31	

In Exhibit 4 the 25 groups of inquiries are ranked in order of the average amounts reported as having been spent by those answering Question 8 of the questionnaire. For comparison with these figures are shown average inquiry costs for each publication, both gross and net, for the spring of 1929. The first two of these

four columns give the cost of inquiries received from advertisements featuring the subject listed in the second column of the exhibit; the last two give the cost of inquiries received from all advertisements in the medium.[1]

The company's advertisements in the spring of 1929 relating to all the 10-cent booklets except those on parties had appeared in 70-line space; 85 lines had been used for party advertising, as in previous years, to provide adequate space for illustration. All but eight of the advertisements featuring the free flower folders had also occupied 70 lines. Those eight, in 85-line layouts, had been scheduled by the company in order to test the effect of increasing the size of space. "Combination" advertisements had been placed only in the two fashion sheets,[2] publications 16 and 68, two single-column pieces of copy in each, under the headlines: "Free to Women Who Love Flowers" and "Free Instructions for Many New Dennison Crafts."

The average gross and net inquiry costs for the spring of 1929 for the subjects listed in Exhibit 4 were as follows:

	Gross	Net
Roses	$.13	$.09
Sweet Peas	.13	.11
Jonquils	.11	.08
Flower Booklet	.33	.25
Combination	.27	.21
Parties	.49	.44
Talcum Dolls	.14	.11

[1] In some instances the last two columns will be found to duplicate the two preceding columns for a particular publication Such a duplication is not a coincidence, but indicates that advertisements were inserted in that publication only on the subject indicated

The figures in the first column for gross cost per inquiry are not the same, for six of the publications, as those given in Exhibit 3 In the cases of publications 82 and 92, the 500 names for the mailing list were derived from inquiries resulting from two advertisements on different subjects. The respective figures in Exhibit 3, 21 cents and 11 cents, accordingly represent the average inquiry cost for both advertisements In the cases of publications 14 (on the subject of sweet peas), 68, and 34, the figures in Exhibit 3 are 7, 20, and 6 cents, respectively, as compared with 8, 22, and 14 cents in Exhibit 4. These discrepancies arise from the fact that the figures in Exhibit 3 relate to single insertions only, whereas those in Exhibit 4 relate to all advertisements in each publication on the subject in question

[2] These fashion sheets, distributed free by department and dry goods stores, had extremely large circulations, quoted low milline rates, and appealed to the type of woman who was accustomed to making things in the home.

Exhibit 5 shows for each publication used by the company the average gross and net costs per inquiry for the three successive periods, spring, 1928, fall, 1928, and spring, 1929.

EXHIBIT 4

Dennison Manufacturing Company, Average Costs per Inquiry—Spring 1929, by Media, Ranked in Order of Reported Consumer Expenditure

Key Number of Advertisement	Subject of Advertisement	Average Amount Reported Spent	Average Cost per Inquiry—Spring, 1929			
			For Advertisements on Subject Shown in Second Column		For All Advertisements	
			Gross	Net	Gross	Net
1	Parties	$6.26	$.69	$.64	$.69	$.64
3-*B*	Parties	6.00	.41	.38	.20	.16
15-*B*	Flower booklet	4.77	.36	.26	.18	.12
85-*B*	Roses	4.10	.14	.12	.14	.10
14-*C*	Sweet peas	3.80	.08	.03	.14	.10
19-*B*	Roses	3.80	.32	.27	.49	.45
67-*B*	Sweet peas	3.50	.17	.14	.17	.14
95-*B*	Sweet peas	3.38	.07	.01	.07	.01
14-*B*	Parties	3.30	.44	.40	.14	.10
15-*C*	Jonquils	3.12	.11	.06	.18	.12
68-*C*	Combination	2.92	.22	.15	.22	.15
66-*C*	Jonquils	2.60	.19	.16	.17	.12
3-*D*	Jonquils	2.43	.13	.08	.20	.16
6-*C*	Flower booklet	2.28	.23	.14	.52	.44
92-*A* and *B*	Parties and roses	2.25	.38 .14	.32 .06	.21	.14
11-*C*	Roses	2.23	.06	.04	.10	.07
30-*C*	Jonquils	2.19	.14	.12	.17	.14
23-*C*	Jonquils	2.15	.07	.05	.12	.09
34-*B*	Talcum dolls	1.92	.14	.11	.09	.07
78-*B*	Jonquils	1.84	.06	.05	.07	.05
105-*B*	Roses	1.34	.19	.17	.19	.17
21-*C*	Jonquils	1.18	.12	.11	.13	.11
82-*A* and *B*	Jonquils and flower booklet	1.16	.07 .34	.05 .26	.09	.06
104-*C*	Jonquils	.78	.07	.05	.10	.07
116-*A* and *B*	Roses	.72	.18	.16	.18	.16

EXHIBIT 5

Dennison Manufacturing Company, Gross and Net Costs per Inquiry for Each Publication Used by Semiannual Periods, Spring, 1928 to Spring, 1929

Publication Key Number	Spring, 1929		Fall, 1928		Spring, 1928	
	Gross	Net	Gross	Net	Gross	Net
27	$.31	$.26	$.10	$.07	$ .34	$ .30
15	.18	.12	.38	.32	.38	.29
19	.49	.45	.44	.40	.37	.30
54	.29	.20	.30	.27	. . .	....
62	.10	.08	.35	.32	.14	.10
106	.06	.02*	.15	.11	...	....
124	.50	.45	.14	.11	....	....
128	.94	.86			....	....
110	.17	.11	.09	.06	....	....
34	.09	.07	.21	.18	.24	.20
67	.17	.14	.37	.33	.24	.19
83	.15	.11	.24	.21	. .	. .
28	.33	.31	.56	.54	.83	.80
91	.08	.01	.11	.09	.06	.07*
59	.18	.15	.45	.40	.09	.03
104	.10	.07	.22	.18		. .
22	.21	.16	.34	.31	.33	.28
63	.08	.06	.37	.35	.14	.09
96	.10	.09	.23	.20	.	..
250	.10	.08	.17	.14	. .	....
17	.18	.16	.33	.29	.40	.32
31	.75	.70	.48	.42	.70	.52
94	.06		.09	.07	.	....
30	.17	.14	.45	.41	1.22	.99
5	.44	.39	.44	.38	.33	.29
105	.19	.17	.20	.18	.	....
18	.14	.12	.75	.67	.07	.01
78	.07	.05	.20	.17	...	....
79	.11	.08	.21	.15	.. .	....
84	.17	.15	.34	.28	....	....
108	.11	.08	.27	.24	..	....
11	.10	.07	.33	.30	.31	.28
116	.18	.16	.23	.20		....
36	.45	.40	.12	.09	.	....
82	.09	.06	.19	.17		....
1	.69	.64	.79	.75	.60	.54
3	.16	.12	.35	.29	.63	.57
57	.51	.46	.83	.76	.35	.32
68	.22	.15	.43	.38	.26	.22
107	.13	.08	.19	.12		..
29	.23	.19	.59	.52	.11	.10
9	.36	.30	.32	.28	.48	.42
55	.29	.25	.34	.30	2.51	2.08
100	.20	.18	.16	.12	.	....
7	.36	.31	.30	.24	.78	.55
85	.14	.10	.32	.27	. . .	....
24	.40	.17	.05	.03	.15	.11
95	.07	.01	.14	.12	. .	....

* Net profit.

EXHIBIT 5 (*Continued*)

Dennison Manufacturing Company, Gross and Net Costs per Inquiry for Each Publication Used by Semiannual Periods, Spring, 1928 to Spring, 1929

Publication Key Number	Spring, 1929		Fall, 1928		Spring, 1928	
	Gross	Net	Gross	Net	Gross	Net
103	$ .11	$ .09	$ .22	$ .20		
66	.17	.12	.23	.20	$ .21	$ .13
109	.12	.06	.	...		
8	.36	.33	.53	.49	.41	.22
10	.20	.16	.34	.31	.27	.24
2	.35	.30	.34	.28	.34	.27
16	.36	.30	.30	.27	.18	.14
88	.12	.11	.20	.18		
251	.38	.20	.08	.06	.17	.15
21	.13	.11	.26	.21	.16	.10
87	.18	.13	.19	.14		
113	1.15	1.11	.20	.17		
114	1.78	1.40	.26	.24		
102	.12	.09	.16	.13		.
101	.10	.07	.23	.21		
126	.19	.16	.16	.14		
23	.12	.09	.30	.27	.27	.19
14	.14	.10	.24	.19	.54	.49
81	.11	.07		.		
97	.16	.14	.24	.20		
92	.21	.14	.33	.31	.11	.03
252	.10	.07	.19	.17		
4	1.95	1.82	.97	.92	.73	.67
6	.52	.44	.24	.20	.69	.51
56	.18	.13	.23	.19	.36	.31
137	.20	.14	.			.
135	.14	.12				
138	.95	.89				
133	.13	.11			.	.
132	.16	.13				
131	.29	.20				..
139	.32	.26	.			...
130	.38	.34				
136	.18	.13				
89	.18	.16				..
142	9.22	7.70			.	. .
141	(One insertion--no inquiries)					.
140	3.68	2.17		.		..
93	.	. .	.24	.21		.
20	.	.	.45	.41	. . .	.
112	.	.	.12	.09	.	..
117			1.71	1.69	. .	.
115	.	.	1.38	1.30	. .	....
86	.	....	.39	.38	. .	....
99	...	...	.49	.47	....	....
98	. ..	. ..	.37	.29	....	....
90	. ..	....	....	....	.05	.01
12	....	....	....	....	1.85	1.80
64	....	....	....	....	.84	.78
58	....	....	....	....	.80	.74

The company's analyses did not include a figure for the average cost of all traceable inquiries. The average gross cost of all inquiries, including a substantial proportion which could not be traced to specific advertisements or publications, had been calculated annually since 1918. Average net costs reckoned on the same basis were available for the years 1926 to 1929, inclusive. The two sets of figures are shown in Exhibit 6.

EXHIBIT 6

Dennison Manufacturing Company, Average Gross and Net Costs per Inquiry for All Inquiries, Traceable and Untraceable Annually, Gross Costs, 1918–1929; Net Costs, 1926–1929

	Gross Cost per Inquiry	Net Cost per Inquiry		Gross Cost per Inquiry	Net Cost per Inquiry
1918	$8.33		1924	$.40	. . .
1919	1.03		1925	.40	
1920	.88		1926	.27	$.25
1921	.52		1927	.19	.14
1922	.50		1928	.24	.18
1923	.39		1929	.17	.13

At a conference between executives of the company's advertising department and of its advertising agency early in November, 1929, the results of the questionnaire survey were discussed and some conclusions as to policy were reached. An extract from the report of the meeting follows:

The agency submitted an analysis of the questionnaire sent to selected spring prospects, the purpose of which was to reveal the character of inquiries we are getting from various publications in terms of their relative value in purchases of Dennison materials. It was discussed in detail.

It is important to note here that in general those publications seemed most valuable as advertising media whose readers were located in larger centers of population where Dennison materials were most accessible. For example, while inquiry costs from [Publication 1] have been consistently high, this analysis revealed that [those] prospects bought more Dennison goods per capita than any other prospects we are securing. Also it showed that in the case of such publications as [14 and 15] where prospect costs were low, purchasing per capita was high, apparently because prospects were located in the larger cities and towns where purchases could be made from the more extensive stocks carried by department stores and stationers. The greater the proportion of small town and country circulation, the greater the proportion of purchases from drug stores and mail-order houses.

EXHIBIT 7

Dennison Manufacturing Company, Summary of Replies to Questionnaire, 1930

Number of Questionnaires Sent	25,152	
Number Returned (16%)	4,028	100.00%
1. Number of Instruction Booklets Used		
Number Answering	3,809	
Total Number of Booklets Used	12,498	
Average Number for Those Answering	3.28	
2. Subjects Preferred		
Number Answering	2,070	
Novelty Dolls	269	
Crystal Trees	56	
Glorified Glass Pictures	24	
Crepe Twist Bags	15	
Swinging Parrots	23	
Sealing Wax Craft	114	
Lamp Shade Packet	59	
Weaving with Paper Rope	58	
Crepe Paper Flowers	1,601	
Waxed Pond Lilies	65	
Crepe Paper Costumes	93	
Table Decorations	69	
Children's Parties	16	
Showers and Announcements	12	
Money-making Parties	6	
Decorating Halls and Booths	35	
Party Magazine	31	
Party Annual	43	
Wrapping Gifts	2	
3. Have Flower Course	550	13.7
Have Arts and Crafts Course	95	2.4
Have School Course	72	1.8
Have Decorations Course	86	2.1
Total Courses	803	20.0
Total Having Courses	768	19.1
Total Having Two Courses	26	.6
Total Having Three Courses	3	.0
Total Having Four Courses	1	.0
4. Where Do You Buy?		
Number Answering	3,510	100.0
Drug Store	1,521	43.4
Department Store	665	18.9
Stationery Store	909	25.8
Mail Order	513	14.6
General Store	285	8.1
Chain Store	180	5.1
Dennison	57	1.6
Miscellaneous	15	.4
5. Do You Use Dennison Materials Exclusively?		
Number Answering	3,480	100.0
Yes	2,774	79.7
No	706	20.3

EXHIBIT 7 (*Continued*)
Dennison Manufacturing Company, Summary of Replies to Questionnaire, 1930

6. Do You Have Any Difficulty in Getting Dennison Materials?		
Number Answering	3,412	100.0
Yes	925	27.1
No	2,487	72.9
7. Distance from Your Home to the Nearest Store		
Number Answering	2,095	100.0
1 to 3 Blocks	289	13.8
4 to 10 Blocks	326	15.6
½ to 1 Mile	201	9.6
1 to 5 Miles	541	25.8
6 to 10 Miles	326	15.6
Over 10 Miles	412	19.6
8. Amount Reported Spent since September 1, 1929.		
Number Answering	3,343	100.0
Nothing	547	16.4
Under $1.00	587	17.6
About $1.00	576	17.2
About $2.00	624	18.6
About $3.00	326	9.8
About $4.00	204	6.1
About $5.00	217	6.5
Over $5.00	262	7.8
Total Space Cost of Advertisements	$20,777.56	
Total Number of Inquiries from Them	117,798	
Cost per Inquiry	17½ cents	
Average Amount Reported Spent.	$2.50	

The questionnaire was conducted among a relatively small number of publications. The agency recommended that in view of the apparent importance of the information, the questionnaire should be extended to cover practically every publication on the list.

The advertising manager approved of this procedure. The agency is to submit a list of publications and key numbers to which further questionnaires are to be sent. These are to be addressed to fall 1929 inquiries. As many as possible are to be mailed in the month of November and the remaining quantity in January.

As to a policy in selecting media for spring based on information from the questionnaire, the advertising manager stated that too much weight should not be attached to these preliminary conclusions. We should drop from the schedule publications in the small town, mail-order and farm field, whose inquiry costs are high, but should not at this time discontinue the use of such publications whose inquiry costs are low, even though per capita purchases were shown to be relatively small. A more definite policy can be determined after a more complete questionnaire is conducted.

The advertising manager requested that the agency remove from individual questionnaires already received, references to specific mail-order houses and chain stores where prospects reported having made purchases.

In accordance with the agency s recommendation contained in the third paragraph of the foregoing conference report, a second survey was conducted in the spring of 1930, using the questionnaire reproduced on pages 465 and 466. The general summary of replies is contained in Exhibit 7.

The information obtained from the two questionnaire surveys in 1929 and 1930 was used by the company in determining its selection of media for the fall of 1930 and the spring of 1931. The company applied no definite formula to such selection, but did give weight to the average reported amounts of purchases as well as to the average costs per inquiry. The advertising manager stated that the former figures had been of particular assistance in the choice of publications reaching farm readers. In July, 1931, however, he was still of the opinion that until several more similar analyses had been made, the company would not be justified in following too explicitly the statistical measures so obtained.

3. DICTOGRAPH PRODUCTS CORPORATION (A)

INQUIRY RETURNS FOR INDUSTRIAL PRODUCT

The Dictograph Products Corporation of New York had been advertising its Dictograph System of Interior Telephones for several years previous to 1926. This advertising, however, had been sporadic and the campaigns had not been rigidly checked for results. When a new campaign was started in September, 1926, the executives decided to collect information that would be of value in indicating the results obtained by the new advertising campaign. These data were to be used in appraising the value of this advertising of the Dictograph System and in formulating future advertising programs and policies.

By 1926 the Dictograph Products Corporation had been manufacturing and distributing electrical sound-transmitting instruments for nearly 25 years. Its engineers had concentrated their efforts in developing highly sensitive sound-transmitting devices which were simple in design. As a result of this research the

company had introduced and marketed the first electrical instrument to help the deaf. This device was named the Acousticon. The engineers believed that the principles embodied in the Acousticon could be applied equally well to other sound-transmitting instruments. The Detective Dictograph therefore was developed by application of the same principles. It had a limited market, however, since it was used primarily by special detectives and police officials in securing evidence. The engineers, therefore, continued their research, which resulted in the development of the Dictograph System of Interior Telephones based on the principles incorporated in the company's earlier products.

The various products of the company were distributed through independent departments which had central selling offices in New York City. The Telephone Division, which marketed the Dictograph System of Interior Telephones and the Dictograph Apartment House Telephone System, was directed by a vice president of the corporation. A sales office was maintained in New York and branch sales offices were located at Boston, Chicago, Cleveland, Detroit, Kansas City, and Philadelphia. Each of these branch offices was in charge of a resident manager who supervised the work of the local salesmen and installation men employed by that office. Seven service offices, located at Albany, Atlanta, Buffalo, Hartford, Minneapolis, St. Louis, and Washington, were also maintained by the company. Only one man was employed at each of these service offices. He was a highly skilled electrician who did installing and servicing work primarily. Service men, however, occasionally made sales or developed the interest of prospective purchasers of the interior telephone system made by the company. The salesforce located at the branch offices and service offices totaled 35 men, who were paid on a salary and commission basis. The systems also were sold by six agents in cities where the sales volume was not sufficient to support a company office. Most of the agents sold related lines.

The Dictograph System of Interior Telephones was designed primarily for interior communication between executives. It could be applied to other uses however, such as that of a loud-speaking paging system for hotels. The system had its greatest applicability in organizations, such as banks, stores, or large offices, wherein there was need for interchange of information between two or more departments.

The Dictograph System consisted of two types of instruments, called the "master station" and the "substation." A complete installation for any particular company consisted of a combination of these two types of instruments, which were selected according to the needs of the executives to be served. The system most frequently installed was the 10-call system. The master station in this system had 10 keys, one for each of the substations. The substations had only six double-throw keys, one directly connected to the master station and the remainder connected to other substations. This arrangement was developed because subordinate executives did not need such extensive communication facilities as did the chief executives.

The master station contained several features which were not available in the substation. It had a loud-speaking receiver so that it was unnecessary to use an earpiece. An earpiece, however, was provided for privacy and when it was removed from its hook, the loud speaker was automatically disconnected. Visual shutters on the key switches recorded calls which had been received during an executive's absence.

Since the substation did not have a loud-speaking receiver, it was necessary for the subordinate executives to use the ordinary "watchcase receiver" provided with this instrument. A buzzer in the substation announced the call and a signal lamp notified the subordinate executive if his superior called while he was talking with another subordinate executive. This feature was designed to eliminate delays to the executive caused by "busy lines" in the ordinary telephone systems.

The instrument cabinets generally were placed on the executives' desks or on near-by tables. The conversations were held in a natural tone of voice, since it was unnecessary to raise the voice to make an impression on the sensitive transmitters. The whole system could be keyed in for a general conference among executives, but the mechanical construction was such that no one could accidentally or purposely listen to a conversation unless the person controlling the line permitted it.

The Dictograph System was believed to have the following merits:

1. Complete automatic and immediate communication was provided without the necessity of calling through a central switchboard.

2. Control of the system was centralized in the chief executive offices—master stations were connected to all the substations and the signal lamps indicated when the chief executives wished to use the line.

3. The elimination of inside telephone calls through the local switchboard cleared the telephone lines for incoming calls.

4. Executives were enabled to hold conferences instantly without leaving their desks.

5. Office efficiency could be increased and routine simplified by the elimination of waste time spent in going to conferences.

6. The special signals gave the chief executive the line immediately and eliminated "busy lines."

7. The features, such as the loud-speaking receiver, provided an easy means of communication not found in competing systems.

The price of the Dictograph System was higher than that of the five competing similar systems. The price of the 10-call set, although it varied according to each installation, generally ranged from $800 to $1,000 installed. The system was guaranteed for a period of two years against all mechanical and electrical defects. In addition, the company provided maintenance service from its branch offices and service offices so that its systems could be maintained properly for a service charge.

Most of the competing companies were doing only a small amount of advertising. The most aggressive campaign was being carried on by a company which specialized in 50 or more call sets. The Dictograph Products Corporation, however, was seldom in direct competition with this company because the Dictograph System was more applicable to a smaller number of call stations.

The company's previous advertising of the Dictograph System had been conducted on an irregular basis and intensive campaigns seldom had been undertaken. Space had been taken in various magazines occasionally, but no regular schedules had been maintained over a long period. During the 1925–1926 period, which began in September, the Dictograph System advertising had appeared in the *Review of Reviews*, *System*, *Nation's Weekly*, *Sales Management*, and *Magazine of Wall Street*. Full-page advertisements had been used in this campaign. They generally had appeared every other month, but this schedule was not maintained for the whole group of magazines. The cost of this advertising during the 1925–1926 period had been $9,000, or 1.5% of sales. No record of inquiries had been kept.

The advertising during the 1925–1926 period and that of previous years had featured an installation of the Dictograph System, in which the illustration showed an executive at his desk using the Dictograph. The executive's name, his position, and the company with which he was associated were noted beneath the illustration. The text of the advertisements had stressed the simplicity of operation and the time saved by using the Dictograph System.

In the new campaign begun in September, 1926, the company decided to adopt a new copy approach which presented the need of an efficient interior communicating system in a humorous way. It was believed that this method would create interest in the Dictograph System and stimulate inquiries which might be useful for the salesmen. Ten advertisements were composed for the campaign; five were full-page advertisements and the remainder were half-page advertisements.

The magazines selected for this campaign were *Business, Nation's Business, Magazine of Business* (*System*), *Forbes, Burrough's Clearing House, Sales Management, Motion Picture News, Magazine of Wall Street, Dresses*, and *Electragist*. The *Electragist* was selected for advertising the Dictograph Apartment House System to those who were influential in specifying this type of equipment. The other magazines were selected because they were believed to circulate among executives who might be interested in the service obtainable from the Dictograph System. The total space cost of the campaign was $23,285 and the art work cost was approximately $2,000. The advertising was scheduled for the 10-month period beginning in September, 1926, and ending with June, 1927. This period was selected because it was the season during which most of the Dictograph System sales were made. The schedule and monthly space costs of the advertising appear in Exhibit 1.

The Dictograph Products Corporation also undertook additional activities to aid in selling its Dictograph System. Displays, which consisted of animated flashers to catch the attention of visitors and installation of instruments for demonstrating the device, were shown at the business shows in New York, Cleveland, and Los Angeles. The cost of these shows was approximately $1,000. The company also advertised in five commercial catalogues. The advertising in these catalogues explained the use

EXHIBIT 1
Schedule and Space Costs of the 1926–1927 Advertising

Medium	September		October		November		December		January	
	Page	½ Page	Page	½ Page	Page	½ Page	Page	½ Page	Page	½ Page
Business	x			x	x		x			x
Nation's Business					x		x			x
Magazine of Business (System)					x		x			x
Forbes					x		x			x
Burrough's Clearing House	x			x	x		x			
Sales Management										x
Motion Picture News							x			
Magazine of Wall Street										
Dresses	x			x	x		x			x
*Electragist**										
Space Cost	$895		$625		$3,295		$3,480		$2,285	

Medium	February		March		April		May		June	
	Page	½ Page	Page	½ Page	Page	½ Page	Page	½ Page	Page	½ Page
Business		x	x			x	x			x
Nation's Business		x	x			x	x			x
Magazine of Business (System)		x	x			x	x			x
Forbes										
Burrough's Clearing House										
Sales Management		x	x			x				
Motion Picture News										
Magazine of Wall Street							x			x
Dresses		x	x			x	x			x
*Electragist**							x			x
Space Cost	$2,015		$2,855		$2,015		$3,406		$2,414	

* This advertising was for the Dictograph Apartment House Telephone Systems.

of the Dictograph System, illustrated it, and noted the particular advantages which could be gained by installing the system. The catalogues used, the number of pages taken, and the costs of this advertising appear in Exhibit 2.

The company also tried direct mail for advertising the Dictograph System in Detroit at Christmas time. The direct-mail

EXHIBIT 2
Catalogues Used to Supplement Magazine Advertising, 1926–1927

Catalogue	Number of Pages	Space Cost
Sweet's Architectural	4	$ 600
Sweet's Engineering	4	600
Office Equipment Catalogue	2	375
Hospital Yearbook ...	¼	75
Donnelly's Red Book	4 (inserts)	300
Total	14¼	$1,950

campaign was based on a Christmas advertisement, in which the letter was left blank so that the salesman could write in his personal message. Nearly 4,000 letters having a total cost of $300 were sent out in this mailing.

A small amount of additional publicity was secured from articles telling of the Dictograph System in *Sales Management* and *Motion Picture News*. Reprints of the advertising also were used in supplementary advertising, and complimentary newspaper advertisements were used in cities where a Dictograph System had been installed in a prominent new building. This advertising appeared in conjunction with that of other manufacturers and retailers who had supplied materials or installations for the new building.

During the 1926–1927 season the sales of Dictograph Systems increased $109,000 over the sales for the same period in the previous fiscal year. This increase was 18% of the sales for the 1925–1926 period and was the largest annual increase that the Telephone Division of the Dictograph Products Corporation had obtained. The advertising expense, however, increased to 4% of sales; in the 1925–1926 period the advertising expense had been 1.5% of sales. The sales traceable to advertising, as shown in Exhibit 3, were 2.8% of sales or $20,452.

The results of the magazine advertising were analyzed further by making a series of tabulations of the inquiries received and sales attributable to the magazine campaign. The sales indirectly traceable to magazine advertising, however, were not included in this analysis. The complete results tabulated as the campaign progressed are given in Exhibit 4. A recapitulation of the results by magazines is given in Exhibit 5 and by months in Exhibit 6.

EXHIBIT 3
Sales Traceable to Advertising

Form of Advertising	Number of Sales	Amount of Sales in Dollars
Magazines*	25	$15,592
Catalogues . .	1	1,575
Business Shows†	7	3,000
Direct Mail	1	285
Total	34	$20,452

* 13 sales totaling $7,292 were directly traceable to inquiries from advertising and 12 additional sales totaling $8,300 were indirectly traceable to advertising
† 50 contacts.

The relative effectiveness of full-page and half-page advertisements appears in Exhibit 7.

What changes in the company's advertising program should have been made on the basis of the inquiry returns?

EXHIBIT 4
Analysis of Returns from Magazine Advertising

Month	Medium	Space Cost	Inquiries			Sales				
			No.	Total	Average Cost*	No.	Total	Amount	Total	Average Cost of Sales
September	*Business*	$ 550	19		$ 31					
	Clearing House	300	6		56					
	Dresses	45								
	Total			25						
October	*Business*	370	19		22					
	Clearing House	210	5		53					
	Dresses	45								
	Total			24						
November	*Business*	550	10		58	1		$ 155		$ 580
	Clearing House	300	4		83					
	Nation's Business	1,000	36		30	3		824		351
	Forbes	400	10		42					
	Magazine of Business (System)	1,000	21		50	2		1,000		526
	Dresses	45								
	Total			81			6		$1,979	
December	*Business*	550	13		44	1		600		578
	Clearing House	300	3		105					
	Nation's Business	1,000	18		60	1		1,650		1,053
	Forbes	400								
	Magazine of Business (System)	1,000	11		96					
	Motion Picture News	180	4		86					
	Dresses	45								
	Total			49			2		2,250	
January	*Business*	370	18		22					
	Nation's Business	800	22		39					
	Forbes	270	7		41					
	Magazine of Business (System)	675	12		61					
	Sales Management	125	3		45					
	Dresses	45								
	Total			62						

February	*Business*	370	18	..	22	1	..	930	. .	400
	Nation's Business	800	29	...	29	.	..	.	. .	.....
	Sales Management	125	1	..	134	..	.	.	.	. ....
	Magazine of Business (System)	675	10	..	75	.				.
	Dresses	45								
	Total	..		58			1		930	
March	*Business*	550	13	.	43				.	. .
	Nation's Business	1,100	6		188			.	. .	. . ..
	Sales Management	160	1	.	170	.	.	. .		.
	Magazine of Business (System)	1,000	16		66					.
	Dresses	45				.	.	.	.	. .
	Total	.		36	.	.	.			. .
April	*Business*	370	7		57	1	.	200	.	400
	Nation's Business	800	16		54	2		1,650		433
	Sales Management	125	1		134	.				
	Magazine of Business (System)	675	12		61	1	..	283		729
	Dresses	45			..		.	. .	.	
	Total			36			4		2,133	.
May	*Business*	550	7		83	.	.			
	Nation's Business	1,100			.	.	.			. . .
	Magazine of Wall Street	552	1		584		.	.	.	. .
	Magazine of Business (System)	1,000	14		75	.	..	.		. ..
	Dresses	45							.	..
	Electragist	159	13		22	.		. .		. .
	Total			35		.	.			.
June	*Business*	370	9		44	.	.			.
	Nation's Business	800	9		95					. .
	Magazine of Wall Street	365	9		44		.			. .
	Magazine of Business (System)	675	13		55		.			
	Dresses	45						. .		.
	Electragist	159	18		12			..		.
	Total			58				.. .		.
Totals for the Campaign		$23,280		464	$ 54*		13		$7,292	

* Both the space costs and the preparation costs were included in calculating the Average Costs of Inquiries and the Average Cost of Sales.

EXHIBIT 5
Recapitulation of Inquiry Returns and Sales by Magazines

Magazine	Advertisements		Inquiries		Sales		
	Number	Costs	Number	Average Cost	Number	Amount Sold	Average Cost
Nation's Business	8	$ 7,400	136	$54	6	$4,124	$1,250
Forbes	3	1,070	17	63			
Clearing House	4	1,110	18	62			
Sales Management	4	535	6	89			
Business	10	4,600	133	35	4	1,885	1,250
Motion Picture News	1	180	4	45			
Magazine of Business (System)	8	6,700	109	61	3	1,283	2,233
Magazine of Wall Street	2	917	10	92			
Dresses	10	450					
Electragist	2	318	31	10			
Art Work, Etc		2,000					
Total	52	$25,280	464	$54	13	$7,292	$1,944

EXHIBIT 6
Recapitulation of Inquiry Returns and Sales by Months

Months	Advertisements		Inquiries		Sales		
	Number	Space and Art Costs	Number	Average Cost	Number	Amount Sold	Average Cost
September	3	$ 1,030	25	$ 41			
October ..	3	785	24	32			
November .	6	3,465	81	42	6	$1,979	$ 577
December..	7	3,810	49	77	2	2,250	1,905
January ..	6	2,465	62	39			...
February	5	2,175	58	37	1	930	2,175
March .	5	3,015	36	83		.	..
April	5	2,175	36	60	4	2,133	
May	6	3,730	35	106			
June	6	2,630	58	45			
Total	52	$25,280	464	$ 54	13	$7,292	$1,944

EXHIBIT 7
Recapitulation of Inquiries and Sales According to Space Costs of Advertisements

Size of Space	Number	Total Cost	Cost per Page	Inquiries			Sales			
				Total	Inquiries per Page	Cost per Inquiry	Total Number	Sales per Page	Total Amount	Average Cost
Full Pages	27	$15,050	$557	226	8	$66	8	0 3	$4,229	$1,881
Half Pages	25	10,230	409	238	9	45	5	0 2	3,063	2,046
Total .	52	$25,280		464		$54	13		$7,292	

C. CONSUMER JURY TESTING

1. EASTMAN KODAK COMPANY

JUDGING OF COPY BY CONSUMERS

In 1928, the Eastman Kodak Company's advertising agency, Frank Seeman, Incorporated, since absorbed by the Blackett-Sample-Hummert Corporation, proposed that a number of sample advertisements for the company's home motion-picture camera, the "Ciné-Kodak," be submitted to a list of consumers for ranking, and that those advertisements judged most effective by consumers be used. For this purpose the effectiveness of an advertisement was considered to be the power of its headline, illustrations, and layout in inducing the consumer to read the text.

Company executives and their advertising agencies in most cases select the advertisements which they believe to be most effective. The Eastman Kodak Company's advertising counsel believed, however, that selections based upon the judgment of a few men, no matter how experienced they might be in the field of advertising, were subject to personal bias. Mr. S. H. Giellerup, the executive handling the account of the Eastman Kodak Company, was convinced that, by submitting proposed advertisements to a sufficiently large list of consumers, the personal element would be eliminated and a better choice of advertisements would be made.

In order to verify this belief, the executive in charge of the Eastman Kodak Company's account had made tests to determine the comparative reliability of the rankings given advertisements by consumers and by men engaged in the advertising business, as reflected in the sales traceable to each advertisement. Prior to their publication, the advertisements of a company selling a convenience article of wide distribution had been submitted to two groups, one composed of consumers and the other of advertising men, for ranking according to their power of inducing the consumer to purchase the product. Judged on the basis of the sales resulting from each advertisement, the consumers' percent-

age of accuracy in predicting the relative merits of the advertisements was 69, while that of the advertising group was 26. In addition to this test, there were statistical data available which tended to show that the choices of a few businessmen might be unreliable[1] and that the judgment of a group of consumers as to the effectiveness of an advertisement in inducing purchase correlated closely with the actual results as indicated by inquiries or sales.

Executives of the Eastman Kodak Company, impressed by the evidence which their advertising counsel cited in support of his contention, adopted the proposal.

The first step was to draw up a list of consumers who were prospective purchasers of the goods advertised and who were, therefore, representative of the group to whom the advertising campaign would be directed. The list was compiled from such sources as purchased lists and subscription lists of various magazines. The lists then were subdivided into groups of 1,000 persons.

For each three advertisements which were finally to be used, the agency employed a group of 18 advertisements for experimental purposes. Of this group of advertisements, 15 were newly prepared and three were advertisements previously used; the latter were included to set a standard by comparison with results of previous advertising. The 18 advertisements were broken down into groups of six, each group being sent to a list of 1,000 consumers. In order to prevent confusion from presenting too many advertisements to be ranked, no more than one group of six advertisements was sent to any one consumer and no consumer was solicited more than once. Each group of six advertisements included five new ones and one which had been used in the past.

An objection to the plan appeared at this point. One group of six might contain two or more outstanding advertisements, and another group might contain only advertisements of less merit. As a result, the returns from consumers might be as favorable for the advertisements of the second group as for those of the first group. To minimize this difficulty, the advertising agency selected the six advertisements which it believed to be best and distributed them equally among the three groups. It was recognized that a somewhat more accurate method might be to increase the number of combinations in which the advertisements were submitted for

[1] See Starch, *Principles of Advertising*, p. 303, as an example.

ranking. This method would, however, entail a much larger expense than that of the method adopted, and the relatively limited increase in accuracy that would result was not considered justifiable.

Each group of six advertisements was printed on a single sheet of good-quality paper. Each advertisement appeared as it would in print, except that its size was reduced to 5½ by 7 inches, and no copy other than headline was included. The omission of copy from each tentative advertisement eliminated the expense of copy writing and typesetting, although it offered the objection that the consumers' choices might be different if the text were included. Inasmuch, however, as the purpose of the test was to choose those advertisements whose headlines, layouts, and illustrations would cause the consumers to read the text, the inclusion of the text was not considered essential.

With each group of six advertisements the following letter, written under the letterhead of the advertising agency, was included:

DEAR FRIEND:

The other day I made a statement which I was immediately challenged to prove.

I said that if you wanted to get information from people it was not necessary to call on them; that if you wrote them a nice letter, they would be only too happy to tell you what you asked.

In order to make good my claim, I need opinions from you regarding the six advertisements on the enclosed sheet. Will you give them to me?

Simply pick out the one with the pictures and title which would most quickly get you to stop and read. Don't choose on the basis of what you think would get other people to read—just choose the one which would interest you. After you have done this, choose the second best, then the third, and so on, until you have ranked *all six*.

Each advertisement has an initial under it. Use this when entering your choice on the bottom of this page. When you have recorded your rankings, return this letter to me in the enclosed and addressed envelope.

Gratefully yours,

My first choice is, advertisement_____.
My second choice is, advertisement_____.
My third choice is, advertisement_____.
My fourth choice is, advertisement_____.
My fifth choice is, advertisement_____.
My sixth choice is, advertisement_____.

PLEASE DO NOT RETURN THE ENCLOSED PROOF SHEET

After the returns from the three groups of six advertisements had been received, the results were tabulated and the two advertisements ranking highest in each of the three groups, exclusive of the three advertisements included from past campaigns for comparative purposes, were selected by the median method.[1]

EXHIBIT 1
Ranking in Consumer Jury Test

Advertisement	Ranking						Median Ranking
	1	2	3	4	5	6	
Series 1							
E	28	18	9	10	15	19*	2.9
C	17	25	26	23	8	2	2.8
G	15	20	17	20	27	12	3.7
B	20	21	7	13	18	18	3.3
F	12	15	29	18	18	6	3.2
D	15	5	15	15	14	44	4.8
Series 2							
J	21	21	18	25	28	31	4.0
K	17	28	21	29	26	25	3.8
O	58	32	28	11	9	5	1.9
M	25	22	23	31	18	22	3.5
L	21	30	26	21	19	26	3.3
N	8	10	28	22	40	32	4.6
Series 3							
U	38	15	9	9	6	9	1.9
P	26	14	13	8	20	12	3.0
R	10	14	25	26	19	9	3.6
S	13	31	18	17	10	5	2.7
V	5	8	17	13	24	35	4.8
T	7	17	14	21	21	20	3.7
Final							
C	10	19	30	26	22	16	3.6
F	3	23	27	22	22	28	3.9
L	32	19	16	10	24	25	3.3
O	65	27	15	11	3	4	1.0
P	18	23	14	16	24	31	4.0
S	2	17	25	34	27	18	4.0

* The total number of rankings assigned to each advertisement varies because some of the respondents failed to name all six advertisements in their ranking.

[1] For further details on this method, see Starch, *op. cit.*, p. 287; Mills, *Statistical Methods*, p 119.

Exhibit 2: Eastman Kodak Company. Layouts Submitted to Consumers.

The six advertisements thus selected were then combined and sent to another list of 1,000 consumers for further ranking. When the returns from these consumers had been received, a final tabulation was drawn up and the three best advertisements were selected by their median rankings. These three advertisements were then used in the company's advertising campaign.

A typical tabulation of consumer rankings of the various advertisements is presented in Exhibit 1. Advertisements *E*, *K*, and *U* were those included from past campaigns. In the final tabulation, advertisements *O*, *L*, and *C* were selected for use. Exhibit 2 is the list of advertisements sent out to consumers for their final ranking.

In order to determine what effect the omission of copy had on the consumer's choice of advertisements, a test had previously been made in which a set of advertisements without copy was sent to one group of consumers and a set of the same advertisements including the copy was sent to another similar group. The rankings for the two groups were practically the same; the variance was not considered of sufficient importance to warrant the added expense of including the copy.

While it was difficult to point out tangible results of the policy of consumer tests, executives of the Eastman Kodak Company were satisfied that it was definitely useful. Although it created additional expense, the company believed that this fact was more than offset by the resulting effective use of advertising space. Returns of the questionnaires by consumers averaged over 10%, and little difficulty had been experienced in securing them.

1. Estimate critically the value of this method of testing the effectiveness of the various components of an advertisement and of advertisements as a whole.

2. Was the procedure followed in this test well conceived?

2. CALIFORNIA WALNUT GROWERS ASSOCIATION (C)[1]

CONSUMER JURY TEST OF ADVERTISEMENTS

Purpose of Test

In an attempt to determine the relative effectiveness of the various advertising approaches taken by the California Walnut Growers Association in recent years investigators of the Cooperative Division of the Farm Credit Administration deemed it advisable to subject selected advertisements illustrative of the various copy approaches to a consumer opinion test. It was believed that it would be helpful to compare the evidence of such tests with that given by coupon analysis and that given by the ratings based on reader reports of advertisements seen and read.

Since walnuts are a food of almost universal consumption, it was easy to get a consumer jury composed of those who use and are interested in walnuts. Accordingly it was believed that a consumer rating of advertisements illustrative of the various copy approaches would give evidence[2] of the effectiveness of the advertisements in use.

The Advertisements Selected for Test

The test was limited to six advertisements. The study of coupon returns had shown that the advertisements for the period 1926–1934 could well be classified in the five following groups: (1) Those featuring a bowl of walnuts and suggesting holiday use of the nuts. In these advertisements there were no pictures of recipes and only brief reference to cooking uses. (2) Those featuring attractive dishes and giving either actual recipes or descriptions of the dishes with an invitation to write for a cookbook. (3) Those combining the approaches of (1) and (2). These ordinarily featured a large bowl of walnuts, with two or three attractive dishes shown in panel, accompanied usually by specific recipes. (4) Those featuring the health appeal, in which stress was put on the importance of walnuts in inducing chewing. Such advertisements usually gave a picture of a dentist or physician to

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[1] See case of California Walnut Growers Association (E), p 535.

[2] For an estimate of the validity of the consumer jury tests, see *A Test of the Consumer Jury Method of Ranking Advertisements*, by Neil H Borden and Osgood S. Lovekin (Harvard Business School Division of Research, Business Research Studies, No. 11, 1935).

lend authority. (5) Those featuring the beauty appeal, carrying a picture of an attractive woman. The value of walnuts to induce chewing as an aid to beauty was brought out.

The advertisements which had the lowest inquiry costs among advertisements of their respective types were chosen for the test. This procedure was thought to be fair in that comparison of the relative effectiveness of each copy approach would depend upon the best example of each as indicated by inquiry costs. The one exception to selection on the basis of lowest cost was in Class 1, in which advertisement #285 was selected, although #283 had a lower inquiry cost. There were two reasons for this: (1) #283, appearing in Magazine C, was smaller than all the other advertisements tested. It was deemed desirable to keep size uniform in the test. (2) #285 used the same principal illustration as #283, although the headline and layout map were different; #285 was in the group of advertisements ranking just above #283. Two advertisements of different character were selected for the recipe appeal type, inasmuch as testing technique permitted the use of six advertisements. The advertisements selected for the test, shown on pages 451–457, were as follows:

No. 285—Illustrative of Class 1.
Published in Magazine *G*, December, 1929.
Illustration: An attractive bowl of walnuts and fruit, with ship model and walnut candy in the background; inset illustration of attractive dinner set.
Headline: "Here's Real News for the Holiday Hostess."
Copy Theme: Holiday menus call for walnuts.
Inquiry Cost: $13.27.

No. 291—Illustrative of Class 2.
Published in Magazine *A*, February, 1930.
Illustration: Ten attractive dishes arranged in cross-hatched diamond form with descriptions to the right and below each illustration.
Headline: "There Are Mighty Few Dishes That Walnuts Won't Improve."
Copy Theme: It's surprising how often and how easily you can add walnuts in everyday cooking.
Inquiry Cost: $0.46.

No. 325—Illustrative of Class 3.
Published in Magazine *E*, November, 1931.
Illustration: Combination of recipes and bowl of walnuts attractively placed on a black background.
Headline: "No Excuse for Empty Walnut Bowls This Year."

Copy Theme: Walnuts for the walnut bowl and for cooking are cheap. In the right-hand column the specific recipes for the dishes illustrated at the top were given.

Inquiry Cost: $2.15.

No. 393—Illustrative of Class 4.

Published in Magazine *E*, December, 1933.

Illustration: Top inset, photograph of dentist; main color illustration, bowl of walnuts; small color illustrations of cake and salad at the left bottom of page.

Headline: "What's Back of All This Doctor's Talk about Chewing?"

Copy Theme: Use walnuts to induce chewing and thus be healthy and beautiful.

Inquiry Cost: $1.52.

No. 394—Illustrative of Class 5.

Published in Magazine *A*, November, 1933.

Illustration: Photograph insert of Miss Rochelle Hudson, movie star; main color illustration, bowl of walnuts; color illustrations of three attractive dishes at right-hand bottom.

Headline: "Do You Chew Your Foods or Just Let Them Melt in Your Mouth?"

Copy Theme: Use walnuts to induce chewing and aid in beauty.

Inquiry Cost: $1.24.

No. 446—Illustrative of Class 2.

Published in Magazine *B*, November, 1934.

Illustration: Variety of attractive dishes extending diagonally from right- to left-hand side of page with hand pointing at caption: "Just add walnuts."

Headline: "No More Tired Menus."

Copy Theme: Walnuts add much to make the menu attractive. Short reference is made to spoon foods and the need for chewing, but the appeal is predominantly to the use of walnuts for attractive dishes.

Inquiry Cost: $0.36.

Method Followed in the Test

The customary method was followed in the test. Those approached in the main were housewives, although a number of unmarried women were included in the sample. Practically all of these, however, did a certain amount of cooking and food purchasing, so that they were deemed suitable persons from whom to get opinions. Table 1 shows the classification by income, age, and marital relations of the sample.

TABLE 1
Characteristics of 114 Women Ranking Diamond Walnut Advertisements—Consumer Jury Test

Classification	Number of Women
Age:	
20–29 Years	16
30–39 Years	49
40–49 Years	26
50 Years and Over	23
Income:	
$10,000 and Over	5
$5,000–$10,000	17
$2,000–$5,000	91
Under $2,000	1
Marital State:	
Married	95
Single	16
Widowed	3

All the tests were made in the suburbs of Boston. Within this area the selection was random. The investigation was directed principally in middle-class homes, with a certain number of homes of larger incomes included.

The advertisements were presented in varying order in successive showings to prevent position from having an unequal influence. The question asked was: "Which of these announcements would be most likely to attract your interest and lead you to use walnuts?" In the first few instances two questions were asked, namely: "Which of these announcements would be most likely to attract your interest and attention?", and "Which would make you feel most like using walnuts?" This was soon reduced to one question, however, since it proved unnecessary and in some cases confusing to ask the two questions. Care was taken to insure that personal interest was the basis of selection and not the interviewee's idea of how the advertising would affect others.

The persons questioned were asked to pick only one advertisement, rather than to rank all the advertisements.

After the person questioned had indicated the advertisement most likely to interest her and lead her to use walnuts, she was asked, "What impressed you most about this particular one?" It was thought that answers to this question might give some indication of the elements likely to attract and interest housewives in walnut advertising, and such proved to be the case.

Results

Table 2 gives the results of the rankings by 114 women. Column 2 shows the number of times each advertisement was

ranked first; Column 3 shows the difference between the number of women ranking the successive advertisements, e.g., 40 more women selected #446 than selected #291, etc.; Column 4 shows the standard deviation of the difference between the successive advertisements;[1] Column 5 gives 1½ standard deviations of the differences, to be compared with Column 3. By a comparison between Columns 3 and 5 those instances can be determined in which the differences in ranking of successive advertisements by the sample of 114 women is significant. Where the difference between the number of women ranking any two advertisements (shown in Column 3) is greater than 1½ standard deviations of the difference (Column 5), it is believed that the ranking is significant and not the result of mere chance; or expressed differently, that a

TABLE 2
Ranking by 114 Women of Selected California Walnut Growers Association Advertisements

Advertisement Number	Number of Times Ranked First	Difference between Numbers Ranking Successive Advertisements	Standard Deviation of Difference between Successive Advertisements	1½ Standard Deviations (Column 4 × 1½)
Column 1	Column 2	Column 3	Column 4	Column 5
446	60			
291	20	40	8.1	12.2
325	11	9	5.1	7.7
285	11	0	4.6	6.9
394	7	4	4.2	6.3
393	5	2	3.5	5.3

[1] In determining whether the differences between the rankings of successive advertisements were significant, the formula applied was.

$$\sigma \text{ diff } AB = \sqrt{n(p_A q_A + p_B q_B + 2p_A p_B)}$$

in which n = total number of first rankings for all advertisements
p_A = proportion of first rankings for A
p_B = proportion of first rankings for B
$q_A = 1 - p_A$
$q_B = 1 - p_B$

While great certainty against chance error calls for three standard deviations, it is believed that allowance for $1\frac{1}{2}\sigma$ is adequate in practical testing work of this kind.

For a further discussion of this formula and its derivation, see *A Test of the Consumer Jury Method of Ranking Advertisements*, pp. 9, 10, 60, 61.

ranking of these advertisements by a larger sample of housewives would probably not change the rankings given.

From Table 2 it will be seen that advertisement #446, the 1934 recipe advertisement, was ranked significantly ahead of #291, and consequently ahead of all the others. Advertisement #291, the recipe advertisement of the spring of 1932, was significantly better than #325, and consequently ahead of the others. In the conduct of the test, many women wavered in their choice between #291 and #446, indicating that the difference in effectiveness between these two was not so great as is indicated by first rankings. Between the other four advertisements the differences were not great enough to be significant. In other words, an appreciably larger sample would have had to be taken to be sure that the rankings of these advertisements were other than the result of pure chance in the selection of the sample.

It was not deemed necessary to conduct a larger number of tests, inasmuch as the results indicated quite clearly that the recipe type of advertisement was of greater interest to housewives than were the other types. This consumer jury test confirms the finding of the studies based upon coupon analysis and ratings from reader reports.

The responses to the question, "What impressed you most about this particular advertisement?" showed a high degree of uniformity. They are summarized in Table 3.

TABLE 3
Classification of Replies to the Question:
"What impressed you most about this particular advertisement?"

Classification of Responses	Number Expressing Idea about Advertisement						
	#446	#291	#325	#285	#393	#394	Total
Attracted by Suggestions for Use, Recipes, etc	47	20	9				76
Attracted by Illustration, Coloring, Layout	7		2	8	.	2	19
Attracted by Appetizing Appearance	6	.	.	3		3	12
Attracted by Talk about Health	.	..	.		3	1	4
Attracted by Doctor or Movie Star	.				2	1	3
Total	60	20	11	11	5	7	114

Seventy-six of the 114 women indicated that cooking suggestions, recipes, or menu suggestions guided them in their selections. Sixty-seven out of the 80 selecting the recipe type of advertisements, #446 and #291, so indicated. Eight of the 11 who selected advertisement #325 (the combination type of advertisement) stated that the specific recipes given in the right-hand column appealed to them. A number volunteered the information that they selected this advertisement rather than #446 or #291 because it gave actual recipes for the dishes shown, whereas the other two advertisements did not. These women stated that they liked to get the actual recipes in advertisements to try out. Most of those selecting #285 indicated that they did so because of the attractiveness of the large illustration. Those selecting advertisement #393 indicated their interest in health and in the appeal of the scientific man in the white coat. The responses on #394 were scattered, but the beauty and health appeal apparently was effective with those making this choice.

Six women volunteered the information that they did not like the "chew" appeal and thought that it was bunkum.

3. SCHERING CORPORATION

CONSUMER JURY TEST

In May, 1935, Marschalk and Pratt, Inc., an advertising agency, secured the account of the Schering Corporation of Bloomfield, New Jersey, manufacturer of Saraka, a laxative preparation. Although Saraka had been on the market since 1932 and had been nationally advertised since 1934, the sales volume was still relatively small, and the executives of the Schering Corporation believed that a satisfactory selling appeal had not been devised. Because of the confidence Saraka had inspired in doctors who were recommending it to their patients, the officers of the Schering Corporation were unwilling to use copy which would be objectionable to physicians as might be the case with copy stressing "fear" or "symptoms," or testimonials, whether purchased or unsolicited.

In the effort to determine quickly and economically a copy approach which would interest readers in the product, Marschalk

and Pratt, Inc., decided to use the consumer jury testing technique, a method of testing advertisements which had long been the subject of dispute in the advertising field.[1] At the conclusion of the consumer jury tests, the leading advertisements, with copy added, were further tested for responses to coupons in publications in which it was possible to split the editions and in especially selected Sunday newspapers. Inasmuch as the results were not uniform, some disagreement arose over the value of the tests.

Saraka was claimed to be a distinctive preparation in that it possessed "bulk plus motility." It was stated that ordinary 10- and 15-cent laxatives depended solely on motility; others, such as agar-agar and psyllium seed, relied on bulk alone. Saraka was first offered for sale in 1932. No consumer advertising was carried on, but the manufacturer attempted to interest doctors by a direct-mail campaign containing copy of a dignified medical character and offering to send samples. The response was not large until the mailing pieces were changed to a romantic type of copy which gave prominence to the Indian origin of bassorit, the leading ingredient in Saraka.

In 1934, national advertising was started, and during the year a campaign of six different advertisements appeared in two-column space in the *Saturday Evening Post*, *Collier's* and several women's magazines. Four of the advertisements carried headlines similar to "Why 40,000 Doctors Are Prescribing Saraka." Sales of Saraka by quarters, with the average sale during the first 3 months of 1934 equal to 100, were as shown in the following table.

1934				1935
First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter
100	119	97	125	145

Executives of the Schering Corporation believed that the increase in sales was not sufficient to justify the expense of the 1934 campaign.

[1] See *A Test of the Consumer Jury Method of Ranking Advertisements* by Neil H. Borden and Osgood S Lovekin, Harvard Business School Division of Research, Business Research Studies, No. 11, 1935.

When Marschalk and Pratt, Inc., secured the account in May, 1935, it carried on an informal market investigation which indicated that although the Saraka inventory of most drug stores was very small a slight but steady demand had induced approximately nine out of ten druggists to stock it. After deciding to use the consumer jury testing technique to help in the selection of advertisements which would attract attention and sell Saraka successfully, the executives in charge of the account listed a number of possible copy themes, and sketches of layout, headlines, and illustrations were prepared. Space allotted to copy was blocked in, but no copy was included. The themes included "physician's advice," "scare," "positive health," "beauty," and the romantic approach which had been successfully used in direct mail to doctors. The agency decided to present the rough advertisements in groups of six to individual consumer juries.

Each group of 6 advertisements was presented to a consumer jury of 200, scattered geographically and loosely representing all economic groups. An interviewer conducting a test presented samples of the six advertisements and by questioning the interviewee obtained his opinion as to the relative effectiveness of each of them.

The results of the first 4 preliminary consumer jury tests, comprising a total of 24 advertisements in all, have been summarized in Exhibit 1. In determining the percentages, a first place counted 5, second place 4, third place 3, fourth place 2, fifth place 1, and sixth place 0. With a total of 200 members in each consumer jury, the maximum possible score for any advertisement was 1,000 points. The actual number of points scored by each advertisement was, therefore, divided by 1,000 to obtain a percentage ranking.

At the conclusion of the preliminary tests, the top three advertisements in each group were tested against each other in two secondary consumer jury tests, the results of which are shown in Exhibit 2. Advertisement *S*, which had won first place in its group in the preliminary test, scored the highest percentage in both secondary tests. To obtain a further check on the effectiveness of this advertisement, which was built around the headline, "Just as golf exercises your body, Saraka exercises and strengthens intestinal muscles," it was subjected to a supplementary consumer jury test in competition with five new advertisements prepared

around the same general theme of "exercise." The results of this test are shown in Exhibit 3. Advertisement *S* was again successful. A number of advertisements which stood high in the tests were completed for publication.

EXHIBIT 1
Results of Four Preliminary Consumer Jury Tests

I	II	III	IV
A—62%	*G*—81%	*M*—76%	*S*—69%
B—59	*H*—60	*N*—68	*T*—62
C—47	*I*—51	*O*—45	*U*—45
D—45	*J*—43	*P*—38	*V*—39
E—43*	*K*—33*	*Q*—36	*W*—36
F—36	*L*—32	*R*—32	*X*—32

* Control advertisement. Abandoned after first two tests.

EXHIBIT 2
Results of Two Secondary Consumer Jury Tests

I	II
S—72%	*S**—70%
G—65	*M*—64
T—59	*N*—54
U—45	*A*—45
H—26	*B*—44
I—21	*O*—26

* Control.

EXHIBIT 3
Results of One Supplementary Consumer Jury Test

*S**—66%
A_1—63
B_1—60
C_1—51
D_1—31
E_1—29

* Control.

The leading advertisements were submitted to further testing for effectiveness in drawing coupons. Each of the advertisements displayed a coupon and suggested that the reader send 10 cents for a trial-size can of Saraka. The addition of a 3-cent stamp made a total of 13 cents expenditure for each returned coupon, which was more than the full retail price of some of the most popular laxatives on the market. In the opinion of agency execu-

tives, this meant that every coupon sent in from a Saraka advertisement represented an actual sale, and the number of coupons received from any individual advertisement were an accurate measure of its ability to sell the product.

Advantage was taken of the facilities of the editorial section of the *Chicago Sunday Tribune* to conduct two split-run tests.[1] The results of these tests were as shown in Exhibit 4. Four

EXHIBIT 4
Number of Inquiries Resulting from Two Split-Run Tests in the *Chicago Tribune*

First Test		Second Test		Combined Results	
Advertisement	Number of Inquiries Received	Advertisement	Number of Inquiries Received	Advertisement	Number of Inquiries Received
A_1	26	A_1	31	A_1	57
S	21	A_2	28	A_2	44
G	20	S	23	S	44
A_2	16	J	20	G	33
J	11	G	13	J	31

EXHIBIT 5
Number of Inquiries Resulting from Four Advertisements in *New York Herald Tribune*

Advertisement	Date	Number of Inquiries Received
S	Aug. 11	138
G	Oct. 20	118
J	Aug. 4	95
A_1	Sept. 22	84

advertisements were tested in the Sunday Magazine Section of the *New York Herald Tribune* and five advertisements in the Sunday Magazine Section of the *New York Times*. Advertise-

[1] Each Sunday the *Chicago Tribune* published five special and different editorial sections devoted to the community interests of the various neighborhoods and suburbs of Chicago These sections were distributed as a regular part of the Sunday *Tribune*. Each section carried a page devoted to news and radio programs with editorial content identical in each section. The *Chicago Tribune* offered these sections to advertisers who wanted to make use of split-run tests It was possible for an advertiser to test the appeal of five different advertisements in one day's issue of the *Sunday Tribune*.

ments were uniformally 300 lines in size. The results have been summarized in Exhibits 5 and 6. A split-run test was also conducted in the *Family Circle*,[1] the results of which are shown in Exhibit 7.

EXHIBIT 6
Number of Inquiries Resulting from Five Advertisements in *New York Times*

Advertisement	Date	Number of Inquiries Received
S	Aug. 4	238
A_1	Aug. 25	188
J	Aug. 11	181
G	Oct. 13	177
A_2	Sept. 8	133

EXHIBIT 7
Number of Inquiries Resulting from Split-Run Test in *Family Circle*

Advertisement	Number of Inquiries Received
S (Photographic Illustration)	17
S (Drawing Illustration)	12
J	12
J (Different headline: "Health Brings Love")	11

4. TOWLE MANUFACTURING COMPANY

LABORATORY TESTS TO DETERMINE COPY POLICY

In 1929 the Towle Manufacturing Company experimented with the consumer jury method in the selection of illustrations for its advertisements. It submitted 7 illustrations to 15 young women employed in its office, with the request that they rank them in order of personal preference. The illustrations were then scored on a weighted basis.

The same illustrations were submitted to 44 young women employed by the company's advertising agency. There was a high degree of correlation between the ratings of the two groups.

[1] *Family Circle* was a publication given away in several groups of chain stores, which offered a four-way circulation split to advertisers desirous of making tests.

In another test the advertising manager found that the 15 young women employees ranked advertisements actually run by the company in much the same order as that given by a coupon return ranking.

The advertising manager proposed next to secure an order-of-merit ranking of illustrations by a selected group of young women attending college. If the correlation between this college group and the 15 company employees was high, the manufacturer planned to use the latter group as a permanent jury for passing on advertisements submitted by the advertising agency.[1]

Comment upon the soundness of this plan.

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[1] For a full report of this situation, see Borden's *Problems in Advertising*, 2d ed., 1932, pp. 553 *ff*.

D. SURVEYS OF CONSUMER READING

1. CALIFORNIA WALNUT GROWERS ASSOCIATION (D)[1]

CONSUMER READING TESTS

In checking the relative effectiveness of the California Walnut Growers Association advertisements by various techniques, the Cooperative Division of the Farm Credit Administration made an analysis of a record of ratings of the Association advertisements for the seasons of 1933 and 1934 by a commercial rating service.

The method employed by the rating service organization was that of having its investigators check through magazines with magazine readers to determine what advertisements they had seen and the extent to which they had read them. Interviews were not made in the case of monthly magazines until at least a week after their distribution. Interviews for any magazine were said to be apportioned carefully among readers to give a true sample. The distribution between the sexes was stated to be in accordance with the readership of the magazine. For women's magazines the interviews were limited to women, although formerly a certain proportion of men had been included. Representatives of the rating service organization stated that considerable care was taken to get a suitable income distribution. While formerly the interviews had not been carried on over a wide geographic area, on the grounds that location had no bearing upon reader habits, at the time of the government investigation the interviewers were working in widely scattered areas throughout the country. The service also stated that it had worked out with care the question of size of sample necessary to give suitable results. The number of interviews varied according to the number of advertisements in a magazine, from 150 for magazines with a small amount of advertising to 450 for magazines with a considerable amount of advertising, such as Magazine *C* had in certain months. The interviewing procedure was that of deter-

[1] See California Walnut Growers Association (E), p. 535.

mining first whether the person approached had read a current copy of one of the leading magazines studied. The interviewer then went through a copy of the magazine page by page, and through careful questioning determined whether the person remembered having seen the advertisements and how much of the copy was read.[1]

TABLE 1
Costs per Time Walnut Advertisements Were Seen and Read and Inquiry Costs for Season 1933–1934

Advertisement Number	Magazine	Month	Costs per Time			Number of Advertisements in Magazine	Inquiry Cost
			Seen	Read Some	Read Most		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
393	D	Nov.	0 0076	0.0145	0.0398	95	$2.21
399	D	Dec.	0.0038	0 0067	0.0296	78	1.68
404	D	Jan.	0 0053	0.0092	0.0195	48	3 20
401	D	Feb.	0 0070	0 0110	0.0221	72	2 37
406	D	Apr.	0 0054	0.0102	0.0268	95	5 19
394	A	Nov.	0 0060	0.0107	0.0214	88	1.24
400	A	Dec.	0 0046	0.0091	0 0158	71	2 30
402	A	Feb.	0 0052	0.0083	0.0143	78	2 20
395	A	Mar.	0.0067	0.0134	0.0302	73	2.03
395	E	Nov.	0 0073	0.0402	0.0804	52	1.79
393	E	Dec.	0 0055	0.0104	0.0432	42	1.52
407	E	Feb.	0 0043	0.0152		45	2.10
409	E	Mar.	0.0050	0.0067	0.0130	50	1.85
396	C	Nov.	0.0075	0 0145	0.0218	113	2.37
401A	C	Dec.	0.0068	0.0085	0.0340	80	2 95
405	C	Jan.	0 0050	0 0117	0.0211	50	2.63
408	C	Feb.	0.0085	0.0178		95	3 08
397A	C	Mar.	0.0091	0.0141	0.0318	115	2.58
397	B	Nov.	0.0033	0.0070	0.0210	30	2.17
402A	B	Dec.	0.0029	0.0056	0 0212	23	3.54
398	B	Jan.	0 0037	0.0064	0.0392	17	2.24
398	F	Nov.	0.0076	0 0119	0.0139	82	1.31
403	F	Dec.	0 0063	0.0106	0.0316	66	1.18
406	F	Jan.	0 0027	0.0052	0.0121	37	3 72
410	F	Mar.	0.0050	0 0094	0.0185	86	1 52
400	F	Apr.	0 0055	0.0169	0.0507	87	4.04
Average Costs			0.0054	0.0118	0.0280		

The final report gave two sets of data: (1) For each advertisement of one-half page or more cost figures per time the advertisement had been *seen*, *read some*, and *read most;* (2) an effectiveness

[1] Subsequent to the time when the walnut study was made, the service recorded the elements or parts of an advertisement which the person noted or read, and a separate report was made upon these facts

ratio for each advertisement for having been *seen*, *read some*, *read most*.

The cost figures were derived by projecting the percentages of being seen and read, as found in the survey, to the total circulation of the magazine. The number of persons thus derived as having seen or read an advertisement was divided into the cost of the space, and a figure, usually a fraction of a cent, resulted. Table 1 shows the cost figures for walnut advertisements by magazines for the year 1933–1934; Table 2 gives the same figures for 1934–1935.

TABLE 2
Costs per Time Walnut Advertisements Were Seen and Read and Inquiry Costs for Season 1934–1935

Advertisement Number	Magazine	Month	Costs per Time			Number of Advertisements in Magazine	Inquiry Cost
			Seen	Read Some	Read Most		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
447	F	Nov.	0 0070	0 0102	0.0233	96	$.41
453	F	Dec.	0.0062	0.0108	0.0190	69	1.11
455	F	Jan.	0.0059	0.0081	0.0132	34	1.32
442	D	Nov.	0.0072	0.0101	0.0216	93	.90
448	D	Dec.	0.0085	0.0114	0.0246	73	.99
454	D	Jan.	0.0076	0.0129	0.0250	36	1.48
443	A	Nov.	0.0063	0.0091	0.0175	87	.57
449	A	Dec.	0.0057	0.0082	0.0165	62	.60
444	E	Nov.	0.0054	0.0086	0.0154	43	.80
450	E	Dec.	0.0055	0.0075	0.0116	31	.85
445	C	Nov.	0.0086	0.0114	0.0323	130	.88
451	C	Dec.	0.0085	0.0135	0.0276	96	1.06
446	B	Nov.	0.0046	0.0063	0.0130	26	.33
452	B	Dec.	0.0050	0.0086	0 0142	12	.96
Average Costs			0.0066	0.0091	0.0196		

Ratios of effectiveness for any advertisement for being *seen*, *read some*, *read most* were determined by dividing the figures of average costs for all advertisements in any issue for a magazine being *seen*, *read some*, or *read most*, by the respective cost figures of the particular advertisement. For example, if the average cost per time all the advertisements in a magazine had been *seen* is given as $.0062, and the cost for a particular advertisement is given as $.0027, the effectiveness ratio for that advertisement is 230, i.e., .0062/.0027.

Table 3 shows the ratio of advertising effectiveness by magazines for the year 1933–1934; Table 4 shows the same ratios for 1934–1935. The figures in parentheses after each advertising effectiveness ratio indicate the standing of that advertisement among all the advertisements of a half page or larger appearing

TABLE 3
Ratios of Advertising Effectiveness and Inquiry Costs for Walnut Advertisements for Season 1933–1934

Advertisement Number	Magazine	Date	Ratios of Advertising Effectiveness			Number of Advertisements in Magazine	Cost per Inquiry
			Seen	Read Some	Read Most		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
393	D	Nov.	80 (65)	78 (66)	51 (77)	95	$2.21
399	D	Dec.*	155 (3)	160 (10)	85 (49)	78	1.68
404	D	Jan	94 (29)	102 (23)	110 (19)	48	3.20
401	D	Feb *	81 (52)	96 (40)	100 (37)	72	2 37
406	D	April*	122 (25)	103 (43)	85 (66)	95	5.19
394	A	Nov.	93 (52)	110 (38)	94 (50)	88	1.24
400	A	Dec.*	100 (35)	93 (39)	103 (33)	71	2 30
402	A	Feb.	87 (55)	87 (54)	82 (57)	78	2.20
395	A	Mar.*	67 (66)	53 (69)	40 (67)	73	2.03
395	E	Nov.*	73 (47)	25 (52)	25 (51)	52	1.79
393	E	Dec.	100 (21)	164 (20)	63 (28)	42	1.52
407	E	Feb.*	116 (15)	51 (39)		45	2 10
409	E	Mar.	88 (32)	88 (31)	72 (36)	50	1.85
396	C	Nov.	95 (58)	90 (64)	89 (67)	113	2.37
401A	C	Dec.*	84 (57)	142 (19)	76 (53)	80	2.95
405	C	Jan *	100 (26)	80 (35)	82 (34)	50	2.63
408	C	Feb.	88 (58)	76 (68)			3.08
397A	C	Mar.*	80 (75)	82 (76)	64 (90)	115	2.58
397	B	Nov.*	103 (15)	86 (21)	71 (23)	30	2.17
402A	B	Dec.*	138 (4)	138 (8)	72 (16)	23	3.54
398	B	Jan.*	103 (8)	100 (9)	58 (13)	17	2.24
398	F	Nov.*	68 (76)	76 (59)	133 (36)	82	1.31
403	F	Dec.	81 (51)	101 (33)	69 (51)	66	1.18
406	F	Jan.*	163 (4)	156 (7)	200 (5)	37	3 72
410	F	Mar.	94 (54)	82 (61)	69 (67)	86	1.52
400	F	April*	107 (39)	57 (74)	38 (84)	87	4.04
Average Ratings			98	95	80		

* Indicates half page.

in the magazine; the number of such advertisements appears in Column 7 of each of the tables.[1]

[1] Description of the advertisements may be had by referring to California Walnut Growers Association (B), Exhibit 1, pp. 441–449.

TABLE 4
Ratios of Advertising Effectiveness and Inquiry Costs for Walnut Advertisements for Season 1934–1935

Advertisement Number	Magazine	Date	Ratios of Advertising Effectiveness			Number of Advertisements in Magazine	Cost per Inquiry
			Seen	Read Some	Read Most		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
442	D	Nov.	122 (24)	140 (26)	163 (22)	93	$ .90
448	D	Dec.	87 (46)	94 (41)	101 (36)	73	.99
454	D	Jan.	99 (21)	88 (23)	114 (13)	36	1.48
443	A	Nov.	110 (33)	119 (30)	141 (23)	87	.57
449	A	Dec.	114 (20)	117 (19)	130 (20)	62	.60
444	E	Nov.	104 (21)	93 (23)	120 (18)	43	.80
450	E	Dec.	102 (14)	100 (16)	138 (9)	31	.85
445	C	Nov.	129 (39)	154 (17)	121 (49)	130	.88
451	C	Dec.	145 (8)	165 (17)	188 (21)	96	1.06
446	B	Nov.	111 (7)	135 (6)	130 (10)	26	.33
452	B	Dec.	106 (4)	105 (6)	105 (6)	12	.96
447	F	Nov.	113 (27)	121 (27)	106 (43)	96	.41
453	F	Dec.	100 (37)	91 (39)	106 (29)	69	1.11
455	F	Jan.	112 (11)	127 (9)	200 (4)	34	1.32
Average Ratings			111	118	133		

1. Comment on the value of the testing method described.
2. What conclusions regarding the walnut copy may be drawn?

2. LAURIAN COMPANY

MEASUREMENT OF ADVERTISING EFFECTIVENESS

The Laurian Company was a national fact-finding organization with headquarters in New York City. One of the several services which it offered to advertisers and advertising agencies was a measurement of the readership of advertisements appearing in a selected list of national magazines. In July, 1936, the management of the California Walnut Growers Association reviewed the findings of the Laurian Company with respect to the readership of Diamond Walnut advertisements appearing in certain women's magazines during 1935. This series of advertisements included somewhat different copy techniques. Of particular interest was the question of inclusion or omission of actual recipes in copy, and type

of illustration. It was necessary for the advertising counsel to appraise the soundness of the Laurian method of testing advertisements. If it was believed that the technique offered an accurate measure of readership, and if reliance was placed on readership as an indication of advertising effectiveness, it was then desirable to determine the copy approach and the combination of elements in each advertisement which would increase the readership of Diamond Walnut advertisements.

The Laurian Company regularly tested each advertisement at least one-half page in size appearing in the following publications: *McCall's*, *Ladies' Home Journal*, *Woman's Home Companion*, *American*, *Cosmopolitan*, and *Saturday Evening Post*. Each issue of each publication was submitted by personal interview to approximately 200 individuals. The three women's magazines were displayed only to women, the other publications to both men and women. Interviews were conducted in 12 cities throughout the country by representatives of the Laurian Company, carefully trained in an established technique. Within each city interviews were distributed among income groups in proportion to the relation of each group to the total population of that city. No more than one magazine was shown to each individual interviewed. For the *Saturday Evening Post*, interviews began three days after distribution and continued for one week. For the monthly publications, interviews began one week after distribution and continued for one month.

In conducting an interview, the Laurian representative called at a home or office and displayed one of the magazines in which the readership of advertisements was to be tested. The advertisements of over one-half page in size had names, packages, and trade-marks of advertised products blocked out. The interviewer first ascertained if the subject had read that particular issue of the magazine. If that issue had not been read, the interviewer stopped at that point. If the subject had read it the interviewer opened the publication to one of the advertisements, pointed to the advertisement, and said, "Look at this and tell me if you are sure you did, or did not, see this particular ad before." If the subject had not seen the advertisement, no further questions were asked about it. If the subject had seen the advertisement, the interviewer proceeded to ask "What did you see advertised in that advertisement?" The interviewer continued by pointing in

turn to the headlines and then to each paragraph of the copy, each time saying, "Now please glance through that and tell me if it reads like something you are sure you did, or did not, read in this ad before." The interviewer continued this procedure with all the advertisements to be tested. The answers to all questions were recorded immediately.

The Laurian Company prepared reports based upon the results of the interviews, which stated for each advertisement the percentage of the readers who had seen and who had not seen the advertisement. These figures indicated the proportion of the reader audience aware of the presence of the advertisement in the magazine. The report included another figure indicating the percentage of those who had seen the advertisement and who were able to identify the product advertised. This figure was designed to reveal the degree of mental association among readers between the things seen and the product advertised. The report also included a figure on misidentification as well as further statistics on the readership of various parts of each advertisement.

After an analysis of a large number of advertisements for which it had data of reader recognition and recall, the Laurian Company made available to its subscribers a selected list of possible reasons for variations in the recognition of advertisements, in the true or false recall of trade names, and the recall of headlines and of copy. This list follows:

RECOGNITION

Increase Produced by:

1. Increase in density of black.
2. Use of pictures for the first time.
3. Use of larger illustration.
4. More interesting illustration.
5. Presence of recallable idea in illustration.
6. Presence of recallable idea in headline.
7. Similarity of illustration to that used by others.
8. Unconventional-looking headline.
9. Unconventional-looking illustration.
10. More interesting subject.
11. Use of well-known personalities.
12. Seasonal or news interest.
13. Use of more vivid color or colors.
14. Use of bleed page.
15. Change to picture of baby, bride, dog, or other having universal appeal.

Decrease Produced by:

1. Decrease in use of black.
2. Elimination of pictures from ad.
3. Decrease in size of illustration.
4. Less interesting illustration.
5. Absence of recallable idea from illustration.
6. Absence of recallable idea from headline.
7. Conventional-looking headline.
8. Conventional-looking illustration.
9. Less interesting subject.
10. Elimination of well-known personalities.
11. Change to less interesting style.
12. Decrease in seasonal or news interest.
13. Use of less vivid color or colors.
14. Change from bleed to conventional page.
15. Change to illustration of more limited appeal.

NAME RECALL

Increased by:

1. More prominent use of familiar sales idea.
2. More relevant illustration.
3. More relevant headline.
4. Introduction into ad of element or idea popularized in some other medium.
5. Original or continued use of new and distinctive style.
6. More reading of "selling" headline.
7. More reading of "selling" copy.
8. Use of better reasons for remembering or using product.
9. Increase in list of media carrying this particular ad.
10. Elimination of elements previously confusing to public.
11. Illustration and/or headline "telegraphs" product identity more clearly.
12. Prominence given to product display.
13. More prominent display to slogan or trade-mark.
14. Public becoming more familiar with sales idea.

Decreased by:

1. Less prominent use of familiar sales idea.
2. Use of a new or relatively unfamiliar sales idea.
3. Less relevant illustration.
4. Less relevant headline.
5. Lack of distinctive style differences between this and ads of other advertisers.
6. Less reading of headline.
7. Less reading of copy.
8. Use of idea or style associated by public with another or many other products.

9. Less convincing reasons given for remembering or using product.
10. Introduction of element tending to confuse public.
11. Illustration and/or headline does not "telegraph" product identity.
12. Display of product less prominent.
13. Less prominent display of slogan or trade-mark.
14. Introduction of some subject which diverts reader's interest from product.
15. Introduction of subject which is more interesting alone than in relation to the product.

False Recall

Increased by:

1. Use of type of illustration associated by public with another, or many other products.
2. Use of headline which "looks like" that used by another, or many other well-known advertisers.
3. Use of idea in headline which reminds public of some other product.
4. Use of layout which closely resembles that of another, or many other prominent advertisers.
5. Use of copy formula which has been developed by another prominent advertiser.
6. Lack of stress in idea or copy on difference between this and competitive products.
7. Lack of use of product's best-known sales ideas.
8. Introduction of some element which misled readers.
9. Less reading of copy elements.
10. Use of features suggesting whole competitive field in which product falls may cause reader to falsely "recall" brand most "familiar" to him.

Decreased by:

Use of elements which increase "name recall."

"Don't Know"

Increased by:

1. Marked degree of irrelevance of illustration to this or any product.
2. Marked degree of irrelevance of headline to this or any product.
3. Lack in clarity of tie-up between headline and illustration.
4. Lack of reading of any elements containing recallable idea pertinent to this or any product.
5. Introduction of previously "unknown" sales idea.
6. Change to style which has no outstanding features.
7. Introduction of some subject which diverts reader's interest from product.

8. Introduction of subject which is more interesting alone than in relation to product.
9. Introduction of elements which confuse readers.
10. Reduction in list of publications.
11. Lack of distinctive style differences between this and other advertisements.
12. Use of treatment requiring public to "think" to "get" significance.
13. Change to picture of a baby, dog, bride or other having universal appeal.

Decreased by:

Use of elements contributing to higher "name recall."

Recall of Headline Reading

Increased by:

1. More legible type.
2. Use of single, simple, readily comprehended idea.
3. Its conveying understandable information.
4. Human appeal.
5. News interest.
6. "Stopper."
7. Brevity.
8. Tie-up with subject of general interest.
9. More favored position in layout.
10. Unconventional presentation.
11. Close tie-up with illustration.
12. Making its point without aid of copy.
13. Information about personalities.

Decreased by:

1. Less legible type.
2. Use of complex, obscure, or complicated idea.
3. More difficult to understand.
4. Decrease in human appeal.
5. Less news interest.
6. Less dramatic.
7. Longer and "looks" harder to read.
8. Prosaic.
9. Less favored by position in layout.
10. More conventional presentation.
11. Less tie-up with illustration.
12. Depends on copy reading to have significance.
13. Elimination of "personality" interest.

Recall of Copy Reading

Increased by:

1. More legible type size.
2. More open spacing of type.

Exhibit 1: Report of Readership by Laurian Company. Observed, 63%; Identified, 54%; Misidentified, 5%.

Exhibit 2: Report of Readership by Laurian Company. Observed, 54%; Identified, 31%; Misidentified, 1%.

3. Breaking up of text into short "easy-looking" units.
4. Use of incidental illustrations, carrying part of copy story.
5. Curiosity-arousing headline.
6. Curiosity-arousing illustration.
7. Copy telling "how to do" things.
8. Unconventional arrangement.
9. Interest created by previous ads.
10. Subject of broader interest.
11. Use of copy elements habitually read outside of ads, i.e., continuities, menus, recipes, directions, prices, rhymes, sizes, styles.
12. Use of unusual type faces in body copy.
13. Use of blacker type face.

Decreased by:

1. Use of less legible type.
2. Less open spacing of type.
3. Copy set in longer "harder-looking" paragraphs.
4. Elimination of incidental illustrations, carrying part of copy story.
5. Less intriguing headline.
6. Less intriguing illustration.
7. Copy does not tell "how to do" things.
8. More conventional arrangement.
9. Copy in previous ads found uninteresting.
10. Copy of more limited reader interest.
11. Elimination of copy elements which "look like" things read habitually outside of ads, i.e., continuity, menus, recipes, instructions, prices, styles, sizes.
12. Elimination of unusual type faces in body copy.
13. Use of less black type face.

Two advertisements in the Diamond Walnut series have been reproduced on pages 522 and 523; the figures for readership have been superimposed on the advertisements. The figures relating to observation are percentages of total number of persons interviewed who had read the magazine. All other figures are percentages of the number who stated that they had observed the advertisement.

1. Compare the Laurian method with that described in the case just preceding.

2. Comment on the value of the data given on the advertisements.

E. SURVEYS OF CONSUMER PURCHASES

1. C. J. PEYTON COMPANY

USE OF PSYCHOLOGICAL SALES BAROMETER

The C. J. Peyton Company manufactured more than 20 different brands of cigarette and pipe tobaccos. The best known of the company's products was "Puffs," a cigarette selling for 15 cents per package, which had been introduced to the American public in 1927 and had been regularly supported by national advertising in newspapers, magazines, and radio. In June, 1935, the treasurer of the company brought to the attention of the other executives the results of a series of surveys made by the Psychological Corporation of New York which appeared to indicate that Puffs were growing in popularity among women smokers at a much faster rate than among men. He suggested that the copy approach used in advertising Puffs be changed and that greater emphasis be given to winning the favor of men. In the advertising of Puffs, an attempt had been made to create an atmosphere of smartness and social distinction and to give the smoker the feeling that he was exhibiting good taste in the selection of his cigarette.

After examination of the technique and the results of the survey, a pronounced difference of opinion arose among the executives. The advertising manager stated that the technique was faulty and the results meaningless. The sales manager, although willing to accept the results at their face value, was unwilling to allow them to dictate a change in the nature of the advertising copy. He said that the trend was beneficial rather than adverse, inasmuch as the influence of women in the ensuing months would lead more men to smoke Puffs. Several other executives were convinced by the treasurer's remarks, however, and the advertising manager was asked to appraise the validity of the technique and to decide what, if any, action would be taken.

The Psychological Corporation was organized in 1921 by a group of leading American psychologists. The stated purpose of the organization was to make the services of psychologists of

recognized scientific standing available to business firms and individuals in the solution of practical problems. It was a business organization in that it received no grants or gifts but only payments for services actually rendered. In 1935, about 400 psychologists on the faculties of colleges and universities throughout the country were associated with the Psychological Corporation, 75 of them in market research.

One of the techniques developed by the corporation was the psychological sales, or brand, barometer. The nature of this technique is described in the following paragraphs which have been taken from a report "Recent Scientific Techniques in Measuring Distribution and Factors Affecting Distribution," presented by Dr. Henry C. Link and Dr. Rensis Likert at the Sixth International Congress for Scientific Management, meeting in London in 1935:[1]

The attempt to relate the impressions made by advertising with actual sales immediately led to difficulties. Even where sales figures were available, they could not be used for several reasons. Among these, as every business man will readily see, were the effects of seasonal fluctuations in sales, increases or decreases in sales generally, the gap between the distribution of products to wholesalers and dealers and to the ultimate consumer, fluctuations due to sudden price changes, and above all the lack of comparable sales figures for a group of products, such as coffees, which would show the relative progress of individual brands. Consequently, the Psychological Corporation began a series of experiments which led to what are now known as the psychological sales or brand barometers.

These barometers utilize as measures of distribution a psychological yardstick, namely, the buying habits of comparable groups of consumers. Periodically in nationwide interviews, people are asked "What brand of coffee did you buy last? What soap did you use last for washing dishes? What cigarette are you smoking now?" etc.

The psychological brand barometer . . . is not a measure of sales in the ordinary sense. It is a measure of customers. Its unit of measurement is not dollars or pounds, but people. Its purpose is to reveal whether more or fewer people are buying a given article and to show such trends in relation to competing articles in the same group. These reports were derived from nationwide surveys made jointly by 60 of the psychologists associated with the Psychological Corporation of New York. This group, with the aid of some 500 students selected

[1] For a more extended account, see "The Psychological Sales Barometer," by Henry C Link and Irving Lorge, in the *Harvard Business Review*. Vol. XIII, p. 193.

from their classes in psychology and especially trained for this purpose, made calls in 42,000 homes in 16 separate studies requiring a week each at intervals of from one to two months . . . At present a barometer report is made every two months for each of 23 groups of brands. Such groups as automobile tires, gasoline, automobile lubricating oils, automobiles, cereals, canned soups, flours, dentifrices, teas, toilet soaps, and cigarettes are included and about 500 different brands are recorded. Each study is based on calls in 4,000 homes (different homes each time) made in the same 47 cities and towns. These calls are made in one week and the results, in the form of 23 brand barometers, are completed and ready for use by the end of the following week.

After recording by means of these surveys the popularity of various brands of cigarettes among men and women smokers, the Psychological Corporation assembled the figures shown in Exhibits 1 and 2. In Exhibit 1 is shown the percentage of the total number of men interviewed who smoked each brand of cigarette at five successive survey dates. In Exhibit 2 are shown similar figures for women smokers. These figures were collected in the manner just described.[1] The total domestic consumption

[1] In *Fortune* for July, 1935, were reported the results of a survey conducted by that publication in the effort to determine the proportion of men and women who smoked cigarettes The following brief description of the survey method was appended:

"Geographically, *Fortune* divided the country into five parts . . . The ratio of total interviews to interviews in each of these sections paralleled the ratio of the population of the entire country to the population of the section in question

"Similarly, people living in large, medium, and small cities, in towns, and in rural areas were represented in the same proportion that these communities bore to the total population in the census of 1930.

"Lastly, people in each of five economic levels were interviewed in proportion to the total number at each level, as determined by a classification of homes by value or rental

"All interviewers operated under uniform instructions on pre-tested questionnaires The work of the interviewers was checked by supervisors making follow-up calls"

Approximately 3,000 interviews were recorded.

To the question, "Do you smoke cigarettes?" the following answers were tabulated:

	Men Under 40	Men Over 40	Women Under 40	Women Over 40
Yes.....	65 5%	39 7%	26 2%	9 3%
No ...	34 5%	60 3%	73 8%	90 7%

For remainder of footnote see page 528

of cigarettes between April, 1934, and May 1935, as reported by the Standard Statistics Company, was as shown in the following table.

(Unit—1,000,000,000 cigarettes)	
April, 1934	9.29
May	11.17
June	12.05
July	11.36
August	11.81
September	10.29
October	10.72
November	9.73
December	9.21
January, 1935	11.34
February	9.31
March	10.20
April	10.70
May	11.71

In criticizing the technique of the surveys, Dr. Link and Dr. Likert made the following statement in their report to the Sixth International Congress for Scientific Management:

The exact methods of compiling the information on which these barometers are based have been developed during the last three years

The percentage recorded as answering in the affirmative was further analyzed by population centers

Distribution by Population Centers	Percentage Answering "Yes"	
	Men	Women
Cities over 1,000,000 Population	61 4%	31 2%
Cities from 100,000 to 1,000,000 Population	65 5	40 2
Small Cities, 25,000 to 100,000 Population	56 0	21 1
Towns, 2,500 to 25,000 Population	42 6	8 9
Rural Areas under 2,500 Population and Farms	44 1	8 6
Total of All Interviews	52 5	18 1

Twenty-three per cent of all families questioned had more than one cigarette smoker. In half of this group, more than one brand was smoked In the other half, more than one individual smoked the same brand. Here the question, "Who smoked this brand first?" was asked with the following results:

Husband	71 7%
Son	17 3
Wife	8 1
Daughter	2 9
Total	100 0%

through the experiments and conclusions of the participating psychologists and their trained student interviewers. With regard to the raw data, the method used without deviation, except for minor experiments, has consisted of such questions as "What brand of canned tomato juice did you buy most recently?" Where two brands were named only the first mentioned was recorded since it was found that the tabulating of additional brands did not alter the final proportions of brands used when based on the brand named first. The method of pantry and bathroom inventories, in which an attempt is made to check the brands actually on the shelves, was early discarded as too cumbersome statistically, too difficult of interpretation, and also too expensive. For example, many pantries have five or six different brands of cereals. Some of these may be used rarely and purchased infrequently. The one brand most used might not even be on hand at the moment. In order to obtain the significant facts, even after the brands on the shelf have been recorded, quite a few questions about the different brands must be asked.

The two barometer questions, "What brand of cold cereal did you buy last? What brand of hot cereal did you buy last?" involve the most recent acts and therefore the least uncertainty of memory. Moreover, the brand bought last is bound by statistical necessity in a collection of answers to represent the brand bought most habitually, the brand bought most frequently, and also the first purchase of a new brand, which may indicate a step towards a new buying habit. The brand purchased last measures not only the stable elements in people's buying habits, but includes the most recent effects of advertising and other influences as manifested by the purchase of new brands representing a departure from established habit.

Commenting further on the differentiation between the sexes in purchasing habits, Dr. Link and Dr. Likert observed that it was impossible to know the exact effect on total sales of cigarettes when the proportions of men and women smokers varied. It was obvious that 25% of the men smokers represented a much higher volume of sales than did 35% of the women smokers, but they appeared to be certain that the brand barometers were accurate in indicating the trend of buying habits. Further study had also convinced them that a sample of 4,000 interviews concentrated in a homogeneous group of middle-class homes afforded sufficient accuracy for the results to be accepted.[1]

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[1] For a detailed discussion of the relation of the size of the sample to the accuracy of the results see a manual prepared by the Psychological Corporation, *How Many Interviews Are Necessary for a Result of a Certain Accuracy, in one-time studies, periodic studies, product tests, and advertising tests.* Also see *The Use of Statistical Techniques in Certain Problems of Market Research,* by Professor T. H. Brown (Harvard Business School Division of Research, Business Research Studies, No. 12).

EXHIBIT 1
Cigarettes Smoked by Men

Brand	May, 1933	March, 1934	September, 1934	January, 1935	May, 1935
A	29 4%	30 6%	29 8%	31 5%	29 6%
B	27 1	27 6	28 0	26 3	24.6
C	29 7	25 4	22 0	20 3	21.2
D	4 9	5 8	6 0	5 9	7.5
E	1 3	1 6	1 8	1 6	1 4
Puffs	*	2 1	3.1	3.4	3.6
F	0 6	0.7	0 9	0.7	0.7
G	*	1.0	1.9	1.7	3.4
H	1.2	1.2	0 8	1.1	1.0
I	0.7	0.4	0 7	0.8	0.9
J	0.6	0.6	0.4	0.4	0.3
K	0.1	0.3	0.1	0.4	0.4
L	1.3	0.6	1.6	2.0	1.5
M	0.5	0.2	0.1	0.8	0.3
Miscellaneous	2.7	1.8	2.8	3.3	3.6
Total Per Cent	100.1	99.9	100.0	100.2	100.0
Total Number Cigarette Smokers	853	1,933	2,331	2,240	2,204
Per Cent Who Do Not Smoke	†	19.6	20.1	20 2	20.8
Per Cent Who Smoke Cigars, Pipes	†	16.9	13.1	16.5	15.8
No Man, No Answer	†	10.0	8 6	7 4	8.3
Total Sample	1,234	3,633	4,000	4,000	4,000

* Included in Miscellaneous.
† Not computed in these two studies.

EXHIBIT 2
Cigarettes Smoked by Women

Brand	May, 1933	March, 1934	September, 1934	January, 1935	May, 1935
A	23 4%	22.5%	23 6%	24 3%	22.0%
B	31 0	34.9	30.5	29.6	29 8
C	30.8	22.4	19.2	15.8	15.5
D	2 0	4 6	4 3	6.0	6.7
E	3.3	3.6	2.0	4.0	2 4
Puffs	0 3	3.1	6 4	7.7	8.7
F	1 0	1 6	1.8	1.9	1.8
G	0.3	3.0	4.8	5.4	8 0
H	*	*	*	0.2	0.2
I	1.3	1.1	1.7	1.0	1.2
J	0.5	0.4	0.5	0.2	0.3
K	*	0.1	0.6	0.2	0.0
L	0.8	0.5	0.3	0.7	0.3
M	0.8	0.8	1 6	1.3	1.4
Miscellaneous	4.6	1.2	2.7	1.8	1.8
Total Per Cent	100.1	99.8	100.0	100.1	100.1
Total Number Cigarette Smokers	393	1,310	1,367	1,360	1,479
Per Cent Who Do Not Smoke	68 2†	63.9	63.8	63.3	62.2
No Answer	. . . .	.. ...	2.0	2.7	0.8
Total Sample	1,234	3,633	4,000	4,000	4,000

* Included in Miscellaneous.
† The proportion of women who smoke is spuriously high for reasons which need not be explained here and which do not affect the trend values.

F. TRIPLE ASSOCIATION TESTS

1. PRESBREY SOAP COMPANY

TESTING EFFECTIVENESS OF ADVERTISING

In October, 1934, a marketing consultant suggested to advertising executives of the Presbrey Soap Company the possible value of a so-called "triple association" test to determine the effectiveness of its current advertising and that of competing soap companies. He called to their attention a description of this method which appeared under the title "A New Method of Testing Advertising Effectiveness," by Henry C. Link, *Harvard Business Review*, volume XI, page 165.

The Presbrey Soap Company was a large organization manufacturing and selling four brands of laundry soap, soap chips, and soap powders for laundry purposes, and three brands of toilet soap. It was a large advertiser, employing magazines, newspapers, radio, and car cards.

The executives of the corporation made extensive use of market research to check the effectiveness of its advertising and selling. For example, the company subscribed to the Cooperative Analysis of Broadcasting in order to ascertain the standing of its radio programs. In addition, it carried on paid coincidental radio surveys in a large number of cities to get listener reports of its radio programs. A consumer jury, contacted by mail, were asked periodically to listen and to report, on questionnaires provided by the company, whether or not they liked the program and artists presented.

The company subscribed also to a service which reported on the extent to which advertisements in leading magazines were noticed and read. In addition, with its own research staff it attempted to learn the extent to which advertisements were read in experimental newspaper campaigns.

The company subscribed likewise to a commercial service which reported periodically the actual sales of its brands and of competing brands in a large number of retail stores.

The company also, upon occasion, made use of the consumer jury method of testing copy.

The vice president in charge of advertising was interested when it was suggested that a new type of test might be helpful to the company. Accordingly he advised his assistant to study the article relating to the triple association method and to report to him whether the method promised to give evidence of the effectiveness of the company's advertising and that of its competitors, which was not available in the research conducted by the company and in the commercial services to which it subscribed.

SECTION VII

GATHERING FACTS FOR ADVERTISING AND MARKETING—FIELD INVESTIGATIONS

SUGGESTED READING

AMERICAN ASSOCIATION OF ADVERTISING AGENCIES, "Market Survey Check List Issued by Four A's," *Printers' Ink*, March 29, 1934.

AMERICAN MARKETING SOCIETY, *Technique of Marketing Research.*

EASTMAN, R. O., INC., *Report of the Eastman Marketing Seminar*, pp. 3–56.

LAZARSFELD, "Psychological Aspects of Market Research," *Harvard Business Review*, Vol. XIII, p. 54.

LINK, *The New Psychology of Selling and Advertising*, Chaps. II–III.

LINK AND LORGE, "Psychological Sales Barometer," *Harvard Business Review*, Vol. XIII, p. 193.

MEREDITH PUBLISHING COMPANY, *Standards of Research for the Bureau of Market Analysis.*

POFFENBERGER, *Psychology in Advertising*, Chap. VII.

STARCH, *Principles of Advertising* (1923 edition), Chaps. VI–VII.

WHITE, *Advertising Research*, Chap. II.

1. CALIFORNIA WALNUT GROWERS ASSOCIATION (E)

CONSUMER FIELD SURVEY

The California Walnut Growers Association, a federation of 39 cooperative marketing associations, had in 1935 a total of 7,806 grower members and handled 71,746,000 pounds of merchantable walnuts.

Confronted with increasing domestic production, declining walnut consumption, and a large carryover, the Association requested the Cooperative Division of the Federal Farm Credit Administration to study its marketing policies, particularly its advertising, sales promotion, and pricing policies, with a view to ascertaining their results so far as possible and determining what, if any, changes in these policies were desirable.

The Association, since 1918, had constantly followed a program of consumer advertising, with its advertising expenditures in recent years varying roughly, in accordance with the size of the crop, from approximately $200,000 to over $500,000. This advertising had been designed chiefly to stimulate primary demand. Up to 1932 in copy and in illustrations the eating of walnuts from a bowl had been featured. Since that time this use had been advertised, but more stress had been given to the use of walnuts in recipes than formerly. Advertising expenditures between different sections of the country had been allocated roughly in accordance with sales.

In view of the fact that a consumer survey relating to walnuts had not been made for some years, the Association determined to have conducted, as one of the phases of the study, a survey of consumer buying and use habits and attitudes toward walnuts. The study was carried out by the advertising agency of the Association, in consultation on certain phases of the work with members of the Cooperative Division of the Farm Credit Administration.

Officials of the Association, of the advertising agency, and of the Farm Credit Administration suggested questions to include in the questionnaire. A tentative questionnaire was finally evolved and submitted to a group of housewives in New York

City to determine whether they clearly understood the questions asked, whether they could and would answer them, and whether the data obtained were of significance. As a result of this preliminary testing, certain modifications were made and a second questionnaire was tested out among housewives. After this second test, further changes were made and the questionnaire shown as Exhibit 1 was mimeographed and sent to field investigators.

The survey was conducted the latter part of April, 1935. The questionnaire was presented to consumers through personal interviews conducted by the permanent personnel of the advertising agency in the New York area, and in cities and towns near its seven branch offices. In other areas the trained investigators of a market research organization were used. All interviewers were given the following special instructions:

Please read instructions carefully with a questionnaire before starting to interview.

The object of this survey is to study consumer attitudes toward the use of nuts in general and walnuts in particular. We are trying to determine how they are used, when they are used, why they are not used more, and to what extent advertising has been effective.

RECORDING INFORMATION

Question 1: You can lead into this question very easily with a simple statement such as, "I am doing some research work on nuts and I should like to know your opinion of the *food value* of nuts." It may take the person interviewed a little more time to collect her thoughts, but just be patient and repeat the question for her. Write down in the space allotted just what she says. We are trying to find out from this question, not whether nuts are liked or disliked, but whether they are considered wholesome, high in food value, indigestible, bad for children, etc. If the person interviewed very seldom or never uses nuts, do not attempt to interview her.

Question 2: This question includes all kinds of nuts, mixed or plain, shelled or in the shell, except peanuts. Peanuts should not be included in any of the questions. If none have been bought in past month, write "none."

2*a*: Record all the different kinds bought in the past month.

Question 3: Record simply "yes" or "no," as the case may be, in the space after "season." If "yes" is answered, ask "when," and record whatever the answer may be, such as, winter, holiday season, Thanksgiving, Xmas, etc.

3*a*: An answer "around the holidays," etc., in Question 3 is to be considered as "winter only" and 3*a* should be asked in that case. We are very anxious to find out from this question *why* people do not buy nuts the whole year round. If "no" is the answer in 3, do not ask 3*a*.

Question 4: Record either "yes" or "no" in the space allotted.

Question 5: If "no" is the answer in 4, ask 5. This should be answered either "yes" or "no." If "yes," write in after the "yes," on what special occasions a nut bowl is put out.

Question 6: Simply write in the answer as given.

Question 7: You will notice that this question and most of the following ones refer only to walnuts. It will be difficult to get any exact yearly quantity, but try to get the person interviewed to give a general estimate of the number of pounds bought yearly in the shell and the number of pounds bought already shelled. Record answer in the proper place.

Question 8: Check frequency in the proper place. Anything less often than once a month should be considered as "rarely." Check "never" if walnuts are not used in recipes.

Question 9: Write down reasons just as they are given to you. You may get such reasons as "flavor," "nutritious," "recipe calls for them," etc. If "never" has been checked in 8, do not ask 9.

Question 10: This question may include salads, appetizers, sauces, as well as all cooked dishes. Of course, if walnuts are not used in any prepared dishes, do not ask the question.

Question 11: Read off all the different uses and record the preferred kind of nut after each use. If the person interviewed does not use nuts in salads or any of the listed uses, leave that particular space blank. If peanuts are mentioned under any of these uses, try to get the next choice. Write in any "other uses" mentioned and record the kind of nut preferred.

Question 12: In this question, we are trying to find out whether preference or consumption has been shifting to any particular kind of nut, as compared to the kind formerly bought, and the reasons therefor. The "why" should be asked only in case of a "yes" answer.

Questions 13 and 14: Simply check answers given in the space allotted.

Question 15: Check answer given and write down reasons for buying that way. If walnuts are bought both ways for cooking use, write in "both" and explain reason why.

Question 16: Write in brands known in the space after "know." The "how identified" refers to the brands mentioned.

Question 17: This requires a simple yes or no answer.

Question 18: This requires a simple yes or no answer. If the answer is "yes" ask "what brand."

Questions 19, 20, and 21: Record the number in family. If there are no children under fourteen years, omit questions 20 and 21. Question 21 requires a yes or no answer. Write in any comments on lines below.

Please write down at the bottom of the page any interesting comments on nuts which you have received during the interview.

Important: Please be sure to ask *all* the questions. There should be no blank questions for a completed questionnaire, except those speci-

fied in the instructions. If the person interviewed cannot answer or does not know the answer to any question, write in the answer as "don't know."

Classification Section: Except for "occupation of head of family," which should be a direct question, this section should be filled out after leaving the house. Estimate the age of the person interviewed. Fill in the "nationality."

Income Class: Under this, report from general appearance of house, neighborhood, occupation, etc., whether A, over approximately $5,000; B, $2,500 to $5,000; C, under $2,500. We would like interviews distributed approximately 25% in A families; 50% in B families, and 25% in C families. Fill in street address and city of person interviewed.

Please go over the questionnaire to make sure that all information is checked properly and that the answers are complete. Put your own initials or name at the end of each questionnaire.

Please Write with Pencil

In all, 3,133 housewives were interviewed in the cities and towns listed in Exhibit 2. The distribution of interviews within these communities was intentionally weighted in favor of the higher income levels, as shown in Exhibit 3. The ages of housewives interviewed, as estimated by interviewers, are shown in Exhibit 4.

Exhibits 5 through 14 furnish some of the data obtained from this investigation.

Comment upon the questionnaire.

Was the sample adequate and well chosen?

Of what significance were the data obtained in drawing up an advertising program?

EXHIBIT 1

Questionnaire Used to Ascertain Consumer Buying and Use Habits and Attitudes toward Walnuts

1. What is your opinion of the food value of nuts?_____

2. About how many pounds of nuts have you bought during the past month?_____

2A. What kinds have you bought?_____

3. Is your use of nuts confined to any particular season?_____ If so, when?_____

3A. If in winter only, why not in spring and summer?_____

4. Do you ordinarily keep a bowl of nuts on hand for cracking and eating right from the shell?_____

5. If not, are there special occasions when you put out a nut bowl in this way?_____

EXHIBIT 1 (*Continued*)

6. What kind of nuts do you like best to eat from the shell?_____
7. About how many pounds of walnuts do you buy a year?
   In the shell?_____Shelled?_____
8. About how often do you use walnuts in recipes?
   More than once a week_____
   Once a week_____
   About twice a month_____
   About once a month_____
   Rarely_____Never_____
9. If you use walnuts in prepared dishes, what are your chief reasons for doing so?_____
10. What are your favorite dishes in which you use walnuts?
    _____ _____
    _____ _____
    _____ _____
11. What kind of nuts do you like best for use in:
    Salads_____
    Cakes and cookies_____
    In candies_____
    Desserts_____
    Salted nuts_____
    On sundaes_____
    Other uses_____
12. In buying nuts, have you had a tendency to switch to any particular kind during recent years? Yes____No____If yes, to what kind?____
    _____Why?_____
13. In which way do you use more walnuts: For use in recipes_____ or to eat from the shell_____Equally_____
14. Are you using more walnuts or fewer walnuts in cooking and in salads now than in past years?
    More_____Fewer_____No change_____
15. When buying walnuts for cooking use, do you buy them:
    In the shell_____or shelled_____
    Why?_____
16. What brands of walnuts do you know?_____If more than one is named, which do you consider best?_____How identified?_____
17. Do you ever have trouble getting walnuts when you want them?____
18. Do you remember ever having seen walnuts advertised?_____
    What brand?_____
19. Number in family_____
20. Ages of children (if any)_____
21. Do your children eat walnuts?_____
    Comments_____
    _____
    _____

Date of interview_____ Nationality_____
Age of interviewee_____ Income class_____
Occupation of head of family_____ Street address_____
City_____
Name not necessary

EXHIBIT 2
Geographic Distribution of Interviews Held with Consumers

City and Geographic Division	Population of City	Interviews Held	Percentage of Total Interviews	Percentage of 1930 Population in Area
New England:				
Boston, Mass.	781,188	250		
Wallingford, Conn.	11,170	50		
Lunenburg, Mass.	1,923	25		
Danby, Vt.	1,070	25		
Bloomfield, Conn.	3,247	25		
Smithfield, R. I.	3,967	25		
Total		400	12 77	6.7
Middle Atlantic:				
New York City	6,930,446	350		
Mount Vernon, N. Y.	61,499	50		
Orange, N. J.	35,399	50		
Reading, Pa.	111,171	50		
Baldwinsville, N Y.	3,845	50		
Clifton Heights, Pa.	5,057	50		
Wilkinsburg, Pa.	29,539	50		
Total		650	20 75	21.4
Middle West:				
Chicago, Ill.	3,376,438	266		
Cleveland, Ohio.	900,429	202		
South Bend, Ind.	104,193	100		
Monroe, Mich.	18,110	50		
Frankfort, Ind.	12,196	50		
Wichita, Kans.	111,110	75		
Lincoln, Nebr.	75,933	50		
Des Moines, Iowa	142,559	100		
Galion, Ohio	7,674	50		
Stillwater, Minn.	7,173	50		
Anoka, Minn.	4,851	50		
Hopkins, Minn.	3,834	50		
Iowa City, Iowa	15,340	25		
Indianola, Iowa	3,488	25		
West Liberty, Iowa	1,679	25		
Total		1,168	37 28	31.4
South:				
Atlanta, Ga.	270,366	119		
Houston, Texas	292,352	177		
Decatur, Ga.	13,276	59		
Little Rock, Ark.	81,679	50		
Total		405	12 92	30 8
Mountain:				
Denver, Colo.	287,861	109	3 48	3 0
Pacific:				
San Francisco, Calif.	634,394	276		
Seattle, Wash.	365,583	125		
Total		401	12 80	6 7
United States Total	14,710,039	3,133	100 00	100.0

EXHIBIT 3
Percentage Distribution of Interviews Held, by Income Groups

Income Group	Number of Interviews	Percentage of All Interviews
A (over $5,000)	673	21.5
B ($2,500–$5,000)	1,603	51.2
C (under $2,500)	857	27.3
Total	3,133	100.0

EXHIBIT 4
Age Classification of Housewives Interviewed

Age	Number of Housewives	Percentage of Total
Under 20	29	.9
21–30	652	20.8
31–40	1,158	37.0
41–50	764	24.4
Over 50	467	14.9
Age Not Reported	63	2.0
Total	3,133	100.0

EXHIBIT 5
Classification of Replies to Question: What is your opinion of the food value of nuts?

Attitude and Reason Therefor	Number of Replies	Percentage of Total
Favorable:		
Nutritious	498	18.9
Rich or Fattening	383	14.5
Rich in Vitamins	45	1.7
Miscellaneous	1,709	64.9
Total	2,635	100.0
Unfavorable:		
Hard to Digest	46	33.3
Too Fattening	20	14.5
Little Food Value	31	22.5
Miscellaneous	41	29.7
Total	138	100.0

EXHIBIT 6

Classification by Geographic Sections of Replies to Question: About how many pounds of nuts have you bought during the past month?

Section	Replies Received from Purchasers		Replies Received from Nonpurchasers		Total Replies Received	Approximate Number of Pounds Purchased	Average Pounds per Family Purchasing	Average Pounds per Family Replying*
	Number of Replies	Percentage of Total	Number of Replies	Percentage of Total				
New England	259	65.6	136	34.4	395	557	2.15	1.41
Middle Atlantic	386	59.9	258	40.1	644	767	1.99	1.19
Middle West	988	82.5	209	17.5	1,197	1,636	1.66	1.37
South	268	78 8	72	21.2	340	557	2.08	1.64
Mountain	74	68.5	34	31.5	108	134	1.81	1.24
Pacific Coast	270	68.4	125	31 6	395	604	2.24	1.53
Total	2,245	72.91	834	27.09	3,079	4,255	1.90	1.38

* Includes nonpurchasers.

EXHIBIT 7

Classification by Nationalities of Replies to Question: About how many pounds of nuts have you bought during the past month?

Racial Group	Replies Received					Approximate Total Quantity Purchased, Pounds	Average Quantity Purchased, Pounds	
	From Purchasers		From Non-purchasers		Total Number		Per Family Purchasing	Per Family Replying
	Number	Per Cent	Number	Per Cent				
American ..	1,676	72.2	646	27 8	2,322	3,112	1.9	1.3
Jewish	164	82.4	35	17 6	199	508	3.1	2.6
Northern European	237	78.2	66	21 8	303	332	1.4	1.1
Central European ..	25	58.1	18	41 9	43	47	1.9	1.1
Southern European .	98	64 0	55	36.0	153	171	1.7	1.1
All others ...	45	76 3	14	23 7	59	85	2.0	1.5
Total	2,245	72.9	834	27.1	3,079	4,255	1.9	1.4

EXHIBIT 8
Tabulation of Replies to the Question: What kinds of nuts have you bought?

Kind of Nut Purchased	Number of Replies Received*	Percentage of Total
Walnuts	1,757	47.5
Pecans	904	24.4
Almonds	409	11.1
Cashew	151	4.1
Brazil	54	1.4
Filberts	39	1.0
Peanuts	22	0.6
Hickory	19	0.5
Pistachio	17	0.5
Butternuts	17	0.5
Hazelnuts	11	0.3
Chestnuts	3	0.1
Miscellaneous	28	0.8
Mixed	266	7.2
Total	3,697	100.0

* Question not answered, 35
None purchased, 732

EXHIBIT 9
Classification by Geographic Sections of Replies to the Question: What kinds of nuts have you bought?

Section	Number of Replies Received	Replies Reporting Purchases of:					
		Walnuts		Pecans		All Other Nuts	
		Number	Per Cent	Number	Per Cent	Number	Per Cent
New England	386	214	55.4	25	6.5	147	38.1
Middle Atlantic	634	259	40.9	90	14.2	285	44.9
Middle West	1,724	853	49.5	488	28.3	383	22.2
South	415	115	27.7	255	61.5	45	10.8
Mountain	105	67	63.8	21	20.0	17	16.2
Pacific Coast	433	249	57.5	25	5.8	159	36.7
Total	3,697	1,757	47.5	904	24.5	1,036	28.0

EXHIBIT 10

Classification by Geographic Sections of Reasons Given for Using Nuts in Winter and Not in Spring and Summer

Section	Buy for Winter Holidays		Economy		Health		Crops Fresher in Winter		More Fruits and Vegetables in Summer		Other Reasons		Don't Know		Number of Total Replies
	Number of Replies	Percentage of Total	Number of Replies	Percentage of Total	Number of Replies	Percentage of Total	Number of Replies	Percentage of Total	Number of Replies	Percentage of Total	Number of Replies	Percentage of Total	Number of Replies	Percentage of Total	
New England	23	26.4	7	8.1	30	34 5	15	17.2	7	8.1	2	2.3	3	3.4	87
Middle Atlantic	45	21.5	15	7.2	45	21 5	42	20.1	5	2.4	44	21.1	13	6.2	209
Middle West	101	36.5	6	2.2	71	25.6	55	19 8	8	2.9	33	11.9	3	1.1	277
South	9	8.7	1	1.0	28	27 2	57	55.3	2	1 9	5	4.9	1	1.0	103
Mountain	3	25.0	1	8.3	6	50 0	2	16.7							12
Pacific	18	29 0	9	14 5	14	22 6	6	9.7	3	4.8	12	19 4			62
Total	199	26.5	39	5.2	194	25 9	177	23.6	25	3.3	96	12 8	20	2.7	750

EXHIBIT 11

Tabulation of Replies to the Question: What kind of nuts do you like best to eat from the shell?

Kind of Nuts	Number of Replies*	Percentage of Total
Walnuts	1,707	44.3
Pecans	1,022	26.6
Almonds	427	11.1
Brazil	317	8.2
Butternuts	41	1.1
Filberts	37	1.0
Hazelnuts	24	.6
Hickory	24	.6
Pistachio	24	.6
Cashew	20	.5
Peanuts	11	.3
Chestnuts	8	.2
Miscellaneous	73	1.9
Mixed	114	3.0
Total	3,849	100.0

* Sixty of those interviewed did not answer this question; 176 answered "none used."

EXHIBIT 12

Tabulation of Replies to the Question: About how often do you use walnuts in recipes?

Frequency of Use	Number of Replies in Group	Percentage of Total
More Than Once a Week	408	13.2
Once a Week	695	22.5
Twice a Month	756	24.4
Once a Month	483	15.6
Rarely	544	17.6
Uncertain	6	.2
Never	200	6.5
Total	3,092	100.0

EXHIBIT 13

Tabulation of Replies to the Question: What are your favorite dishes in which you use walnuts?

Dish	Number of Replies in Group	Percentage of Total
Salads	1,575	27.0
Cakes and Cookies	2,004	34.3
Breads, Rolls, Muffins	380	6.5
Candies	617	10.6
Desserts	891	15.2
Other Uses	259	4.4
None	118	2.0
Total	5,844	100.0

EXHIBIT 14

Tabulation of Replies to Question: What kind of nuts do you like best for use in . . . ?

Kind of Nuts	Salads		Cakes and Cookies		Candies		Desserts		Salted Nuts		On Sundaes		Other Uses		Total	
	Number of Replies	Percentage of Total	Number of Replies	Percentage of Total	Number of Replies	Percentage of Total	Number of Replies	Percentage of Total	Number of Replies	Percentage of Total	Number of Replies	Percentage of Total	Number of Replies	Percentage of Total	Number of Replies	Percentage of Total
Walnuts	1,801	66.1	2,269	71.1	1,592	63.5	1,520	62.9	258	10.3	471	36.3	449	55.7	8,360	54.2
Almonds	173	6.4	175	5.5	133	5.3	163	6.8	530	21.2	109	8.4	55	6.8	1,338	8.7
Pecans	636	23.4	579	18.1	569	22.7	602	24.9	478	19.2	529	40.8	196	24.3	3,589	23.2
All Others	44	1.6	100	3.1	126	5.0	43	1.8	493	19.8	41	3.2	30	3.7	877	5.7
No Preference	65	2.4	64	2.0	86	3.4	78	3.2	162	6.5	116	9.0	65	8.1	636	4.1
Mixed	3	.1	5	.2	2	.1	9	.4	573	23.0	30	2.3	11	1.4	633	4.1
Total	2,722	100.0	3,192	100.0	2,508	100.0	2,415	100.0	2,494	100.0	1,296	100.0	806	100.0	15,433	100.0

2. CORNING GLASS WORKS (B)

DETERMINATION OF SALES APPEAL IN ADVERTISING OF PYREX OVENWARE

In May, 1925, the J. Walter Thompson Company, an advertising agency retained by the Corning Glass Works to conduct the national advertising of Pyrex ovenware, decided to carry on an investigation whose purpose was primarily to determine those sales appeals that might be expected to prove most effective in advertising Pyrex ovenware to consumers. Before this time, the advertising of Pyrex ovenware carried on in leading women's magazines had not consistently used any of the several sales appeals possible, for the principal reason that no facts were available to determine which were the best. The investigation, therefore, was designed to discover why present owners of Pyrex ovenware had purchased it and the ways in which they used it; to find out what percentage of homes used Pyrex; and to find what types of dishes were most frequently used and what foods were most frequently baked in those dishes.

Pyrex ovenware, a line of 67 dishes for use in the baking of foods, was manufactured and sold by one of the 10 divisions of the Corning Glass Works. Pyrex ovenware was made from a special borosilicate glass whose low coefficient of expansion enabled it to withstand high temperature without cracking. The glass compositions used in the making of this ware were developed by the company and were made the subject matter of patent application in 1916. Pyrex ovenware could be easily cleaned and, in the opinion of the executives, utilized heat in such a manner that foods baked in it had better taste, appearance, and texture than foods baked in tin, aluminum, or enamelware. Each dish of Pyrex ovenware was stamped with the name Pyrex and guaranteed against breakage by oven heat for a period of two years after the date of purchase. The price was slightly higher than that of other utensils which could be used for baking.

Pyrex ovenware was sold throughout the United States directly to hardware wholesalers and large department stores by the company's salesforce of eight men, who were paid on a salary basis. Besides their regular sales work, the salesmen did missionary sales work among hardware retailers. They explained the superior features of Pyrex ovenware over other baking utensils and

showed the retailers the advantages and the best methods of placing aggressive sales efforts behind it. Pyrex ovenware was retailed by hardware retailers and department stores. The retail selling season extended from September to June with two sales peaks, one during the second half of November and the first half of December, and the other during the second half of April and the first half of May.

The agency decided to conduct the investigation in five cities or towns in New England: Hartford, Pittsfield, New London, Milford, and Willimantic; three in New York: Poughkeepsie, Albany, and Johnstown; and three in Ohio: Urbana, Youngstown, and Marion. Inasmuch as the agency believed that there was little territorial variation in the consumer buying habits or uses of Pyrex ovenware, because of the general utility character of the product, this territory was, in the opinion of the agency, a sample which was large enough to yield results that would be typical of the United States as a whole. New England, although its reaction was not always typical of the rest of the United States, was a fairly representative home-owning community. New York had few individualizing characteristics and therefore was, in the opinion of the executives, representative of most cities and towns throughout the United States. The executives believed Ohio to be far enough west to give the midwestern point of view. The towns and cities selected, furthermore, were believed by the executives to be typical of the various types of communities in the United States. Thus, in New England, Hartford and Pittsfield were considered to be representative, respectively, of a large and a small wealthy residential city. Willimantic and Milford were believed to be representative of a large and a small manufacturing community; and New London to be representative of a fairly large city which had both a wealthy and a middle class and was both a residential and an industrial city. The agency further determined to confine the investigation principally to the type of homes which it described as Class B and Class C homes, because it believed that these homes represented the most typical users and purchasers of Pyrex ovenware. The agency defined Class A homes as, "Homes of substantial wealth above the average in culture, that have at least one servant"; Class B, "Comfortable middle-class homes, personally directed by intelligent women"; Class C, "Industrial homes of skilled mechanics, mill operators, or

petty tradespeople (no servants)"; and Class D, "Homes of unskilled laborers or in foreign districts where it is difficult for American ways to penetrate."

As the next step in the investigation, the advertising agency listed the following 11 questions which it desired the investigation to answer:.

1. What pieces consumers owned, and which of them had been gifts and which were purchased.
2. How long they had used Pyrex.
3. What pieces they found most useful and what foods they cooked in each dish.
4. What they considered the chief advantages and disadvantages of Pyrex.
5. Whether or not they had had any loss from breakage and if they had replaced the broken utensils.
6. Whether or not they served the food in Pyrex dishes.
7. Whether or not they noticed any difference in the length of time food kept hot in Pyrex.
8. Whether or not they had ever given Pyrex as a gift.
9. Whether or not they had any other brands of glass ovenware.
10. Whether or not they had a servant.
11. And from the housewives who did not own Pyrex, they wished to know if they knew what Pyrex was.

The agency designed the following questionnaire which, before being used for the final investigation, was tested on a small number of housewives in order to make certain that it brought out definitely the information sought.

The agency employed six members of its own staff of trained women investigators to conduct the final investigation. Although this method was expensive and required a considerable length of time, it was believed that the interviews secured would be more accurate than either those that might be obtained quickly by employing a large number of outside untrained investigators or those that might be obtained by mail. In the opinion of the agency, more dependable results could be obtained from a few interviews carefully reported than from a larger number of interviews carelessly recorded. Women investigators were selected, since experience had shown the agency that they were more successful than men in interviewing other women concerning products which were principally used and bought by women.

The six women investigators first became thoroughly familiar with the different dishes which constituted the Pyrex line of oven-

EXHIBIT 1

Class of Home..... Date .....
City..... Initials .....

PYREX

Consumer Investigation

1. Do you have any pieces of Pyrex?
   Yes ..... No..
2. What pieces do you have? (List pieces owned, stating the number of each, separate those which were given you and those which you purchased.)

Gift	Number of Each	Purchased	Number of Each

3. How long have you used Pyrex?
4. What pieces do you use most often?
   What foods do you cook in these?

Most Useful Utensils	Foods Cooked

5. What do you consider the chief advantages of Pyrex? (Give in order of importance.)
6. What do you consider the chief disadvantages? (Give in order.)
7. Have you had any loss from breakage?
   Yes ..... No
8. Did you replace the broken utensils?
   Yes ..... No
9. Do you serve foods in the Pyrex dish you cook them in?
   Yes..... No.....
   (Specify for different types of dishes.)
10. Do you find that food keeps hot longer in Pyrex utensils than in others?
    Yes ..... No..... No difference
11. Have you ever given Pyrex as a gift?
    Yes ..... No.....
    What pieces? .....
12. Have you any other brands of glass ovenware?
    Yes..... No.....
    Brand.....
13. Does she know what Pyrex is?
14. Why have you never used it?
15. Does the woman have a servant?
    Yes..... No..... Don't know.....

ware and their uses, the advantages and disadvantages of Pyrex ovenware over other baking utensils, and the process of manufacture. Two were then sent to New England, two to New York, and two to Ohio. By sending two investigators to each territory, the agency believed that it would be able to check the work of one against the work of the other and thus detect and eliminate any personal bias that might creep into the interviews.

These six investigators worked in the three specified territories for a period of eight months. At the end of this time the agency believed that, inasmuch as additional questionnaires as they were received did not change the results as measured in terms of percentages, it had collected sufficient data to give accurately the facts which it was seeking.

During this time the investigators called upon a total of 1,793 housewives and filled out a questionnaire following each interview. No interview was accepted unless the investigator had entered the kitchen of the housewife who was being interviewed and personally checked the Pyrex ovenware dishes which the housewife owned. The types of homes visited were classified as follows:

Class of Home	Number Visited	Class of Home	Number Visited
Class A	34	Class C	729
Class B	1,023	Class D	7

In Ohio, 490 housewives were called upon. They were divided among cities and classes of homes as follows:

City	Number Visited	Class of Home	Number Visited
Urbana	103	Class A	8
Youngstown	210	Class B	229
Marion	177	Class C	249
		Class D	4

In New York, the 406 housewives called upon were divided among cities and classes of homes as follows:

City	Number Visited	Class of Home	Number Visited
Poughkeepsie	110	Class A	25
Johnstown	111	Class B	314
Albany	185	Class C	67

The 897 housewives called on in New England were divided among five cities and the four classes of homes as follows:

City	Number Visited	Class of Home	Number Visited
New London	214	Class A	1
Hartford	216	Class B	480
Willimantic	120	Class C	413
Milford	137	Class D	3
Pittsfield	210		

The investigation yielded the following results:

Seventy-two per cent of the housewives visited owned Pyrex. The total amount of Pyrex owned was divided among types of dishes as shown below.

Types of Dishes	Percentage of Total Pyrex Owned by Housewives Interviewed	Types of Dishes	Percentage of Total Pyrex Owned by Housewives Interviewed
Pie Plates	28	Bread Pans	10
Casseroles	21	Utility Dishes	2
Custard Cups	20	The 31 Other Dishes	19

Of the total number of consumers interviewed who used Pyrex ovenware, 42% had purchased theirs and 58% had received theirs as gifts.

The proportion of housewives interviewed who owned one or more types of Pyrex was as follows:

Number of Types of Pyrex Dishes Owned	Percentage of Housewives Interviewed	Number of Types of Pyrex Dishes Owned	Percentage of Housewives Interviewed
1	17	4	9
2	24	5	6
3	16		

The proportion of Pyrex owners interviewed who owned one or more of the five special dishes, namely, pie plates, casseroles, utility dishes, custard cups, and bread pans, was as follows:

Number of Types of Special Dishes Owned	Percentage of Housewives Owning Pyrex	Number of Types of Special Dishes Owned	Percentage of Housewives Owning Pyrex
1	40	4	5
2	36	5	5
3	14		

The following shows the length of time that consumers had owned Pyrex:

Length of Time	Percentage of Housewives Owning Pyrex	Length of Time	Percentage of Housewives Owning Pyrex
Less than 1 Year	15	3 to 5 Years	27
1 to 3 Years	26	5 Years or More	32

The dishes that were reported most useful were as follows:

Types of Dishes	Percentage of Housewives Owning Pyrex	Types of Dishes	Percentage of Housewives Owning Pyrex
Pie Plates	37	Utility Dishes	8
Casseroles	35	Custard Cups	8
Baking Dishes	12		

The foods most frequently cooked in Pyrex are shown by the following tabulation:

Foods Cooked in Pyrex	Percentage of Housewives Owning Pyrex	Foods Cooked in Pyrex	Percentage of Housewives Owning Pyrex
Pies	35	Meats	6
Scalloped Potatoes	14	Custard	5
Macaroni	12	Meat Loaf	5
"Scalloped Dishes"	11	Baked Apples	5
Puddings	11		

The most important uses reported for the special dishes were as follows:

Uses Reported for Special Dishes	Percentage of Housewives Owning Pyrex	Uses Reported for Special Dishes	Percentage of Housewives Owning Pyrex
To Cook in Pie Plates	35	To Cook Macaroni in Casseroles	8
To Cook Scalloped Potatoes in Casseroles	10	To Cook Beans in Casseroles	5
To Cook Scalloped Dishes in Casseroles	6		

The chief advantages reported for Pyrex were:

Reported Advantages of Pyrex	Percentage of Housewives Owning Pyrex
It Baked Well and Made Better Food	48
It Was Clean and Easy to Clean	33
It Was Attractive	30
"You Could Serve It on the Table"	23
It Was Convenient—Saved Time and Labor	11
It Was Satisfactory	8
It Wore Well	7
It Was Sanitary	3
It Retained Heat	2

Sixty-eight per cent of the housewives owning Pyrex said that Pyrex had no disadvantages, while 8% reported that breakage was a disadvantage. Thirty-one per cent of the Pyrex users reported a loss from breakage, and 45% of these had replaced the broken utensils.

Pyrex dishes were used to serve the foods cooked in them by 91% of the total users of Pyrex. The types of dishes reported used were as follows:

Foods Served in Pyrex	Percentage of Housewives Owning Pyrex	Foods Served in Pyrex	Percentage of Housewives Owning Pyrex
"All Dishes"*	54	Casserole Dishes	18
Pies	21	Custard and Pudding Dishes	7

* Includes housewives who owned only one type of dish.

Thirteen per cent of those who had no Pyrex dishes stated that they had given Pyrex as gifts; 6% had given pie plates and 5% casseroles. Other brands of glass ovenware were used by 7% of the consumers not owning Pyrex and 88% of the housewives not owning Pyrex knew what it was. Thirty-three per cent reported that their reason for not owning Pyrex was that their other utensils were satisfactory, 16% stated that Pyrex was too expensive, and 5% stated that they were not sufficiently interested in Pyrex to buy it.

The proportion of the homes that owned Pyrex according to the four classes of homes was as follows:

Class of Home	Percentage of Housewives Owning Pyrex to Total Number Interviewed
Class A	88
Class B	82
Class C	55
Class D	14

As a method of checking the results obtained by the investigation the agency asked two magazines, *Good Housekeeping*, whose circulation was principally among cities and the larger towns, and the *People's Home Journal*, whose circulation was principally among the smaller towns, to mail the questionnaire used in the personal investigation to an equal number of their subscribers in each of the 48 states. One thousand six hundred and forty-five replies were received from this mailing; 624 from *Good Housekeeping* and 1,021 from the *People's Home Journal*. A tabulation of these replies revealed practically the same results as the personal investigation.

In order to determine the baking qualities of Pyrex ovenware, the agency asked the laboratory kitchen of a large university to bake certain specified foods in Pyrex, enamel, and aluminum ovenware and to present these foods, unidentified as to the dish in which they had been cooked, to their classes to judge which of them was the best in regard to appearance, texture, and taste. In each of these three points, the dishes cooked in Pyrex ovenware were adjudged better than those dishes cooked in other types of baking utensils.

On the basis of the facts brought out by the investigation, the agency developed the copy, art, and schedule for the 1926 consumer advertising campaign of Pyrex ovenware. In the opinion of the executives, the investigation had shown that the campaign should have two objectives: (1) to sell Pyrex ovenware to the housewives who did not at present own any, and (2) to sell all the five dishes which the investigation had shown to be most popular among housewives and which would perform almost every baking task to the housewives who at present owned only one or two of them. Of these two objectives, the executives believed that the second offered the possibilities for the greatest potential sales, because the length of time that Pyrex ovenware had been on the market and the aggressive sales efforts which had been placed behind it indicated in the opinion of the agency that the 28% of total housewives who did not own Pyrex ovenware were housewives who, because of lack of purchasing power or some other reason difficult to determine, could not be considered as prospective purchasers.

The advertising appropriation which had been set aside for this type of sales effort amounted to approximately 11% of the total yearly sales of Pyrex ovenware and was divided among different forms of advertising as follows: national magazine advertising, 8%; trade-paper advertising and dealer helps, 2½%; miscellaneous and administrative expense, ½ of 1%.

The 1926 schedule of consumer advertising, as ordered by the agency, consisted of one four-color page in the April, May, June, October, November, and December issues of the *Ladies' Home Journal*, one black and white page in the April, May, June, October, November, and December issues of *Good Housekeeping*, one black and white page in the May, October, and November issues and one four-color page in the June and December issues of both the *Woman's Home Companion* and the *Delineator*. The advertising was concentrated in these four magazines during the months in which occurred the largest retail sales of Pyrex ovenware. It was the agency's opinion that an advertising campaign with a limited appropriation assumed far greater importance if it occupied full-page space in the leading magazines which were the logical media for advertising the product, during those months in which consumer buying was most active. Women's magazines rather than general magazines were chosen because the

agency believed that the product appealed solely to women. Color was used as much as possible for the reason that, although the product itself was colorless, the foods which were displayed in the utensils illustrated could be made to appeal more effectively to taste when reproduced in color than in black and white.

The copy which appeared in these advertisements was based entirely upon the facts which the investigation had determined. Because the majority of the housewives interviewed had said that the chief advantage of Pyrex ovenware was the fact that it baked well and made better food and because the tests conducted by the laboratory kitchen of the large university had shown this to be true, the central copy theme for all advertisements was the fact that foods baked better in Pyrex ovenware, and the headline "New Tests Prove That Foods Bake More Perfectly This Way" was used in every advertisement. Inasmuch as the agency believed that the copy would be more effective if it competed for the reader's attention directly with the editorial matter of the magazine rather than with the other advertisements, the copy took the form of an article on better baking methods, and therefore the name Pyrex was not featured either in the headline or in the text. The other important advantages of Pyrex ovenware which housewives had given were subordinated in the copy.

The art work used in these advertisements also was developed on the basis of the facts brought out by the investigation. Each advertisement illustrated all the five types of dishes which the investigation had shown to be those most widely used by housewives and featured one of them, together with the food most commonly baked in it, during the season in which the advertisements were to appear. Thus, the spring advertisements were to feature a utility dish in which green peppers had been baked; the November advertisements featured two pie plates in which a pumpkin and a mince pie had been baked. Each advertisement contained a coupon which offered to send free to any inquirer the Pyrex ovenware recipe book entitled "New Tests Prove That Foods Actually Bake Better This Way."

The inquiries received in 1926 as a result of this advertising were double those received as a result of the consumer advertising carried on during 1925.

SECTION VIII

PROBLEMS INVOLVING PRESENTATION OF ADVERTISEMENTS

SUGGESTED READING

DWIGGINS, *Layout in Advertising*, pp. 27–35
GRAGG, "Testing Advertising," *Harvard Business Review*, Vol IX, p 111.
KLEPPNER, *Advertising Procedure*, Chap XI
LINK, *The New Psychology of Selling and Advertising*, Chaps. V–VI
LUCKIESH, *Light and Color in Advertising and Merchandising*
POFFENBERGER, *Psychology in Advertising* (second edition), Chaps IX–XI, XIII–XIV, XX.
STARCH, *Analysis of 5,000,000 Inquiries.*
——— *Principles of Advertising* (1923 edition), Chaps. XXII–XXIV
STRATHMORE PAPER COMPANY, *Grammar of Color.*
WOOLF, *Writing Advertising*, Chap. XXI.

1. CREIGHTON SUSPENDER COMPANY

SIZE OF SPACE AND FREQUENCY OF ADVERTISEMENTS[1]

The volume of sales of the Creighton Suspender Company had shown a slight but consistent decrease from 1917 to 1924. In the spring of the latter year, a market analysis made by the company's advertising agency indicated that the total demand for suspenders in the United States also had been decreasing during the same period of time. The agency's analysis showed that approximately 80% of the purchases of suspenders were made by men over 35 years of age and that younger men often considered the wearing of suspenders old-fashioned. There also was some consumer resistance to the company's leading brand of suspenders, because of its complicated construction of sliding cords and eyelets.

In years previous to 1924, the company's annual advertising appropriations had been approximately 25 cents for each dozen pairs of the leading brand sold during the previous year. Advertisements had been placed in from four to seven magazines. In 1924, however, the advertising manager contemplated spending over 90% of his appropriation in one medium.

For over 25 years the Creighton Suspender Company had manufactured three types of suspenders: cross-back suspenders, work suspenders, and sliding-cord suspenders. From the spring of 1923 to the spring of 1924, 50% of the volume of sales consisted of sliding-cord suspenders, 30% of cross-back suspenders, and 20% of work suspenders.

Most suspenders sold in the United States were of the cross-back type, which was made of two strips of elastic webbing, approximately one and one-fourth inches wide, crossed and stitched at a point about two-thirds of their length. Buttonholes were cut in semicircular strips of leather attached to the ends of each piece of elastic.

The work, or heavy-duty, type of suspenders was of the same design as the cross-back. The webbing used in its construction,

[1] For examples of other cases involving the issues of size of space to be used and frequency of insertion, see Euripides Tobacco Company, p. 631, Xenophon Medicine Company, p. 633, Enders Shoe Company, p. 623, Pabst Corporation, p. 245.

however, was made from larger strands of rubber and heavier yarn and was approximately two inches in width. The other parts of the suspenders also were constructed more sturdily. This type of suspenders was sold by retailers chiefly to farmers, policemen, and outdoor laborers.

The sliding-cord type of suspenders was an invention bought by the Creighton Suspender Company. It had been patented, advertised widely in national media, trade publications, and newspapers and given the trade name "Illinois." The patent, however, had expired in 1915, and at that time other companies began the manufacture of this type of suspenders. The Illinois type was designed to give comfort and freedom of movement to the wearer. Each of the two strips of elastic webbing in front and in back terminated in a metal clasp to which was attached a metal loop. The ends of a small, hard cord which passed through each of these loops were bound by metal clasps to form buttonhole loops. Instead of an intersection of the webbing in the back, as in the cross-back type, an arrangement was inserted which consisted of a strong, soft cord interlaced through several steel loops so that either side of the suspenders would yield when a strain was placed on it. Although the sliding-cord type of suspenders was claimed by the company to be more comfortable than the cross-back type, some men objected to the sliding cords because they became twisted easily.

Shortly before the company's patent on the sliding-back type had expired, it had secured the exclusive right to use a clasp patented by a metal manufacturing company. This clasp joined firmly the large, soft cord used for the sliding arrangement with the small, harder cord for the buttonhole.

Six salesmen sold the three types of suspenders made by the Creighton Suspender Company to 1,100 dry goods wholesalers throughout the United States. The cross-back and work suspenders were not advertised, but the sliding-back suspenders were advertised nationally. The company manufactured the sliding-cord style in a superior quality of materials and had created a consumer demand for it at double the usual price men paid for suspenders. Since the Creighton Suspender Company sold its cross-back and work suspenders under different trade names, most retailers were not aware that the manufacturer of Illinois suspenders also made the other types of suspenders. After the

company's patent had expired, other manufacturers made sliding-cord suspenders and sold them at lower prices. The price quoted to wholesalers for the Illinois suspenders had enabled them to receive only an 18% markup on the sale price instead of the customary 25% received on suspenders.

Only about three other suspender companies making all types of suspenders advertised nationally. The keenest competition in wholesale centers was offered by small local suspender manufacturers, who purchased elastic webbing from textile mills and did only the cutting and stitching in their workrooms. These competitors also made all three types. The organization of new companies and the failure of other companies were frequent among the local manufacturers. The Creighton Suspender Company manufactured its own webbing in a variety of colors and designs by weaving cotton, silk, or artificial silk around strands of rubber. The company cut and stitched the webbing and made its own leather buttonhole devices, but purchased the metal parts and cords from outside sources.

With the exception of the special clip to hold the two types of cord, there was no apparent difference between the sliding-cord suspenders manufactured by the Creighton Suspender Company and those of other manufacturers. The cross-back suspenders and the heavy-duty type of suspenders also were similar to those made by other manufacturers. Since competition on the cross-back and work types was on a price basis, the Creighton Suspender Company had made a practice of meeting competitors' prices on those types. After other manufacturers were free to use the sliding device, competition on this type of suspenders sprang up here and there, but it was not a sustained or severe competition.

In searching for new selling points for 1924, the Creighton Suspender Company's advertising agency in December, 1923, had mailed questionnaires to doctors and physical directors throughout the United States, asking for their opinions regarding the effect of constriction at the waist line upon the health of a person. A majority of the replies stated that the binding of the abdominal muscles was injurious to health, because it weakened those muscles. This gradual weakening of the muscles tended toward portliness. Several doctors contended that pressure around the waist induced a person to distend his stomach against the source of the pressure, thus tending to an enlargement at the waist line.

Most of the doctors who replied recommended the wearing of suspenders.

After the advertising manager had decided to use the health appeal for the company's 1924 campaign, he next considered the question of the space needed to attract a reader's attention and to present an advertisement effectively. A two-column advertisement was selected as the minimum size which the company could use to advantage. The exclusive use of two-column advertisements, however, would be a variation from the company's practice of previous years. In 1921, 1922, and 1923, for instance, the company inserted advertisements according to the schedules as shown in Exhibits 1, 2, and 3.

The advertising agency's report, which accompanied its original advertising schedule for the fall and winter of 1924, stated:

> The market which is easiest to reach and influence to buy Creighton Suspenders is undoubtedly the present suspender wearers. This market, in so far as class or type of men is concerned, is largely general.

EXHIBIT 1
Advertising Schedule of Creighton Suspender Company, 1921

Medium	Cost of Space	Size of Insertion
Saturday Evening Post	$14,000.00	Four two-column advertisements in the fall inserted at three-week intervals.
Army & Navy Register	69.90	
Literary Digest	4,050.00	One-half column inserted in one issue during February, March, and April.
American Magazine	8,580.00	Two-column advertisements inserted in March, April, and May.
Country Gentleman	4,500.00	Two-column advertisements inserted in April and May.
Chicago Newspaper Campaign	4,575.00	
Pacific Coast Newspaper Campaign	4,920.00	
New England Newspaper Campaign	1,409.00	
Bush Terminal Exhibit	450.00	
Suspender Manufacturers' Advertising Campaign	1,000.00	
Total	$43,553.90	
Cost of Cuts	4,705.00	
Grand Total	$48,258.90	

Our media should be selected to cover this field as adequately as possible. In each medium, however, sufficient space should be used to get our story across completely to the readers of this publication. It will be better to do the job thoroughly in a limited field than to select a larger audience and fail to register. In considering choice of media, attention should be paid also to dealer influence. The campaign should not only register with the general public but should awaken the dealer to this fact in no uncertain way.

EXHIBIT 2
Advertising Schedule of Creighton Suspender Company, 1922

Publication	Space Lines	Date of Insertion	Cost
Saturday Evening Post.	½ page	Mar. 11	$ 3,500
	¼ page	Apr. 8	1,750
	¼ page	May 6	1,750
	¼ page	June 3	1,750
	¼ page	July 1	1,750
			$10,500
	¼ page	Sept. 16	$ 1,750
	¼ page	Oct. 14	1,750
	¼ page	Nov. 11	1,750
	1 page	Dec. 16	7,000
			$12,250
American Magazine	71 lines double column	October	$ 1,420
	71 lines double column	November	1,420
	71 lines double column	December	1,420
			$ 4,260
Country Gentleman	¼ page	Sept. 30	$ 750
	¼ page	Oct. 28	625
			$ 1,375
Farm Journal	100 lines	October	$ 650
	100 lines	November	650
			$ 1,300
Successful Farming.	100 lines	October	500
	100 lines	November	500
			$ 1,000
Farm & Fireside...	100 lines	October	$ 500
	100 lines	November	500
			$ 1,000
Total .	. . . . .	.....	$31,685

EXHIBIT 3

Advertising Schedule of Creighton Suspender Company, 1923

Publication	Space	Date of Insertion	Rate	Cost
Saturday Evening Post (circulation 2,250,000).	100 lines 100 lines 100 lines 100 lines ½ page	Aug. 25 Sept. 29 Oct. 27 Nov. 24 Dec. 15	$11 per line $3,500 per ½ page	$ 1,100.00 1,100.00 1,100 00 1,100 00 3,500 00 $ 7,900.00
American Magazine (circulation 2,000,000).	50 lines 50 lines 50 lines	October November December	$12 per line	$ 600.00 600.00 600.00 $ 1,800 00
Country Gentleman (circulation 893,292).	50 lines 50 lines 50 lines	Oct. 13 Nov. 10 Dec. 6	$4 per line	200 00 200.00 200.00 $ 600.00
Successful Farming (circulation 859,989).	50 lines 50 lines 50 lines	October November December	$5 per line	$ 250 00 250 00 250.00 $ 750.00
Farm & Fireside	50 lines 50 lines 50 lines	October November December	$5 per line	$ 250 00 250 00 250.00 $ 750 00
Farm Journal	50 lines 50 lines 50 lines	October November December	$6.50 per line	$ 325 00 325.00 325.00 $ 975.00
Haberdasher (circulation 3,537).	½ page	October November December February, 1924 April June	$49 45 per ½ page	$ 49 45 49.45 49.45 43 00 43 00 43.00 $ 277 35
Chicago Apparel Gazette—Men's Wear (circulation 10,872).	½ page	Oct. 17 Nov. 14 Dec. 12 Jan. 23, 1924 Mar. 5 Apr. 30	$93 15 per ½ page	$ 93.15 93.15 93.15 93 15 93.15 93.15 $ 558.90
Dry Goods Economist (circulation 13,516).	½ page	Oct. 6 Nov. 3 Dec. 1 Feb. 16, 1924	$137.50 per ½ page	$ 137.50 137.50 137.50 137.50 $ 550.00
Dry Goods Reporter (circulation 7,767).	½ page	Oct. 20 Nov. 10 Dec. 15 Mar. 15, 1924	$87.50 per ½ page	$ 87.50 87.50 87 50 87.50 $ 350.00
Elks Magazine (circulation 850,000).	100 lines 100 lines 2 columns (112 lines each)	October November December	$4.50 per line	$ 450.00 450.00 1,008.00 $ 1,908.00
Total Cost				$16,419.25

While our principal object is to sell the Creighton Suspender line competitively against all other suspenders, we are confronted with a choice of methods in doing this. One is a straight competitive advertising, featuring the superiority of the Creighton Suspenders; the other is to use as a point of contact with our reader's mind a thought which will from its inherent interest demand a more widespread and general reading, and create a more vivid impression on the mind of everyone. This lead should be tied up closely with a strong competitive selling appeal for Creighton Suspenders, featuring this competitive appeal both in illustrations and in copy. We believe that the latter method—advertising which will gain a wide reading, engender as much discussion as possible, and make a very definite impression on the dealer's consciousness—is preferable. It is suggested that this advertising in 1924 begin in September and run up until the Christmas holidays, covering the most generally active period of consumer buying. Advertisements in dealer publications should also carry this story to the trade.

The advertising agency recommended the following schedule for the fall and winter of 1924.

EXHIBIT 4
Advertising Schedule Submitted by Creighton Suspender Company's Advertising Agency, Fall and Winter, 1924

Publication	Space	Date of Insertion	Cost
Saturday Evening Post (circulation 2,356,334).	1 page	September	$ 7,000
	½ page	October	3,500
	½ page	October	3,500
	½ page	November	3,500
	½ page	November	3,500
	1 page	December	7,000
			$28,000
American Magazine (circulation 2,021,769).	2 columns	September	$ 3,400
	2 columns	October	3,400
	2 columns	November	3,400
	1 page	December	5,000
			$15,200
Country Gentleman.....	2 columns	September	$ 1,250
	2 columns	October	1,250
	2 columns	November	1,250
	2 columns	November	1,250
	2 columns	December	1,250
			$ 6,250
Total.....	.....	.....	$49,450

The advertising manager of the company doubted the effectiveness of such a small number of insertions in each of three publications. He proposed to increase the number of advertisements in the *Saturday Evening Post* and to omit advertising in the other magazines. He believed that it would be advisable to insert advertisements according to the following schedule:

EXHIBIT 5
Advertising Schedule Proposed by Advertising Manager of Creighton Suspender Company, Fall and Winter, 1924

Medium	Size of Insertion, Pages	Cost	Date of Insertion
Saturday Evening Post	1	$ 7,000	Sept. 6
	½	3,500	Sept. 20
	½	3,500	Oct. 4
	½	3,500	Oct. 18
	1	7,000	Nov. 1
	½	3,500	Nov. 15
	½	3,500	Nov. 29
	1	7,000	Dec. 20
National Retail Clothier	1	100	Sept. 4
	1	100	Oct. 2
Men's Wear	2	300	Aug. 20
	½	80	Oct. 10
	½	80	Oct. 24
Chicago Apparel Gazette	½	80	Sept. 20
	1	150	Oct. 9
Total Cost		$39,390	

2. HALLE BROTHERS COMPANY

USE OF ILLUSTRATION IN DEPARTMENT STORE ADVERTISING

In April, 1931, the Halle Brothers Company, of Cleveland, was continuing an experiment inaugurated during the late fall of 1930 to determine whether in its advertising it should follow a former practice of omitting all illustration. At this time there was wide difference of opinion among the store executives regarding the wisdom of omission of illustration.

The Halle Brothers Company had been for many years one of the leading department stores of the city. Its main store carried merchandise ranging from medium grade to very high grade, while the basement store carried merchandise of low-medium grade. In its merchandise, in its service policies, in its store layout and furnishings, and in its advertising the company sought to enhance the reputation of the store as a source for fine and fashionable merchandise.

The advertising for the main store had subordinated appeals based on price to those based on fashion and high quality, although the price of merchandise advertised usually was quoted. Frequently the copy stressed new fashion developments. At other times the advertising was of an institutional character, designed to induce consumers to look upon the Halle Brothers Company as the leading local store for the purchase of apparel and house furnishings. In the advertising for the basement store, price was given more emphasis; the appeals of quality and fashion also were utilized, however. No price comparisons were used in the advertising. Among the principal considerations which led to the experiment of omitting illustrations in the late fall of 1930 were the following:

First, the Halle Brothers Company for many years had advertised wholly without illustrations, and during this period had experienced some of the most successful years of its existence. Illustrations came gradually into use, and in time became extensively employed. It was the belief of some of the executives that the use of cuts had become too prolific. It had been difficult to refuse requests from department heads for illustrations without running the risk of appearing to discriminate unfairly.

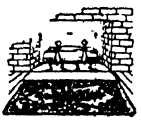
Second, the executives were not satisfied with the kind of art work which they had been able to purchase. It was their opinion that newspaper reproductions of sketches did not do justice to merchandise of high quality. Competitors were able to obtain art work which gave to inexpensive merchandise an appearance equal to that of the higher-priced items of Halle Brothers. They were of the opinion, therefore, that there was no great distinction between the Halle Brothers' advertising and that of other stores, except in so far as they were able to secure it by having an exclusive font of type headings which no other store used.

Telephone MAin 2700 **The Halle Bros. Co.** Telephone MAin 2700

Colonial accessories are in fashion

HAND-HOOKED RUGS

make backgrounds of charm for Colonial furniture



We might consider any rug in these groupings a collector's piece. New England women made them by hand. Included are many of the sought antiques in lovely time-dimmed colorings. Prices are exceptional and quantities limited. These rugs are perfect backgrounds for Colonial rooms.

50 Rugs at $5 — Average size 18 x 30 inches

10 Rugs at $9.75 — Average size 24 x 48 inches

23 Rugs at $12.50 — Average size 27 x 54 inches

19 Rugs at $16.50 — Average size 30 x 60 inches

Also larger sizes up to 11x11 feet.

(Fourth Floor Huron-Prospect Building)

Print-decorated Trays

Special $5

Hunting scenes, French prints and English scenes decorate these serving trays. They're antiqued to resemble old pieces and finished are liquid proof. Size measures 14½x20½ inches, ideal for today and tomorrow only.

(Third Floor Huron-Prospect Building)

Quaint Lamps

copy the oil mounts and glass chimneys of long ago

Bridge Lamp

$15

Complete with Shade

Today instead of burning oil, the house may hold electricity if you wish. Or it may just serve for decoration. Price includes shade.

Iron and brass from the standards. Shades are parchment paper.

Floor Lamps

$10

Complete with Shades

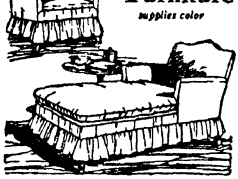
We find it quaint and amusing to copy the oil burning lamps of Colonial times. Iron and brass base, domestically finished with glass chimney and parchment paper shade. A very special value.

This is an advance presentation of these lamps. Orders placed now will be delivered within ten days.

(Third Floor Huron-Prospect Building)

Chintz Furniture

supplies color



Chintz Chairs—$14.75

Their low comfort is appreciated when you are putting on your slippers.

That is why they are so often called "slipper chairs." This new design is finished with the pleated valance so many are asking for. Floral chintzes cover them.

Chaise Longues—$35

Invite repose for an afternoon's nap or an hour of reading

No other article of furniture fits quite such a need. Pile a pillow or two at the back and relax in comfort. This one has reversible pad of downy hair. Over-sun chintz covers for choice.

(Fourth Floor Huron-Prospect Building)

All-Maple Beds

in the favored footless style

$17.50

This has been one of the most favored separate beds we have ever presented. Having no panel at the foot, it allows you to use a Colonial spread or quilt with most charming effect. A particularly fine piece of curly maple forms the headboard. The design is so simple that it readily combines with other furniture of related character.

Twin or Full Sizes

Twin and full sizes are both attractively priced $17.50 each. Interesting values are also offered in bedroom pieces to match.

(Fourth Floor Huron-Prospect Building)

Coil Springs

$11.85

Special for two days only

Inner-spring Mattresses

$14.95

Special for two days only

A patchwork pattern makes this spread interesting

$3.50

Colonial patchwork quilts furnished the design for this gay pieced spread. Charming for use on a maple bed. The Drapery Section offers it in twin or full size and in desirable colors. $3.50.

(Third Floor Huron-Prospect Building)

Exhibit 1: Example of Illustrated Newspaper Advertising of Halle Bros. Co.

Charge purchases made the remainder of this month will appear on statements rendered March first.

The Halle Bros. Co.

Two-day specials

Balbriggan Pajamas
with polo shirt top
$1.75

Something warm to slip in, that isn't scratchy or bulky? Soft, snug balbriggan with polo-shirt top that reaches wide full trousers. They wash like a handkerchief and need no pressing. Special at $1.75 for today and tomorrow only
(Main Floor Euclid Building)

White Linen Handkerchiefs
12 for $1

Why not order several dozen while you can take advantage of this special price? Plain white linen hems of fine quality with 1 1/4 inch hem. Monday at 12 Tuesday only
(Main Floor Euclid Building)

Printed Wash Goods
29c yard

Hundreds of yards of fresh, new prints in rich fast colors are offered today and tomorrow only at this exceptionally low price. Conventional floral and conventional designs on white, light tones or dark backgrounds. Suitable for children's wear, aprons and home frocks. 36 inches wide
(Second Floor Euclid Building)

Wool Blankets
in plain pastel shades
$9.95 pair

Cut singly and bound with contrasting cotton sateen. Blue, rose, orchid, gold or green in 70x80 size. A quality regularly sold at a much higher price.
(Sixth Floor Euclid Building)

Sale of Sample Glove Silk Underwear

$2 - $3 - $4

for those who wear sizes 36 and 38

Some 400 garments which have been used as house samples by a manufacturer who creates entirely new styles each season, as the designs in laces change

Bloomers, vests, French pantses, gowns, all trimmed with lace — some of milanese and chiffon, others of delustered glove silk. All are of the type that may be washed and worn without ironing—a face of particular interest to those who travel.

A few very expensive garments at the sample price of $8
(Main Floor Euclid Building)

Sample Sale of Longer Costume Gloves

in pastels as well as black, white, eggshell beige and brown

$2.95

If you wear any size from 6 to 7—here is a bit of luck. Gloves of kid and capeskin of an unusual thinness and softness that only de luxe gloves have. Gloves that range in length from 6 button to 8 button and longer. Gloves in delectable shades—light blush pink, light blue, eggshell, dramatic black and white, deep brown, beige

Stunning appliqued designs, flared cuffs, two or three tiny buttons where you least expect them such designs really individual

Because they are samples—each style comes only in certain sizes and colors.
(Main Floor Euclid Building)

Unusual sale of

Initialed Handkerchiefs

for both men and women

6 for $1.65

6000 handkerchiefs—all the fine initial styles left in an Irish maker's stock after the rush of the holidays. Plenty of most letters in the alphabet—among the twenty-eight different designs included.

All were of course made to sell for much more. Particularly is this true of the men's styles and the styles with cut-out initials.

Single Pieces—29c
(Main Floor Euclid Building)

In the January Sale of Silks

Flat Crepe
$2.65 yard

Our standard quality of pure dye all-silk flat crepe is offered as a January feature at a much lower price. A complete line of all the fashionable pastels, a good assortment of street shades, also black and white. 39 inches wide.

Lingerie Crepe
$1.25 yard

This fine pure-dye crepe is all-silk therefore we recommend it for lingerie of every kind. Pink, peach, light blue, pastel green, white or black. 39 inches wide, and the price makes it wise economy to buy now for future use.

Printed Crepe
$2.15 yard

Fashionable mid-season and early Spring prints in well covered as well as spaced designs are offered in the January sale much underpriced. A wide selection of patterns on light or dark backgrounds. All in fine pure-dye quality

SILK SECTION—SECOND FLOOR, EUCLID BUILDING

Two-day specials

Bath Towels
large sizes in color unusual values at
39c each

These towels have solid color backgrounds with a stitch white stripe that gives a two tone effect, and striped borders in solid color. Generous 21x43 inch size—regularly sold at a much higher price. Green, blue, pink or orange. A time that makes it wise economy to anticipate future needs.
(Sixth Floor Euclid Building)

Extra length Cotton Sheets
at lower prices

Heavy quality smooth finished cotton sheets that will give excellent wear and stand frequent laundering are offered at lower price levels in the January Sale. They are finished with three-inch hems and were quoted are extra measurements before hemming

63x99 sheets—$1.29
81x99 sheets—$1.49
Pillow cases 42x36½ or 45x36½ sizes—special 19c each

Children's Ribbed Lisle Stockings
4 pairs $1

For two days only today and Tuesday, we offer these standard quality wide ribbed lisle stockings for practical school service at 4 pairs for $1. A good shade of tan in sizes 4 to 9½
(Sixth Floor Euclid Building)

An Important Sale of "Green Edge" Stockings

known for the way they wear

3 pairs $3.45

A very special price on "Green Edge"—to introduce to new friends the unusual wearing qualities of these stockings.

You really have to see them and touch them to appreciate why so many women are enthusiastic about them. Examine the sheer weave. Notice the way the foot is plated with silk. Look at the inside of the hem at the light-weight lisle lining. Measure the length and the elasticity. Each pair finished with green lisle top.

MAIN FLOOR, EUCLID BUILDING

Special Monday and Tuesday in our Cleveland, Warren, Mansfield, Erie and Canton Stores

Exhibit 2: Example of Unillustrated Newspaper Advertising of Halle Bros. Co.

Third, the omission of illustrations was an economy. Absence of illustration was found to save, in the course of a few months, many hundreds of inches of space in which to display more items. No exact measurement of savings in space through omission of illustrations had been made, but it was roughly estimated to be 25%. An additional saving in art work and costs of cuts was also realized.

Fourth, the omission of illustrations gave the company an opportunity, through contrast between its advertising and that of competing firms, to secure an individuality. During the period of the experiment, Halle Brothers was the only large downtown store using unillustrated newspaper advertising. During the period, many patrons made favorable comment upon the distinctiveness of the advertising.

Fifth, after adoption of the nonillustrated advertising, the executives believed that better copy was obtained. The absence of illustrations brought the copy itself into greater prominence, with the result that the advertising department made a special effort to bring about an improvement in the writing. In the opinion of the executives, the descriptive matter of the unillustrated advertisements was livelier and more attractive than it had been in the period when illustration was more extensively used.

Exhibit 1 is an example of the illustrated advertisements shortly before the experiment began. Exhibit 2 is an example of the unillustrated advertisements.

In spite of the considerations which have been listed above, there was considerable pressure from buyers and merchandise managers, as well as from individual writers in the advertising department, to go back to illustrated copy. The period during which the experiment was being conducted was one of exceeding business depression. Those who sought to go back to the illustrated copy maintained that the advertising was not bringing results, and for a cause turned immediately to the absence of cuts.

What policy should the Halle Brothers Company have adopted with regard to the use of illustration in its advertising copy?

3. CORNING GLASS WORKS (C)[1]

USE OF COLOR IN ADVERTISING PYREX OVENWARE

In August, 1927, the advertising manager of the Corning Glass Works was considering the advisability of continuing the use of colored advertisements in the 1928 campaign for Pyrex ovenware. The campaign, among other advertisements, provided for six color insertions in the *Ladies' Home Journal*, the cost of which, including the cost for space, art work, and plates, as figured by the advertising manager, was $24,779.26 above the cost of similar advertisements reproduced in black and white, or approximately 20% of the total advertising appropriation.

Color had been used in the advertising of Pyrex ovenware in two ways. In the colored advertisements which had appeared prior to the autumn of 1927, Pyrex ovenware had been shown filled with some delicious-looking baked food. In the 1927 fall campaign the colored advertisements appearing in the *Ladies' Home Journal* used color only as a background for the Pyrex dishes. An advertisement of this type showed a selection of Pyrex dishes against a colored background.

In addition to the color advertising in the *Ladies' Home Journal*, Pyrex ovenware had been advertised in black and white in *Good Housekeeping* and the *Woman's Home Companion* in 1927. In this black and white copy effective use was made of photography. It had been possible to show the transparent quality of Pyrex ovenware in photographs, and pictures of baked foods in Pyrex utensils had frequently been used in black and white copy.

Exhibit 1 gives a complete schedule of the magazine advertising of Pyrex ovenware in 1927.

The large proportion of the total advertising appropriation consumed by the use of color, and the amount that would have been available for the purchase of additional space if color had not been used, led the advertising manager to question the desirability of the continued use of color in advertising Pyrex ovenware. In 1927, four half pages only were used in the *Woman's Home Companion*, although the original advertising schedule had called for six full pages in this magazine, and the *Delineator* and the

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[1] For further information concerning the advertising of Pyrex ovenware, refer to Corning Glass Works (A), p. 61, and Corning Glass Works (B), p. 547.

Farmer's Wife had been dropped from the original schedule for lack of sufficient funds. In order to decide whether or not to continue the use of color in the advertising of Pyrex ovenware, the advertising manager of the Corning Glass Works considered the use and effectiveness of color as used by other advertisers and attempted to determine in what types of advertising color had proved itself most effective.

EXHIBIT 1
Schedule of 1927 Pyrex Ovenware Advertising

Ladies' Home Journal	April	1 page color
	May	1 page color
	June	1 page color
	October	1 page color
	November	1 page color
	December	1 page color
Good Housekeeping	March	1 page
	May	⅔ page
	June	1 page
	September	1 page
	November	⅔ page
	December	1 page
Woman's Home Companion	February	½ page
	April	½ page
	June	1 page
	November	½ page
	December	1 page

In order to determine the relative pulling power of colored and black and white advertisements in relation to their costs, the advertising manager compared the cost of inquiries received from color advertisements with the cost of inquiries received from black and white advertisements in 1926, the schedule of which is given in Exhibit 2. He realized that the number of inquiries received did not by any means provide a conclusive test of the effectiveness of an advertisement, but he believed that the number of inquiries received did give a rough indication of the number of people who had read the advertisement.

The type of layout and the appeals used in the black and white and color advertisements were essentially the same. The central copy theme of all advertisements which appeared in 1926 was the fact that foods baked better in Pyrex ovenware, and the headline "New Tests Prove That Foods Bake More Perfectly This Way" was used in every advertisement. The copy took the form of an article on better baking methods. Advertising

was concentrated in the *Ladies' Home Journal, Good Housekeeping, Woman's Home Companion,* and the *Delineator* during the month in which the largest retail sales of Pyrex ovenware occurred. It was the agency's opinion that an advertising campaign with a limited appropriation assumed far greater importance if it occupied full-page space in the magazines which were the logical media for advertising the product, during those months in which consumer buying was most active. The five most popular types of

EXHIBIT 2
Schedule of 1926 Pyrex Ovenware Advertising

Ladies' Home Journal	April	1 page color
	May	1 page color
	June	1 page color
	October	1 page color
	November	1 page color
	December	1 page color
Good Housekeeping . .	April	1 page
	May	1 page
	June	1 page
	October	1 page
	November	1 page
	December	1 page
Woman's Home Companion . . .	May	½ page
	June	1 page color
	October	½ page
	November	½ page
	December	1 page color
Delineator	May	½ page
	June	1 page
	October	½ page
	November	½ page
	December	1 page

Pyrex ovenware utensils were shown in each advertisement, as well as one dish with the food most commonly baked in it, during the season in which the advertisements were to appear. For example, the spring advertisements featured a utility dish in which green peppers had been baked; the November advertisements featured a pumpkin pie and a mince pie which had been baked in Pyrex plates.

Each advertisement contained a coupon which offered to send free to any inquirer the Pyrex ovenware recipe book entitled "New Tests Prove That Foods Actually Bake Better This Way." The method of solicitation for inquiries was the same in both

black and white and colored advertisements and the coupons occupied similar positions in both types of advertisements.

The number of inquiries received from the color advertisements appearing during the spring of 1926 after each had been in circulation 14 months was 22,358. The cost per inquiry of these advertisements was $2.10. The number of inquiries received from the black and white advertisements, after each had been in circulation the same length of time, was 9,502. The cost per inquiry was $1.75, or 35 cents less than the cost per inquiry for the color advertisements.

The results of the fall 1926 advertisements revealed an even greater discrepancy between the cost per inquiry received from color pages and the cost per inquiry received from black and white pages. From the color advertisements 19,391 inquiries had been received after the advertisements had been in circulation for eight months. The cost per inquiry was $1.81. From the black and white advertisements 18,238 inquiries were received during the same period of circulation. The cost per inquiry for black and white was, therefore, $1.11, or 70 cents less than the cost of inquiries received from the color advertisements.

Thus, the total number of inquiries received from the color advertisements of both spring and fall campaigns amounted to 41,749; the cost per inquiry $1.97. The total number of inquiries from all black and white was 27,740; the cost per inquiry $1.32, 65 cents less than the cost per inquiry of the color advertisements. The total number of pages containing color advertisements had been 7; the total number of pages containing black and white advertisements had been 7½. This summary indicated that although the color pages produced a greater number of inquiries per page, they were produced at more than half again the cost of the black and white inquiries. Consequently, taking these figures as absolute, and assuming that additional space for black and white advertisements equal in efficiency to that which had been used had been bought, it was estimated that the number of inquiries would have been approximately 62,000 instead of the 41,749 actually received.

The advertising executive believed that additional black and white space of efficiency equal to that actually purchased could have been bought.

In October, 1927, a member of the advertising department of the Corning Glass Works was asked to prepare a memorandum on the use of color and illustration in the advertising of Pyrex ovenware. This memorandum was to be used in planning the 1928 advertising campaign. The sales manager wished to know what part illustration should play in the advertising of Pyrex ovenware and what type of illustration should be used in 1928.

What use of color should be made in 1928?

SECTION IX

PROBLEMS INVOLVING THE SELECTION OF MEDIA

SUGGESTED READING

AGNEW, *Advertising Media*, Chaps III–IX, XI–XII.

AMERICAN ASSOCIATION OF ADVERTISING AGENCIES, *Boston Newspaper Reader Survey; Detroit Newspaper Reader Survey; St Louis Newspaper Reader Survey; Washington Newspaper Reader Survey; Magazine Circulations—Qualitative Analysis by Incomes of Readers*

ASSOCIATION OF NATIONAL ADVERTISERS, *Circulation Analysis* Address by Paul B West, 1931.

AUDIT BUREAU OF CIRCULATIONS, *Scientific Space Selection.*

COOPERATIVE ANALYSIS OF BROADCASTING, *Reports.*

GREER, *Advertising and Its Mechanical Production*, Chaps. III–VI.

HETTINGER, *A Decade of Radio Advertising.*

LOCKLEY, *Vertical Cooperative Advertising*, pp. 117–126.

MEARS, *Newspaper Rate and Circulation Analysis.*

Recent Economic Changes in the United States, Vol I, pp. 402–421

Standard Rate and Data Service (For data on circulation, rates, mechanical requirements and personnel of newspapers, magazines, and radio).

TRAFFIC AUDIT BUREAU, *Standard Circulation Values of Outdoor Advertising*

——— *Circulation Characteristics of Poster Advertising Plants.*

WHITE, *Advertising Research*, Chaps XII–XIV.

WYMAN, *Magazine Circulation, An Outline of Methods and Means.*

1. CALIFORNIA FRUIT GROWERS EXCHANGE

EXPERIENCE IN USE OF MEDIA

The annual reports of the general manager of the California Fruit Growers Exchange discuss, among other things, the advertising work carried on by the Exchange.[1] The following quotation, taken from the 1934 report, discusses the use of various media by the Exchange.

The investment during 1933–1934 in all forms of Sunkist advertising and trade work totaled $1,015,052 on oranges, $495,404 on lemons, and $24,047 on grapefruit. Thus, at the close of the 1933–1934 season the California Fruit Growers Exchange will have invested a total of $19,582,541 in all forms of advertising and merchandising work since 1907, when advertising was started.

Per capita consumption of oranges in the past ten years has been increased 27½%, the actual number of oranges sold in 1922–1923 having been computed on an average size basis to be 5,863,874,400, and in 1932–1933, about 8,427,729,800.

Despite this seemingly tremendous increase, the consumption of oranges in the United States today is only a little over 1¼ oranges per person per week. A further increase in per capita consumption of 3/10 of an orange per week would take care of the entire increased orange production which it is estimated will be faced by 1937–1938.

Exchange advertising is separated into four primary campaigns, each coordinated with the other and supported by sound, constructive appetite and health appeals which unify the complete program.

Basic consumer advertising campaigns cover Navels, Valencias and lemons separately. The principal strategy in both Navel and Valencia advertising is the publicizing of health and food uses. The two campaigns vary only in respect to competitive factors and seasonal influences on consuming habits. Sunkist lemon advertising runs without interruption through the entire year but is broken down into several separate appeals or uses, many of them being seasonal.

While national in scope, the advertising program of the California Fruit Growers Exchange is in reality made up of localized campaigns of coverage, the intensity of which is governed by the existing and potential importance of the individual markets and areas. The investment in all sales districts is based upon a careful study of the sales volume

[1] A more complete discussion of the advertising and marketing procedure of the California Fruit Growers Exchange may be had by referring to its annual reports and to E P Learned, *Problems in Marketing*, McGraw-Hill Book Company, Inc., New York, 1936, pp. 304–310.

over a period of five years, each receiving its proportionate allocation. Take, for example, the territory east of the Mississippi River and north of the Mason-Dixon line. In that territory, roughly corresponding to the eastern and central sales divisions, there is located 60% of the total population of the United States. The Exchange sells in that section 68% of its lemons and 77% of its oranges. It is in this same area that severe competition from Florida oranges and grapefruit is encountered during the Navel season.

Twelve leading nationally circulated magazines carried Sunkist advertising during the year. In five of them citrus fruit uses were appetizingly illustrated in color; the rest of the schedule carried health advertisements in black and white. Combining both types of advertising, a total of 149,000,000 magazine messages went into American and Canadian homes. In the Navel season, advertisements illustrating uses for which California oranges are particularly superior to oranges grown in other sections of the country were strongly featured. The slogans, "Richer Juice and Finer Flavor" and "Seedless," were emphasized especially in the competitive territory. In the Valencia season the advertising was designed to safeguard orange demand from serious inroads by low priced, popular seasonal fruits and vegetables of local origin.

The high light of the Valencia magazine advertising program was the Mooseheart dental story, which appeared in eleven of the twelve magazines on the year's schedule. Appearing in black and white with bold headlines reading, "Tooth Decay Decreased 57%," "Gum Troubles Reduced 83%," the advertising gave a complete history of the now famed research which revealed amazing nutritional values in oranges and lemons.

Full-page newspaper advertisements in color appeared in the Sunday supplements of fourteen metropolitan newspapers. In all, five pages appeared with a total circulation of 20,000,000. An intensive black-and-white newspaper schedule of advertisements on lemons appeared in October to aid in moving the small sized lemons then abundant. Ninety-four newspapers covering sixty-six marketing areas raised the number of newspaper impressions to 132,788,000.

Street car cards featuring Sunkist oranges and lemons appeared throughout the year in all cities and towns in the United States and Canada where street cars are operated. The street railway advertising was augmented in Chicago by cards in the elevated trains and in New York City in the subway trains.

Outdoor Sunkist advertising included large poster showings on bill boards—three on oranges and one on lemons. The number of painted bulletins attractively displaying the trade-mark Sunkist in Neon tubing was increased by 20 bulletins in 16 additional cities. In New York City 20 painted walls were added to the schedule to strengthen local coverage, particularly in foreign sections, where copy appeared in Jewish or Italian, depending on the nationality of the residents.

Twenty-four dealer service men were engaged throughout the year in working with retail dealers in an effort to increase sales through the development of better methods of displaying and pricing. In all, 61,078 dealer calls were made, 2,202 exclusive Sunkist windows dressed, and 467,856 pieces of display material distributed.

The talking motion picture, "Partnership for Profit," describing the latest methods of displaying and merchandising citrus fruit, was shown to 163 retail and jobber groups.

Three dealer service men devoted their time exclusively to grapefruit merchandising, including regular dealer service calls and the supervision of retail store demonstrations, introducing California-Arizona grapefruit to housewives. In this way 345,749 housewives were contacted in retail stores at the point of purchase.

A schedule of advertisements appeared in a selected list of trade publications circulated widely in the grocery, drug, hotel and restaurant fields, and booklets giving a résumé of the advertising campaign were mailed to district sales offices, jobbers, jobber salesmen, chain store headquarters and leading independent retailers throughout the United States and Canada.

An intermediate juice extractor equipped with a universal motor was introduced to commercial juice outlets this season. It is intended for secondary soda fountains where the juice extraction capacity and cost of the senior extractor are not justified. Nine hundred thirteen Sunkist senior extractors were sold, 853 intermediate extractors, 1,911 junior and 5,379 juniorette extractors, while Sunkist reamer sales amounted to 46,116. The extractor trade, too, was serviced through the distribution of display material and direct mail informative material, supplemented from time to time by personal calls.

More than five million pieces of educational and health literature were distributed this year to teachers and students of kindergarten to college grades, and to professional groups including physicians, dietitians, dentists and public health workers. Of these, over three and a quarter million food lessons were sent to home economics classes and other food groups. Five hundred thousand copies of a booklet, "The Land of Oranges," were sent to kindergarten grades, while 25,000 sets, comprising two charts with 20 accompanying reading leaflets each, were sent to fourth, fifth and sixth grade classes, together with 46,000 copies of a manual, "The Story of California Oranges and Lemons." Almost 30,000 reprints of strictly scientific articles on citrus fruits were distributed to physicians, dentists, dietitians, nurses, child health and public health workers.

A 300-page book, "Diet and Dental Health," summarizing the results of the University of Chicago Research at Mooseheart, Ill., in which the Exchange cooperated and which formed the basis of much of this year's health advertising, was published during the year by the University of Chicago Press. More than 12,000 copies of this book have been placed with leading food research workers throughout the world as well as with physicians, dentists and dietitians.

The results of the Mooseheart experiment have been summarized in a booklet, "World's New Dental Story," for the laity, and it is receiving widespread distribution among professional and nonprofessional readers.

Two educational films were used during the year to tell the story of citrus fruits to educational and other groups. One of these films, "Golden Health," depicts for elementary grades the growing and marketing of oranges and lemons and stresses the health value of these fruits. This film has had 6,400 showings to approximately one and one-third million school students. A second film, "Nutrition and Dental Health," giving a graphic presentation of recent dental research, has had 5,600 showings before audiences totaling more than a million.

The policies of the Exchange regarding media are further described in the following article, "Sunkist Arrives at Profitable Media Balance," by W. B. Geissinger, Advertising Manager, California Fruit Growers Exchange, which appeared in *The Advertiser*, March, 1936.

The days of picking a winning advertising medium by the "hunch" system are definitely over.

No progress seems possible which will ever move it into the exact science class, but the hazards of trial and error are not what they used to be for the advertiser who uses his experience to advantage.

Inveterate search for facts and figures by research experts now permits us to buy space more intelligently than was possible a few years ago. Checking advertising with sales enables us to discover methods which apparently work better than others. These things are definite benefits which accrue from statistical study, despite the growing alarm of many observers who picture advertisers as losing themselves and their sales objectives in a maze of research hither and yon.

One set of statistics may be misleading. Graphs and charts may seem to contradict one another. But careful study gives us comparative costs and assists in evolving a logical, basic plan which gets results.

The experience of Sunkist in the last ten years seems to prove that the old adage, "Don't put all your eggs in one basket," applies to picking advertising media as well as other investments.

Available to us are two general classifications of advertising media through which we may reach potential buyers of Sunkist oranges and lemons. The first division we term In-the-Home media—magazines, newspapers, including the *American Weekly*, and radio. The second group consists in Out-of-Home media—painted bulletins, spectaculars, posters, displays, street car cards and dashes; and American Railway Express truck sides.

All these media have proved their value to Sunkist. When subjected to cost analysis, the group which reaches buyers outside their

homes shows up by far most favorably. Spectaculars reach 1,000 families for 67 cents; car cards, for 24 cents; posters, for 35 cents. No audited figures are available for displays, street cars dashes or express truck sides but we know their cost is low—as low or lower possibly than car cards and posters.

In-the-Home media cost considerably more. A 4-color page in the *American Weekly* costs $2.76 per 1,000 families. A 1,000-line advertisement in the black and white newspapers averages $3.00. Average cost of a 4-color page in national magazines is $4.38, and actual radio listeners, according to our audit, cost $7.34 per 1,000 families.

There are other points besides relative costs, however, which enter into the picture.

Two particular advantages In-the-Home media have over Out-of-Home. It is possible to get more concentrated attention from the reader or listener at home, and to get that attention for a longer period of time. It follows that we can tell a more complete story in these media. We need them to give the "reasons why" consumers should purchase Sunkist fruit.

The Out-of-Home media are essentially for "reminder" copy and the flash illustration.

Ten years ago we spent 93.6 per cent of our money in advertisements which went into the homes; only 6.4 per cent out-of-doors. Since that time we have increased our use of Out-of-Home media until last year the division was 49 per cent inside and 51 per cent outside.

Some of the years in between 1925 and 1935 we spent more money in advertising outside the home than in advertising which went into homes.

How did it work out? Like this:

During the five years from 1925 to 1930 we spent an average of 16.7 per cent of our money in Out-of-Home media—83.3 per cent of it In-the-Home. In those same years the average per capita consumption of oranges was 55.5 oranges a year.

From 1930 to 1935, 58.8 per cent of our money went into Out-of-Home media; 41.2 per cent into media carried into the homes. In these five years the per capita consumption of oranges increased to an average of 66.2 oranges a year.

Apparently use of both types of media on approximately an even basis is good advertising strategy for Sunkist. We are satisfied that it is, and are going ahead on that basis. This year we are using spectaculars, car cards and outdoor posters in a continuous outdoor campaign, with national women's magazines and the *American Weekly* carrying on a steady pull for Sunkist in the nation's homes. Newspapers and radio are chosen when an intensive appeal is needed to accelerate crop movement.

Was the general approach in the use of media by the California Fruit Growers Exchange sound?

2. ANALYSIS OF MEDIA SELECTION

Was there a sound selection of type of media in the cases listed below?

	Page
Associated Salmon Packers	3
Robbins Rope Company	93
Rand Company	134
Kalama Hosiery Company	188
Weyenberg Shoe Manufacturing Company	201
Graton & Knight Company	217
Pabst Corporation	245
Armstrong Cork Company (A)	285
Norge Corporation	311

3. ASPINWALL COMPANY

ADVERTISING OF ELECTRICAL PRODUCTS

The large variety of electrical products which the Aspinwall Company manufactured and sold to almost every type of industry and to the general public required the use of practically all classes of periodicals for advertising purposes, especially industrial magazines. The advertising department classified periodicals into five main groups, which it subdivided further into 132 groups. Each year it bought space in approximately 400 publications, although a much larger number had to be considered. Because of the complexities involved in selecting the large number of media used, the advertising executives in 1921 considered the adoption of a standard table as a basis for grading or rating periodicals. It was expected that such a table would serve the whole department for a considerable period of time.

The schedules for advertising campaigns in periodicals were drawn up by four so-called "account directors," each having charge of twelve campaigns a year. An account director selected the periodicals which, in his opinion, would be most effective in fulfilling the objectives of the campaign. The number of papers which any account director had to consider made it practically impossible for him to be sure that he always chose the most suitable. The usual basis for judging periodicals was information available in Audit Bureau of Circulations statements, in the

EXHIBIT 1

Rating Table Furnished by *Factory* to Assist in Selection of Media

Magazines	Proposed Standard	Alternate Standard			
Editorial 1. Reader Interest Consider readability of articles and editorials, prominence of contributors, importance of subjects discussed	10				
2. Usability of Material Practical or theoretical? Records of results accomplished, authoritative? Applicability of ideas to readers' work?	10				
3. Editorial Independence Write-ups for news interest or to secure advertising? Editorial policy independent of advertisers, manufacturers, or associations? Contested ideas given fair treatment?	8				
4. Influence on Buying Does magazine editorially interest the reader in new materials, equipment, devices, and services? Induce buying frame of mind? . . .	8				
5. Amount of Editorial Sufficient to create confidence? Sufficiently condensed for busy man?	3				
Total .	39				
Magazine Make-up 1. Cover Reserved for publisher or sold to advertiser? Attractive and interesting? Suggestive of magazine contents?	3				
2. Paper Stock Consider: weight, color, clearness, printing qualities	3				
3. Illustrations Consider: size, interest, attractiveness, clearness of detail, etc.	3				
4. Composition Consider: style of type, page margins, widths of columns for easy reading, arrangement of articles and illustrations, index, etc.	3				
Total	12				
Circulation Quality 1. Companies Reached Consider: average circulation to each company or buying unit, size, line of industry	5				
2. Individuals Reached Executives with buying power or subordinates? Progressives in manufacturing?	5				
3. Distribution In territory where sales are being made? Where sales can be made?	3				
4. Circulation Methods By mail or forced by paid circulation agents? Agents paid commission or salary? Uniform commission or sliding scale to force high-class circulation?	4				

EXHIBIT 1 (*Continued*)
Rating Table Furnished by *Factory* to Assist in Selection of Media

Magazines	Proposed Standard	Alternate Standard			
5. Basis of Solicitation Clubbed with other magazines or not? Premiums offered or not? Premiums offered extraneous to editorial material or not?	3				
6. Secondary Circulation Number and type of people besides subscriber reading magazine?	4				
7. Audit Member of Audit Bureau of Circulations with its guaranteed statement, or not?	3				
Total	27				
Advertising Value 1. Class of Advertisers Propositions and copy honest? Questionable advertising barred? Copy censored?	2				
2. Interest of Advertising Section Consider: number of advertisers and volume of advertising to divide interest of reader, style of copy, variety or monotony in propositions advertised	4				
3. Make-up of Advertising Next to reading matter or not? Classified or unclassified? Indexed?	2				
4. Readers' Attitude Educated to the value of advertising matter?	2				
5. Rates per Thousand (For basis of comparison, see Note B.)	12				
Total	22				
Total	100				

Note A. If the suggested standard for marking various points on each medium does not seem well balanced, alter the figures in the space provided ("Alternate Standard"), according to your own ideas, and use the new figures as the standard.

In comparing the list of magazines, give the one that you consider the leader on any certain point, the maximum number allowable on that point. Shade off the others as they fall below the level of the leader.

If the list of magazines is too large and unwieldy to allow for detailed marking on every magazine, approximate as accurately as possible the comparative standings of the magazines in the four divisions: Editorial, Proposed Total 39 points; Magazine Make-up, Proposed Total 12 points; Class of Circulation, Proposed Total 27 points; Advertising Make-up, Proposed Total 22 points.

Note B. Determine total amount of primary and secondary circulation. Eliminate portion of circulation to individuals without influence on buying. Eliminate portion to concerns that, because of size, line of industry, or location, cannot be sold. Consider result, net circulation. Determine amount of space necessary to create desired effect (The larger the amount of advertising carried in the magazine and the more monotonous and uninteresting the advertising section, the larger amount of space necessary.) Determine number of insertions per year necessary. (Two to four issues of weekly and every issue of monthly generally considered necessary.) Figure total expense of year's campaign.

Divide total expense of year's campaign by net circulation as basis for comparison.

Standard Rate and Data Service, and in complete reports required by the advertising department from publishers. The result was a rough judgment based on many diverse factors. An account director's selection was subject to the approval of the advertising manager, and he held frequent conferences with the other account directors and with the executive in charge of space buying.

EXHIBIT 2
Rating Table Used by Manufacturer in Selection of Media

. . .. Magazine ..

STANDARD ANALYSIS

Factors on Which Value Is Based	Determined by	Perfect Score	Your Score	Comment
1. Market for Product Represented by Publication				
(A) Buyers of Magazine	Classifications of Readers by business; Eastman—A. N. A. data	20		
(B) What They Are Interested in	Editorial contents Letters to editor	20		
(C) Reputation for Responsiveness	Advertising results	10		
		50		
2. Control of Market				
(A) How Circulation Is Secured	A. B. C. Reports, Re: Premiums, Clubbing Offers, Arrears, etc.	15		
(B) Distinctive Appeal	Individual features Similar publications Authoritativeness	10		
		25		
3. Cost of Reaching Market				
(A) Unit Cost per Thousand	Rate cards and A. B. C. Statements	10		
(B) Excess Value. .	Tendency to go up or down	5		
(C) Stability	Organization—longevity	5		
(D) Secondary Value	Permanency—Extent of influence	5		
		25		
Total		100		

Remarks:

The use of tables by other manufacturers for obtaining a numerical rating of the value of periodicals in any group had come to the attention of the advertising department. The executive in charge of space buying was detailed to devise a table which would make possible an evaluation of the periodicals which the account directors had to consider, so that they might have a tangible, careful appraisal to guide them. Exhibit 1, which was furnished by *Factory, the Magazine of Management*, was said to have been used to good advantage by numerous advertisers in the rating of periodicals. Exhibit 2 illustrates a simpler form developed in the advertising department of a manufacturer and reported to have given satisfactory results. The third form, obtained from a bulletin of the Association of National Advertisers, did not use numerical grading, as did the first two, but was simply a guide to the important points to consider when comparing media.

EXHIBIT 3
Table of Factors Used in Selection of Media

What Should You Know about a Medium?	
1. Does the publication go to the right people?	Examine: 1. Editorials 2. Its contents 3. Its advertising 4. A.B.C. Statement
2. Is it too high brow? too low brow?	Examine: 1. Its physical appearance 2. Its editorial contents 3. Its price 4. Its circulation methods 5. A.B.C. Statement
3. Does it circulate where we want readers?	Examine: 1. A.B.C. Statement and A.B.C. Audit Report
4. Can we get the printing effects we need?	Examine: 1. Physical appearance 2. A.B.C. Statement
5. Has it large enough circulation to be worth while? Has it small enough circulation to reach just the class I wish or is great waste indicated?	Examine: 1. A.B.C. Statement
6. Is the circulation composed of really interested readers or partly of people who take it for other motives?	Examine: 1. A.B.C. Statement

EXHIBIT 4

Aspinwall Company, Rating Table Devised to Assist in Selection of Media

Classification Number.....*									
Date									
Frequency of Publication			†						
Circulation (net paid).....									
Cost per Page									
Milline Rate									
Subscription Rate..									
Circulation	Distrib.	Individuals with buying power	5						
		Territory active for sales	2						
		High circulation per company	2						
		Distribution uniform (geog.)	1						
		Total	10						
	Subscrip. Methods	Independent paid circulation	4						
		High-class paid circulation	3						
		High recirculation	2						
		Low waste circulation	2						
		Solicitation (not by agent)	1						
		Not sold with premium offer	1						
		Salaried agents (not commission)	1						
		Publisher strict with subscribers	1						
		Total	15						
	Prestige	Circulation audited by A. B. C	10						
		Has publication sound publishing record?	4						
		High subscription rate‡.....	3						
		Subscription independent	3						
		Few subscribers in arrears	2						
		Publication's statement check aud. report	2						
		Is circulation steady?	1						
		Total	25						
		Total Rating on Circulation	50						
Contents	Reading	High reader interest (see letters)	4						
		Contributed articles prominent	3						
		Articles for news (not advertisements)	2						
		Amount sufficient.....	1						
		Condensed sufficiently	1						
		Performance records published...	1						
		Market news published.....	1						
		Total	13						
	Editorial	Policy independent..	2						
		Proper buying induced.	2						
		Distinctive appeals.....	1						
		Total	5						

* This refers to the advertising department's group classification of periodicals.

† Figures in this column indicate the highest grade which should be allowed for any factor.

‡ A higher subscription rate is to be considered preferable to one which is low. Free periodicals are not desirable.

After considering the points emphasized in each of the three tables and other points which his personal experience dictated as worth while in judging a medium, the executive in charge of space buying drew up Exhibit 4, which he recommended for adoption by the advertising department.

EXHIBIT 4 (*Continued*)
Aspinwall Company, Rating Table Devised to Assist in Selection of Media

Contents (Cont'd)	Advertising	Value according to milline rate	6
		Advertising copy censored	2
		Volume allows interest	1
		Variety in products advertised	1
		Attractive style of copy	1
		Advertisements indexed	½
		Buyer's Guide published	½
		Total	12
		Total Rating on Contents	30
Make-up	Cover	Reserve for publisher	2
		Strict control of design	2
		Attractive as a rule	1
		Suggestive of contents	1
		Total	6
	Stock	Good printing possible	2
		Good weight, considering size	1
		Coated for standard screen	1
		Total	4
	Composition	Standard page size (7 × 10)	3
		Advertisement next to reading (general)	2
		Advertisement separate (trade)	
		Type readable (style and size)	1
		Columns narrow for easy reading	1
		White margin normal	1
		Proper make-up of articles	1
		Illustrations good	1
		Total	10
		Total Rating on Make-up	20
	Rating	Circulation	50
		Contents	30
		Make-up	20
		Grand Total	100

The executives who favored the use of the proposed table pointed out that the careful study required in making a rating of this kind would result in a fair evaluation of the periodicals

in any one field. The large number of points considered and the small numerical value given to each would tend to reduce the effect of error in judgment on the part of the person making the rating. Moreover, use of the table would save much time for the account directors. Though ratings would be made without reference to any particular campaign situation, an account director could make such adaptations in his selection as were necessary to fit any particular case. For example, if he wished a heavy circulation in a limited geographical area, he could waive the rating which had been given and choose the periodical upon a geographical circulation basis.

The chief objection to the scheme was the large amount of detailed work that would be connected with the analysis of all the magazines which the Aspinwall Company might have reason to consider. It was questioned whether a conclusion reached by such a laborious method would be sufficiently different from a quick appraisal to make it worth while. Furthermore, in the use of such a rating method, an evaluation was made from a general and arbitrary viewpoint and accordingly was inflexible. It was the belief of several executives that an account director should never cease to analyze periodicals with regard to the particular needs of each campaign which he was directing.

1. Should the advertising department have adopted a system of rating periodicals by groups upon a numerical basis?

2. Did the advertising executive select the proper points and give correct weighting to those points in his table?

4. ATHENA CORPORATION (B)

SELECTION OF NEWSPAPER

Assume entry of the Athena Corporation[1] into the Detroit area in the late fall of 1936. The customary practice of the company was to use one leading newspaper for its introductory campaigns.

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[1] See case of Athena Corporation (A), p. 262.

Below is reproduced the publisher's statement of the *Detroit News* for the period ending September 30, 1936.

PUBLISHER'S STATEMENT—Newspaper Form 330
PERIOD ENDING
SEPT. 30, 1936 (*NOT AUDIT REPORT*) MICH.
Detroit

This Statement by the Publisher is subject
to annual audit by the
AUDIT BUREAU OF CIRCULATIONS
165 W. Wacker Drive, Chicago, Illinois
For Audit Report refer to latest
white paper form.

1. MICHIGAN
2. DETROIT
3. THE DETROIT NEWS
4. Established: Evening, 1873; Sunday, 1893.
5. Published: Evening and Sunday.
6. Statement for: 6 months ending Sept. 30, 1936.

8. Daily average net paid circulation by zones and distribution methods.	AVERAGE NET PAID CIRCULATION			
			EVENING	SUNDAY
CITY ZONE				
Carrier delivery				
Dealers and carriers not filing lists with publisher				
Street vendors				
Publisher's counter sales				
Mail Subscriptions				
Total City Zone ...(*Population** 1,775,861)			232494	228852
RETAIL TRADING ZONE				
Carrier delivery			50554	60791
Dealers and carriers not filing lists with publisher				
Mail Subscriptions			86	48
Total Retail Trading Zone (*Population** 657,137)			50640	60839
Total City & Retail Trading (*Population** 2,432,998)			283134	289691
ALL OTHER				
Dealers and Carriers			15966	62078
Mail Subscriptions			1680	1020
Total "All Other"			17646	63098
Total Net Paid Excluding Bulk (For bulk sales, see Paragraph 10)			(a)300780	(a)352789

* 1930 Census.

9. Net press run by editions and time of issue. (These figures include spoiled in distribution, free copies, unsold and allowances.)

				EVENING, SEPT. 24, 1936			SUNDAY, SEPT. 27, 1936			
EDITION	HOUR		COPIES	HOUR		COPIES	DAY	HOUR		COPIES
1st City				9:33	AM	11381	SAT	3.27	PM	20208
2nd Race				10:15	AM	3737	SAT	5:06	PM	14025
3rd Night				11:38	AM	79469	SAT	5·29	PM	122857
4th Home				12:40	PM	123101	SAT	8 04	PM	55980
5th Early Market				1:12	PM	11656	SAT	11:34	PM	171195
6th Wall Street Clo	se			2:25	PM	45414				
7th Complete Mark	ets			3:37	PM	18782	For e	xplana	tion	regarding
8th Baseball				4:40	PM	11631	distri	bution	see	par. 28.
9th Blue Streak				5:41	PM	25351				
Predate				6:57	PM	5591	WED	3·45	PM	3240
Predate							WED	4 20	PM	7097

10. Bulk Sales daily average in all zones: Evening, 248; Sunday, 122.

Represents an average of 191 copies per issue evening and 40 copies per issue Sunday sold to local department stores at 2¼¢ per copy evening and 7½¢ per copy Sunday and were for use of their department heads; 16 copies per issue evening sold to local advertising agency at 2¼¢ per copy; 75 copies per issue Sunday sold to local hotel at 7½¢ per copy which were for free distribution to their guests; and an average of 41 copies per issue daily and 7 copies per issue Sunday sold to individuals in small lots at 3¢ per copy evening and 10¢ per copy Sunday.

(a) Includes predate edition carrying following morning date line. See Pars. 9 and 28.

11. Daily average unpaid distribution for period covered by Paragraph 6:

			EVENING	SUNDAY
Arrears Over Six Months				
Short Term Subscriptions in Arrears				
Credit Subscriptions in Arrears				
Total Arrears				
Advertisers			16	30
Employees				
Correspondents			14	14
City Employees			57	82
Railroad and Post Office Employees			52	42
Total Service Copies.			139	168
Advertising Agencies.			40	32
Exchanges and Complimentary			58	25
Sample Copies			949	116
Total Last Three Items			1047	173
Total Arrears, Service Copies, etc			1186	341

12(a) Territory included in City Zone in Paragraph 8.

All that within the corporate limits of Detroit, Michigan, the Grosse Pointe area to the Wayne County line, Hamtramck, Highland Park, East Dearborn, River Rouge, Ferndale and Lincoln Park.

12(b) Description of area and eight largest towns included in Retail Trading Zone in Paragraph 8.

All that within Wayne, Livingstone, Washtenaw, Macomb, Oakland and Monroe Counties, plus a strip of territory in Canada about 5 miles wide and 18 miles long bordering on the Detroit River, which includes the following Canadian cities and towns: Amherstburg, Ojibway, Roseland, Windsor, Auld, River Canard (Loiselleville), Sandwich, La Salle, North Malden, Riverside, Tecumseh and Walkerville.

Windsor, Ont.	Pontiac, Mich.	Ann Arbor, Mich.	Mt. Clemens, Mich.
Wyandotte, Mich.	Dearborn, Mich.	Monroe, Mich.	Royal Oak, Mich.

13. Prices:

(a) Basic prices:	BY MAIL				BY CARRIER					
	1 Year	6 Months	3 Months	1 Month	1 Year	6 Months	3 Months	1 Month	1 Week	Single Copy
Morning, Evening and Sunday										
Morning and Sunday										
Evening and Sunday	$14.00		$3.75	$1.25					$.25	
Morning and Evening										
Morning only										
Evening only	9 00		2.25	.75					.15	$ 03
Sunday only	6 00		1 50	.50						.10

(b) Differential prices: R. F. D. Rate in Michigan, Daily only, one year $7.50.

(c) Special reduced prices: None

14. (a) Were returns accepted or allowances made for undelivered, left over and unsold copies?

City Zone, Evening 5.77%, Sunday 1.54%; Retail Trading Zone, Evening 3.84%, Sunday 4.96%; "All other," Evening 17.20%, Sunday 18.86%.

(b) Were these deducted from gross draw, so that only net paid is shown in Par. 8? Yes.

ANALYSIS OF CARRIER AND MAIL SUBSCRIPTION SALES

For Period Stated in Paragraph 6

Paragraphs 15, 16 and 17 Cover New and Renewal Subscriptions, Connected with Inducements, Received During This Period

15. PREMIUM, COMBINATION AND SPECIAL OFFERS

(*See Paragraph 28 for explanations of offers*)		TERM ORDERED 1 Month	3 Months	6 Months	1 Year	Misc Periods
(a) With Premium and Special Offers						
(b) With Premium and Combination with outside publications						
(c) With Premium only	E			5436		
	S			8996		
(d) In Combination with outside publications only						
(e) Special Reduced Prices (as noted in Par. 13(c))						
(f) Inducements not listed above or below						
Total	E	None	None	5436	None	None
	S	None	None	8996	None	None

16. CLUBS

(*See Paragraph 28 for explanations of offers*)	TERM ORDERED 1 Month	3 Months	6 Months	1 Year	Misc. Periods
New and renewal subscriptions obtained by solicitors not a part of publisher's organization under plan of offering a specified reward for a specified number of subscriptions	None	None	None	None	None
(*Note: When a reward is offered for obtaining one subscription, such subscription is considered as taken with premium and is, therefore, not included here, but is set up in Par. 15(f)*).					

17. CONTESTS INVOLVING SUBSCRIPTION CONTRACT

(*See Paragraph 28 for explanations of contests*)	TERM ORDERED 1 Month	3 Months	6 Months	1 Year	Misc. Periods
Type 1: New and renewal subscriptions produced. (*Note: Winner in this type is determined by NUMBER of points for subscriptions produced.*)					
Type 2: New and renewal subscriptions produced. (a) Single subscriptions (see note)					
(b) Additional subscriptions (see note)					
(*Note: Determination of winner in this type does not depend on number of subscriptions produced, but the SIZE of the PRIZE does so depend. Opposite (a) is given number of subscriptions produced by contestants who sent in only one subscription; opposite (b) is given number produced by those endeavoring to qualify for prize of increased value.*)					
Type 3: New and renewal subscriptions produced by any contest having a circulation tie-up not covered by Types 1 and 2					
Total	None	None	None	None	None

18. COUPON CONTESTS NOT INVOLVING SUBSCRIPTION CONTRACT

(*Note: As no subscription contract is required no figures can be given.*) (*See Paragraph 28 for explanations of contests.*)

Were contests used in which the greatest number of coupons clipped from the paper was the factor in determining the winner (popularity contests)? .... No

19. INSURANCE (*See Paragraph 28 for explanations of offers*)

Type 1(a): Number of new subscriptions on which publisher has given free insurance policies . . . . . None
(b): Number of renewal subscriptions on which publisher has given free insurance policies .. .. None
Type 2(a): Number of new subscriptions in connection with which insurance policies have been purchased by subscriber . None
(b): Number of renewal subscriptions in connection with which insurance policies have been purchased by subscriber . None
Type 3: Number of insurance policies sold without requiring subscription contract..... .... New 4240 Renewal 10240

(*Note: In type 3 there may be no connection between the number of policies issued and the number of subscriptions affected.*)

23. ARREARS AS AT SEPTEMBER 30, 1936.

	TOTAL CITY ZONE		RETAIL TRADING ZONE			ALL OTHER	
	Carriers	Dealers	Carriers	Dealers	Mail	Dealers	Mail
Arrears under 3 months		None		None	None	2.37%	None
Arrears 3 to 6 months		None		None	None	None	None

Explanatory

28. This space is allotted for the SOLE purpose of amplifying or explaining any question that cannot be fully covered in the foregoing statement. The Bureau reserves the right to edit and censor without recourse.

Paragraph 9:
EVENING ISSUE:

First and Second or City and Race Editions for distribution through street vendors and dealers in the city zone and through outside carriers and dealers when early dispatch is necessary to reach subscribers on day of publication. This edition is usually from 2 to 4 pages less than later editions.

Third or Night Edition, Fourth or Home Edition, Fifth or Early Market Edition, Sixth or Wall Street Close Edition, Seventh or Complete Market Edition, Eighth or Baseball Edition, Ninth or Blue Streak Edition: are all for general distribution through dealers in city zone and retail trading zone and all other territory and to mail subscribers.

Predate or Mail Edition is practically the same as the regular editions, except that it carries the following morning date line and is for distribution to dealers and subscribers in the retail trading zone and all other territory that cannot be reached with the preceding editions on the day of publication.

SUNDAY ISSUE:

First Bull Dog for distribution in the retail trading zone and all other territory.

Second, Third and Fourth Bull Dog, Fifth or Regular Editions: are for distribution through street vendors and dealers in the city zone and through dealers in the retail trading zone and all other territory and to mail subscribers.

Predate or Michigan Pup, going to press at 4:20 P.M. Wednesday, is for distribution to subscribers and through dealers who cannot be reached promptly with regular editions.

Predate or Canadian Pup, going to press at 3:45 P.M. Wednesday, is for distribution to Canadian dealers.

Paragraph 15(e):

Choice of Cook Book costing 32¢ or a Business Guide costing 50½¢ or an Atlas costing 35¢ or a Dictionary costing 22¢ and 30¢ was offered free with a new six months subscription to the daily in retail trading zone and in all other. Choice of the Cook Book or the Atlas or the Dictionary was offered free with six months subscription to the Sunday in retail zone and all other.

Paragraph 19, Type 3:

A $10,000 Travel Accident Policy was offered to the general public at a cost of $1.00 per year.

We hereby make oath and say that all statements set forth in the four pages of this Statement are true.

J. C. MONTGOMERY, Circulation Manager
D. R. MERRILL, Business Manager

Subscribed and Sworn to before me this 13th day of October, 1936.

My commission expires Nov. 1, 1936. H. E. HADDEN, Notary Public

(The Detroit News, Detroit, Michigan)

In the table that follows are summarized for each heading of the publisher's statement the data regarding the editions other than Sunday of the Detroit dailies: *The News*, an evening paper; *The Times*, an evening paper; and *The Free Press*, a morning paper.

TABLE 1
Data from Publishers' Statements—Detroit Papers

	News	*Times*	*Free Press*
Par. 3. Established	1873	1920	1831
Par. 8. Daily Average Net Paid Circulation by Zones:			
Total City Zone	232,494	219,941	162,820
Retail Trading Zone:			
Dealers and Carriers	50,554	39,563	30,590
Mail Subscriptions	86	35	3,078
Total City and Retail Trading Zone	283,134	259,539	196,488
All Other:			
Dealers and Carriers	15,966	43,792	52,709
Mail Subscriptions	1,680	1,190	7,517
Total Net Paid Excluding Bulk	300,780	304,521	256,714

Par. 9. Net Press Run by Editions and Time of Issue (September 24, 1936)

Edition	*News*		*Times*		*Free Press*	
	Hour	Copies	Hour	Copies	Hour	Copies
1st	9:33 a.m.	11,381	9:24 a.m.	23,583	7:30 p.m.	104,330
2d	10:15 a.m.	3,737	10:40 a.m.	31,238	11:20 p.m.	63,750
3d	11:38 a.m.	79,469	11:20 a.m.	36,349	1:30 a.m.	119,500
4th	12:40 p.m.	123,101	12:48 p.m.	126,082		
5th	1:12 p.m.	11,656	2:40 p.m.	14,626		
6th	2:25 p.m.	45,414	3:36 p.m.	21,957		
7th	3:37 p.m.	18,782	4:32 p.m.	14,094		
8th	4:40 p.m.	11,631	6:00 p.m.	47,018		
9th	5:41 p.m.	25,351				

Par. 10. Bulk Sales Daily Average in All Zones:

News	248
Times	665
Free Press	1,334

News: Represents an average of 191 copies per issue evening and 40 copies per issue Sunday sold to local department stores at 2¼ cents per copy evening and 7½ cents per copy Sunday, for use of their department heads; 16 copies per issue evening sold to local advertising agency at 2¼ cents per copy; 75 copies per issue Sunday sold to local hotel at 7½ cents per copy, for free distribution to their guests; and an average of 41 copies per issue daily and 7 copies per issue Sunday sold to individuals in small lots at 3 cents per copy evening and 10 cents per copy Sunday.

Times: Average bulk sales aggregating 665 copies evening and 317 copies Sunday, represent an average of 189 copies per issue evening, and 41 copies per issue Sunday, sold to two local department stores at 2 cents and 2¼ cents per copy evening and 7½ cents per copy Sunday, same being for checking purposes; an average of 150 copies per issue evening sold to an air-travel corporation at 2 cents per copy for free distribution to their patrons; an average of 131 copies per issue Sunday sold to a local hotel at 7½ cents per copy for free distribution to their guests; an average of 112 copies per issue evening and 69 copies per issue Sunday sold to a local hospital at 2 cents per copy evening and 7 cents per copy Sunday for free distribution to patients and inmates; an average of 180 copies per issue evening, and 76 copies per issue Sunday, sold to two local newspapers at 2¼ cents per copy evening and 8 cents per copy Sunday, for use of various departments; and an average of 34 copies per issue evening, sold to several commercial interests in quantity lots at 2 cents and 3 cents per copy, distribution in all such instances being made by the purchasers.

Free Press: "Bulk Sales" averaging 1,247 copies per issue morning and 254 copies per issue Sunday sold to local hotels and a hospital at 1½ cents per copy morning and 7½ cents per copy Sunday for distribution to their guests. An average of 87 copies per issue morning and 40 copies per issue Sunday were sold to local department stores at $1.75 per hundred copies morning and $7.50 per hundred copies Sunday for use of their department heads.

Par. 11. Daily Average Unpaid Distribution for Period:

	News	*Times*	*Free Press*
Advertisers	16	81	35
Correspondents	14		6
City Employees	57		
Railroad and Post-Office Employees	52	46	122
Total Service Copies	139	127	163
Advertising Agencies	40	19	44
Exchanges and Complimentary	58	139	22
Sample Copies	949	570	1,388
Total Last Three Items	1,047	728	1,454
Total Arrears, Service Copies, etc.	1,186	855	1,617

Par. 12*a*. Territory Included in City Zone in Paragraph 8:
As stated in Publisher's Statement for *Detroit News* reproduced above.

Par. 12*b*. Description of Area and Eight Largest Towns Included in Retail Trading Zone in Paragraph 8:
As stated in the Publisher's Statement for *Detroit News* reproduced above.

Par. 13. Prices
a. Basic Prices:

	By Mail				By Carrier					Single Copy
	1 Year	6 Mos	3 Mos	1 Month	1 Year	6 Mos.	3 Mos	1 Month	1 Week	
News										
Morning, Evening, and Sunday										
Morning and Sunday										
Evening and Sunday	$14 00		$3 75	$1 25					$ .25	
Morning and Evening										
Morning only										
Evening only	9 00		2 25	75					.15	$.03
Sunday only	6 00		1 50	.50						.10
Times										
Morning, Evening and Sunday										
Morning and Sunday										
Evening and Sunday	$12 00	$6 00	$3 00	$1 25	$13 00	$6 50	$3 25	$1 08	$ 25	
Morning and Evening										
Morning only										
Evening only	7 00	3 50	1 75	.75	7 80	3 90	1 95	.65	.15	$.03
Sunday only	5 00	2 50	1 25	.50	5 20	2 60	1 30	.43	.10	.10
Free Press										
Morning, Evening and Sunday										
Morning and Sunday*	$12 50	$6 60	$3.30	$1 10	$12 50	$6 60	$3 30	$1.10	$.25	
Evening and Sunday										
Morning and Evening										
Morning only*	7 50	4 20	2 10	.70	7 50	4.20	3 10	.70	.15	$.03
Evening only										
Sunday only*	5 00	3 00	1 50	.50	6 00	3 00	1 50	.50	.10	.10

* In Michigan.

b. Differential Prices:
News: R.F.D. rate in Michigan, Daily only, one year, $7.50.
Times: R.F.D. prices in Michigan only, Evening and Sunday, 1 year, $11; 6 months, $5.50; 3 months, $2.75. Evening only, 1 year, $6; 6 months, $3; 3 months, $1.50.

Free Press: By mail on R.F.D. routes and in villages in Michigan only where no carrier service is maintained, Morning only, 1 year $4. By mail outside Michigan, Morning and Sunday, 1 year, $14; 6 months, $7.50; 3 months, $3.75; 1 month, $1.25. Morning only, 1 year, $9; 6 months, $4.50; 3 months, $2.25; 1 month, 75¢. Sunday only, 1 year, $6; 6 months, $3; 3 months, $1.50; 1 month, 50¢.

By carrier outside Michigan, Morning and Sunday, 1 month, $1.25; 1 week, 25¢. Morning only, 1 month, 75¢; 1 week, 15¢.

c. Special Reduced Prices:

None for any of the papers.

Par. 14*a*. Were returns accepted or allowances made for undelivered, leftover, and unsold copies?

News: City Zone, Evening 5.77%, Sunday 1.54%; Retail Trading Zone, Evening 3.84%, Sunday 4.96%; "All other," Evening 17.20%, Sunday 18.86%.

Times: City Zone, Evening fully, Sunday fully, except store dealers; Retail Trading Zone, Evening limited, Sunday limited; "All other," Evening limited, Sunday limited.

Free Press: City Zone, Morning, limited 1.94%, Sunday, limited 1.33%; Retail Trading Zone, Morning, limited 7.69%; Sunday, limited 9.34%; "All Other," Morning, limited 5.73%, Sunday, limited 10.11%.

b. Were these deducted from gross draw, so that only net paid is shown in Par. 8?

"Yes" for all three papers.

Par. 15. Premium, Combination, and Special Offers

	News	*Times*	*Free Press*
c. With Premium Only (Term Ordered, 6 months)	5,436	16,898	797
d. In Combination with Outside Publications Only (Term Ordered, 1 year)			445

Par. 16. Clubs

None for any of the papers.

Par. 17. Contests Involving Subscription Contract

None for any of the papers.

Par. 18. Coupon Contests Not Involving Subscription Contract

Were contests used in which the greatest number of coupons clipped from the paper was the factor in determining the winner (popularity contests)?

"No" for all three papers.

Par. 19. Insurance

	News	*Times*	*Free Press*
Type 2*a*: Number of New Subscriptions in Connection with Which Insurance Policies Have Been Purchased by Subscriber	None	None	2,548
b: Number of Renewal Subscriptions in Connection with Which Insurance Policies Have Been Purchased by Subscriber	None	None	1,371
Type 3: Number of Insurance Policies Sold without Requiring Subscription Contract	4,240* 10,240†	2,170	11,256

* New.
† Renewal.

Par. 23. Arrears as at September 30, 1936

Total	City Zone		Retail Trading Zone			All Others	
	Carriers	Dealers	Carriers	Dealers	Mail	Dealers	Mail
News:							
Arrears under 3 Months		None		None	None	2 37 %	None
Arrears 3 to 6 Months		None		None	None	None	None
Times							
Arrears under 3 Months		None		0.0125 %	None	2 073 %	None
Arrears 3 to 6 Months		None		None	None	0 074 %	None
Free Press:							
Arrears under 3 Months		None		None	None	1 32 %	1 14 %
Arrears 3 to 6 Months		None		None	None	None	None

Par. 28. Explanatory:

News. See Publisher's Statement reproduced above.

Times. Par. 8: Total City Zone Population was increased by 5,115, and Total Retail Trading Zone population was decreased by the same number in order to conform with the territory boundaries described in Par. 12*a*, as altered beginning April 1, 1936.

Par. 9

Evening Issue: First Edition.—For distribution through dealers and street vendors in the city zone, and through dealers in the retail trading zone and all other territory, city zone portion being held at office for release at 10:00 a.m.

Second Edition.—For distribution in the cities of Saginaw, Bay City, Lansing, Jackson, Flint, and Pontiac and their environs.

Third Edition.—For general distribution in the city zone and through dealers and to mail subscribers in the retail trading zone and all other territory.

Fourth, Fifth, Sixth, Seventh, and Eighth Editions.—For general distribution in the city zone and through dealers in the retail trading zone and all other territory and to mail subscribers not served with preceding editions.

Predate Edition.—Is practically the same as the preceding editions except that it carries date line of the following day and is for distribution through dealers and to rural delivery subscribers in remote territory that cannot be reached with preceding editions on day of publications.

Sunday Issue: First Edition.—For distribution through street vendors and dealers in the city zone, and through dealers in the retail trading zone and all other territory, city zone portion of this edition being held at office for release at 7:00 p.m.

Second Edition.—For general distribution in the city zone and through dealers in the retail trading zone and all other territory.

Third Edition.—For general distribution in the city zone and through dealers and to mail subscribers not served with preceding editions.

Predate Edition.—For distribution through dealers in the retail trading zone and all other territory who cannot be reached promptly by the regular editions.

Predate Edition.—Going to press at 1:47 p.m. Monday is for distribution through Canadian dealers and other distant dealers and to a few mail subscribers who cannot be reached promptly by the regular editions.

All editions of the Evening and Sunday carry all advertising scheduled for the day, except when copy is received too late for insertion

in the early editions of the Evening issue, it is inserted in the corresponding editions of the following day.

Par. 12*a*: Effective April 1, 1936, territory included in city zone was augmented by Grosse Pointe to Wayne County line rather than Grosse Pointe to Country Club as heretofore.

Par. 14*a*: Publisher's declared policy as to returns was to allow distributors in the city zone a full return privilege on the Evening and Sunday, except that city newsstands were fully returnable on the Evening and nonreturnable on the Sunday, with the exception of hotels and apartment hotels, which were fully returnable Evening and Sunday: dealers in the retail trading zone and all other territory were allowed a full return privilege Evening and Sunday, with the exception of a selected list who were allowed a limited return privilege only.

Par. 15*c*: Cookbooks, dictionaries, and household help books, costing 21¢, 28¢, and 24½¢ each respectively, with no advertised or stated value, were offered free to subscribers in the retail trading zone and all other territory with a 27 weeks' subscription to the Evening or Evening and Sunday issues at the basic subscription prices.

Par. 19, Type 3: Travel accident insurance policies, $10,000 indemnity, were sold to readers in the state of Michigan for $1 each.

Free Press: Par. 9.

Morning Issue: First Edition.—For distribution in the city zone through carriers, street vendors, and dealers and through a few dealers and to mail subscribers in retail trading zone and "All Other" territory at points where early dispatch is necessary for morning delivery.

Second Edition.—For limited distribution in the city zone through dealers and street vendors and for general distribution through dealers and to mail subscribers in retail trading zone and "All Other" territory.

Third Edition.—For general distribution through bonded carriers in the city zone and through dealers in retail trading zone and "All Other" territory not served with first and second editions.

Sunday Issue: First and Second Editions.—For distribution through dealers in retail trading zone and "All Other" territory where early dispatch is necessary to insure morning delivery.

Third Edition.—For distribution in the city zone through carriers, street vendors, and dealers and through dealers in retail trading zone.

Fourth Edition.—For distribution through a few dealers and street vendors in city zone and through dealers and to mail subscribers in retail trading zone and "All Other" territory.

Fifth Edition.—For general distribution in the city zone through bonded carriers and dealers and through dealers in retail trading zone and "All Other" territory not served with other editions.

Predate Edition.—Going to press at 9:00 p.m. Thurdsay for distribution through Canadian and "All Other" dealers having no Sunday train service.

Par. 15*c*: A Dictionary costing 38¢ with no advertised or stated value was sold to new and renewal subscribers in retail trading zone and "All Other" territory in connection with a 26 weeks' subscription.

Par. 15*d*: A combination with a combined advertised subscription price of $4.50, consisting of a one-year subscription to the daily issue and a one-year subscription to a farm paper was offered to F.R.D. subscribers in Michigan for $4.25. Four hundred and forty-five subscriptions were received as a result of this offer during the period covered by this report.

Par. 19: A $10,000 travel accident insurance policy was sold to readers at $1. Two thousand five hundred and forty-eight were sold to new subscribers of the daily, 5,982 to the Sunday. One thousand three hundred and seventy-one were sold to renewal subscribers of the daily and 3,221 renewal subscribers to the Sunday. A total of 11,256 and 16,881 policies were sold to daily and Sunday readers respectively without requiring subscription contracts.

The data relating to advertising linage of the three papers are given in Tables 2, 3, and 4.

TABLE 2
Advertising Linage, Detroit Newspapers—Year 1935

	Free Press		*News*		*Times*	
	Morning	Sunday	Evening	Sunday	Evening	Sunday
Retail Display	3,048,751	915,138	8,467,926	1,399,970	4,976,042	1,730,142
General Display	1,449,626	402,303	2,174,914	719,291	1,401,698	1,019,610
Automotive Display	467,875	178,340	639,924	342,436	546,133	311,277
Financial Display	184,044	113,988	98,148	58,426	109,446	52,310
Total Display	5,150,296	1,609,769	11,380,912	2,520,123	7,033,319	3,113,339
Classified	1,149,060	719,757	2,286,560	2,168,117	1,258,461	667,178
Legal	15,523	415	2,733	172	2,062	281
Total Advertising	6,314,879	2,329,941	13,670,205	4,688,412	8,293,842	3,780,798

Source *Media Records*, Year, 1935.

TABLE 3
Lines of General Display Advertising of Soaps and Cleansers and Total Groceries
Detroit Newspapers—Year, 1935, First Nine Months, 1936

	Free Press		*News*		*Times*	
	Morning	Sunday	Evening	Sunday	Evening	Sunday
Soaps and Cleansers (1935)	23,073	16,709	158,759	31,482	51,802	63,204
Soaps and Cleansers, First 9 Months 1936	15,760	4,780	130,229	48,780	73,946	62,095
Total—All Groceries, 1935	83,511	37,692	451,624	171,816	210,833	314,981
Total—All Groceries, First 9 Months 1936	100,801	17,876	394,168	201,672	236,547	309,583

Source. *Media Records*, Year, 1935, First Nine Months, 1936.

TABLE 4
Lines of Retail Display Advertising by Grocers
Detroit Newspapers—Year, 1935, First Nine Months, 1936

Period	*Free Press*		*News*		*Times*	
	Morning	Sunday	Evening	Sunday	Evening	Sunday
Year, 1935 ...	37,957	1,842	411,271	24,631	246,365	27,960
First 9 Months, 1936	36,374	610	258,753	16,293	170,402	8,659

Source: *Media Records*, Year, 1935; First Nine Months, 1936.

The rates for the three papers for regular weekly editions are shown in Table 5.

TABLE 5
Rates for General Advertising, Daily—Detroit Newspapers

	Per Line
*Free Press**	$.50
News	.55
Times	.55

* Subject to "Annual Earned Discounts" ranging from 1% for 10,000 lines to 10% for 350,000 lines. For other papers, the rate is a flat rate.
Source: *Standard Rate and Data Service.*

5. OROL COMPANY

SELECTION OF MEDIUM FOR TRADE ADVERTISING

In the spring of 1936, a disagreement arose between the sales manager and the president of the Orol Company over the selection of a drug trade publication to carry advertising for Orol, a mouthwash preparation. After an examination of all available publications which reached retail and wholesale druggists, they had narrowed the list to two, *Drug Topics*, a controlled or free circulation weekly, and *American Druggist*, a monthly available only to paid subscribers. The sales manager favored the use of *Drug Topics* because he believed it completely covered the drug field. The president was skeptical of the value of a free circulation publication, however, and stated in addition that he placed reliance only on circulation figures certified by the Audit Bureau of Circulations.

The Orol Company, located in New York City, prepared Orol, a newly developed mouthwash in a highly concentrated form, which had first been offered for sale in 1933. The company's limited working capital in the first years of its existence had made inadvisable the use of consumer advertising. Promotional activities had been limited to the solicitation of dentists throughout the country by direct mail and to a small amount of advertising directed at the retail drug trade.

By 1936, a number of dentists were regularly recommending Orol to their patients. At this time not more than two drug stores in five stocked Orol. In the spring of 1936, new capital became available and the executives of the company decided to initiate in October a small space advertising campaign in several leading

national magazines. They planned to supplement this advertising and improve the distribution of Orol by placing a series of 12 full-page advertisements in a publication reaching both retail and wholesale druggists.

The major selling appeal used in recommending Orol to dentists and in advertising to the trade had been its economy in use. The regular retail price for a 16-ounce bottle was 75 cents. It was stated that a solution of one part Orol to five parts water made a mouthwash equal or superior in strength and effectiveness to any of the well-known mouthwashes. In a solution of this strength, Orol was stated to be antiseptic and deodorant as well as pleasant to the taste. The executives of the Orol Company were confident that the selling appeal of economy, based upon the small quantity of Orol necessary for a satisfactory solution, was an effective copy appeal around which to build the consumer advertising campaign. Advertising to the trade would call attention to the volume of consumer advertising, but would direct chief emphasis to the economy appeal and the approval of dentists.

A number of trade publications were available in the drug field. After a careful scrutiny, the officers of the company narrowed the list to two which appeared to offer the largest circulation: *American Druggist*, a monthly publication, member of the Audit Bureau of Circulations, and *Drug Topics*, a weekly publication, member of the Controlled Circulation Audit.

Standard Rate and Data Service for July, 1936, gave the following general advertising rates for *American Druggist*.

General Advertising—Per Insertion

12 pages or more used within one year (not necessarily consecutive), per page $330

24 pages or more used within one year will earn 5% discount.

	1 Time	6 Times	12 Consecutive Times
1 page	$400	$370	$350
⅔ page	330	310	280
½ page	210	195	180
⅓ page	170	155	140
¼ page	110	105	95
⅛ page	60	55	50

The report of Audit Bureau of Circulations on the *American Druggist* for the 12 months ending June 30, 1935 follows:

****
* Audit Bureau of *
* Circulations *
* Chicago *
****

Audit Report

1. *American Druggist*

Average Net Paid	
3d Quarter, 1934	44,595
4th Quarter, 1934	43,983
1st Quarter, 1935	44,050
2d Quarter, 1935	42,212

2. International Publications, Inc.
3. 572 Madison Avenue, New York, N. Y.
4. Est. 1871
5. Published Monthly.
6. Report for twelve months ending June 30, 1935.
7. Class, Industry, or Field Served. Published in the interests of pharmacy, both the chain store and the independent, the wholesaler, and the retailer.
8. Average Total Distribution for Period Stated in Paragraph 6

Mail Subscriptions—Individual	40,702
Net Single Copy Sales	3
Mail Subscriptions Special (Par. 25)	2,372
Total Net Paid, Excluding Bulk	43,077
Term Subscriptions in Bulk (Par. 26)	614
Single Issue Sales in Bulk (Par. 26)	19
Total Net Paid, Including Bulk	43,710
Advertisers	97
Samples to Prospective Advertisers	1,678
All Other Unpaid Distribution, Including Correspondents, Advertising Agencies, Exchanges, Complimentary, Subscription Salesmen, Samples and Employees	3,891
Credit Subscriptions Cancelled for Nonpayment	95
Total Distribution	49,471

9. Net Paid Circulation, Including Bulk By Issues for Period Stated in Paragraph 6

1934		1935	
July	44,999	January	44,556
August	44,556	February	43,988
September	44,232	March	43,605
October	43,910	April	42,747
November	44,001	May	42,190
December	44,037	June	41,698

10. Business Analysis of Subscriptions Based on Issue of May, 1935.

Classification	Copies	Percentage
Retail Druggists, including Chains, Owners, Executives, Stores, Pharmacists	37,039	87.90
Jobbers, Jobber Salesmen	1,150	2.73
Clerks, Salesmen	1,097	2.60
Manufacturers	478	1.14
Doctors, Hospitals	189	0.45
Miscellaneous, Including Students, Libraries, Nontrade	2,077	4.93
Awaiting Classification	106	0.25
Total	42,136	100.00

Note: Total subscription circulation of this issue was 3.55% less than the average total subscription circulation for the twelve months ending June 30, 1935

The above figures and percentages are based on an analysis of the May, 1935, mailing list, classifications being obtained from original orders, letterheads, replies to questionnaires sent to subscribers, etc.

11. Circulation by States Based on the May, 1935, Issue (Total Net Paid, Including Bulk)

State	Mail Subscriptions	Single Copy Sales	Totals
Maine	242		
New Hampshire	137		
Vermont	98		
Massachusetts	1,933		
Rhode Island	234		
Connecticut	720		
New England			3,364
New York	6,225		
New Jersey	1,609		
Pennsylvania	3,614		
Middle Atlantic			11,448
Delaware	79		
Maryland	502		
District of Columbia	227		
Virginia	472		
West Virginia	268		
North Carolina	594		
South Carolina	395		
Georgia	692		
Florida	596		
South Atlantic			3,825
Ohio	2,209		
Indiana	1,093		
Illinois	2,682		
Michigan	1,566		
Wisconsin	864		
East North Central			8,414
Kentucky	565		
Tennessee	573		
Alabama	515		
Mississippi	424		
East South Central			2,077
Minnesota	746		
Iowa	925		
Missouri	1,419		
North Dakota	130		
South Dakota	160		
Nebraska	619		
Kansas.	675		
West North Central			4,674

11. Circulation by States (*Continued*)

State	Mail Subscriptions	Single Copy Sales	Total
Arkansas	319		
Louisiana	609		
Oklahoma	538		
Texas	2,213		
West South Central			3,679
Montana	150		
Idaho	155		
Wyoming	61		
Colorado	411		
New Mexico	71		
Arizona	125		
Utah	134		
Nevada	22		
Mountain			1,129
Washington	484		
Oregon	330		
California	2,553		
Pacific			3,367
Unclassified			
United States			41,977
U. S. Territories	19		19
Canada	79		79
Foreign	61		61
Miscellaneous		54	54
Grand Total			42,190

Note: Total circulation of this issue was 3.48% less than the average total circulation for the twelve months ending June 30, 1935.

12. Authorized prices for sale of this publication during period stated in Par. 6

a. Basic Prices: Single copy, 25¢; October, 1934, issue $1.
Subscriptions: 1 year, $1; 2 years, $2; 3 years, $2.50 to December 31, 1934. Thereafter 1 year, $2; 3 years, $5.00 (for quantity see Par. 18*d*).

b. Differential Prices:
None of record.

c. Combination Sale Prices:
None of record.

d. Prices Established for Sales in Quantities:
In groups of 3 or more subscriptions 1 year, 50¢, 3 years, $1.50 to December 31, 1934; thereafter 1 year, $1 and $1.50.

e. Group Organizers' Prices for This Publication Alone:
None of record.
f. Association Subscription Prices:
None of record.
g. Special Reduced Prices:
None of record.

Analysis of Subscription Sales

New and Renewal

For Period Stated in Par. 6

15. Channels of Subscription Sales:

a. Subscriptions direct to publisher by mail	4,776
b. Catalogue and newspaper subscription agencies, and other publishers	137
c. (1) Publisher's own field selling organization	16,985
(2) Other field selling organizations	None of record
d. Associations	None of record
e. Other channels (See Par. 23)	39
Total Subscriptions Sold in Period	21,937

16. Combination Subscription Sales:

a. Known combination sales	None of record
b. Known not to be in combination	21,937
c. Subscriptions received from intermediary unable to determine whether sold in combination or not	None of record
Total Subscription Sales, Combination and Other	21,937

17. Premiums:

a. Subscriptions sold with free premium	10,148
b. Subscriptions sold with premium at a combined price above basic price (or properly applicable differential)	7,846
c. Subscriptions sold without premium	3,943
Total Subscriptions Sold in Period	21,937

a. Records show the "American Druggist Price Book," with no advertised or stated value, was offered free to jobbers and chains only with a one-year subscription at the basic rate of $1, when three or more subscriptions were ordered, up to December 31, 1934, and this same book was offered free to all subscribers with a one-year subscription at the basic rate of $2 starting January 1, 1935; also three of these same books (one each year) was offered free with a three-year subscription at the basic rate of $5, starting January, 1935.

Records also show the new "Formula Compendium," a book with no advertised or stated value, and three "American Druggist Price Books" (one each year) were offered free with a three-year subscription at the basic subscription price of $5, starting January 1, 1935.

Records also show a "Pharmacy Reference Manual" was offered free to students of pharmacy schools only, with a one-year subscription at the basic price and also starting January 1, 1935, at $1.50, when three or more subscriptions were ordered.

b. Records show that the "American Druggist Price Book" was offered to subscribers with one-, two- or three-year subscriptions up to December 31, 1934, for 50¢ in addition to the basic subscription prices, and this same book and the Formula Compendium, a book with an advertised value of $1, were offered to subscribers with a one- or three-year subscrip-

tion up to December 31, 1934, for $1.50 in addition to the basic subscription prices.

18. Subscription Sales by Price Classifications:

a. Subscriptions taken at special reduced prices shown in Par. 12*g*	None of record
b. Subsciptions taken at prices shown in Par. 12*c*, *d*, and *e*	871
c. Subscriptions taken at prices shown in Par. 12*f*	None of record
d. Subscriptions taken at prices shown in Par. 12*a* and *b*	21,066
Total Subscriptions Sold in Period	21,937

19. Duration of Subscriptions Sold:

a. For one year or more but less than two years	14,949
b. For two years or more	6,974
c. For less than one year	14
Total Subscriptions Sold in Period	21,937

Miscellaneous Circulation Conditions

21. Arrears and Extensions:

a. Subscriptions carried in arrears as of the May, 1935, issue. Up to 3 months 5.18%, 3 months to 6 months 4.25%; total 9.43%.

Are the above percentages representative of the condition of the list for all other issues covered by this report? Yes.

b. Average number of copies served beyond the original expiration dates as a result of extensions of subscriptions because of reduction of subscription price:

Average extension due to reduction effective August, 1932, issue	10,381
Average cut-backs due to increase effective January, 1935 issue	368
Net Average Extensions	10,013

Effective with the August, 1932, issue the subscription price of this publication was changed from $3 per year to $1 per year and all subscriptions paid for at the higher price were extended in the ratio that the value of such unexpired portion at the old price bore to the new subscription price. Due to the subsequent increase in the annual price from $1 to $2, effective with the January, 1935, issue, extensions that had not expired prior to January, 1935, were cut-back in the ratio that the $1 price bore to the new $2 price.

22. Renewals of Subscriptions:

a. Expirations during the 12 months ending June 30, 1935 (including expirations of both subscriptions expiring during the period and subscriptions renewed before expiration)	24,707
b. Renewals during the same period (including subscriptions renewed before expiration)	13,524
c. Percentage of renewals	54.74%

23. All Other Channels Explained: Items of 2% or more only. Subscription sales through other channels (Paragraph 15*e*)—items amount to less than 2%, therefore no explanation necessary.

24. This Publication Is Not an Official Organ of Any Association.

25. Mail Subscriptions, Special:

Mail Subscriptions, Special, as shown in Par. 8, averag ng 2372 copies per issue, represent copies served on subscriptions sold to various retail and chain drug stores, drug manufacturers, and distributors in lots of from 2 to 567 subscriptions at the prevailing basic rates and at $1.50 to $2.25 for one year and $4 for two years to July 18, 1932, and at 50¢ for one year, $1.25 for eighteen months, and $1.50 to $2.25 for three

years from July 19, 1932, to December 31, 1934, and at $1 and $1.50 for one year starting January 1, 1935, when three or more subscriptions were ordered. Copies were mailed in individual wrappers direct to names and addresses furnished by the purchasers.

26. Bulk Subscriptions and Sales:

Term subscriptions in bulk as shown in Par. 8, averaging 614 copies per issue represent subscriptions sold to various individuals, firms, institutions, and commercial interests in lots of from 2 to 238 subscriptions at from 50¢ to $1 to December 31, 1934, and starting January 1, 1935, at from $1 to $2. An average of 277 subscriptions were shipped in bulk to the purchasers for redistribution and an average of 337 subscriptions were mailed direct to lists of names furnished by the purchasers.

Single issue sales in bulk as shown in Par. 8, averaging 19 copies per issue, represent a total of 226 copies sold to various individuals and commercial interests in lots of from 2 to 40 copies at 15¢ to 25¢ per copy, distribution being made by the purchasers.

28. Explanatory: With the exception of an average of 3 copies per issue representing a deduction for single issue sales in bulk at less than 50%, the average net paid circulation as reported by publisher in statements to the Bureau has been substantiated by this report.

For comparative purposes we give below the net paid circulation by quarters as shown in audits for the previous three years, as well as the quarterly averages for the period covered by this report.

3d Quarter, 1931	24,784
4th Quarter, 1931	24,983
1st Quarter, 1932	24,937
2d Quarter, 1932	25,420
3d Quarter, 1932	25,280
4th Quarter, 1932	32,814
1st Quarter, 1933	37,433
2d Quarter, 1933	41,196
3d Quarter, 1933	43,511
4th Quarter, 1933	45,281
1st Quarter, 1934	46,863
2d Quarter, 1934	45,533
3d Quarter, 1934	44,595
4th Quarter, 1934	43,983
1st Quarter, 1935	44,050
2d Quarter, 1935	42,212

City—New York, N. Y.
Date—January, 1936. Audit Bureau of Circulations

General advertising rates for *Drug Topics*, as reported in *Standard Rate and Data Service*, follow:

	1 Time	6 Times	13 Times	26 Times	52 Times
1 Page	$532.00	$479.50	$469.00	$437.50	$402.50
½ Page	283.50	253.75	239.75	234.50	218.75
1 Column	128.80	106.40	101.50	98.00	95.90
½ Column	64.40	56.70	53.20	50.75	49.00
3 Inches	31.05	27.60	24.30	22.80	21.75

The Controlled Circulation Audit Report on *Drug Topics* for the six months ending December, 1935, follows.

CONTROLLED CIRCULATION AUDIT REPORT

This Report Has Been Audited by the
Controlled Circulation Audit, Inc.
420 Lexington Avenue, New York, New York

1. *Drug Topics*
(Name of Publication)
2. Topics Publishing Company
(Name of Publishing Company)
3. 330 West 42nd Street, New York, N. Y.
(Address)
4. 1884
(Year Established)
5. Weekly
(Frequency)
6. Class, Industry, or Field Served: Retail drug trade
7. Average Total Distribution for Period Covered by This Audit

Total Controlled Circulation Mailed in Individual Wrappers	55,680
Total Controlled Circulation Bulk	149
Average Total Controlled Circulation	55,829
Paid for by Recipient	705
Advertisers, Agencies, Exchanges, Advertising Prospects	2,660
Other Samples	
Office, Files, etc	806
Average Total Edition	60,000

8. Net Controlled Circulation by Issues, Including Bulk

Date	Number Receiving Every Issue	Number on Rotated Lists	Total
1935			
July 1	55,977		55,977
July 8	55,825		55,825
July 15	56,108		56,108
July 22	55,826		55,826
July 29	56,060		56,060
August 5	55,760		55,760
August 12	55,985		55,985
August 19	55,823		55,823
August 26	55,969		55,969
September 2	55,814		55,814
September 9	55,955		55,955
September 16	55,707		55,707
September 23	55,595		55,595
September 30	55,765		55,765
October 7	55,973		55,973
October 14	55,710		55,710
October 21	55,693		55,693
October 28	55,711		55,711
November 4	55,884		55,884
November 11	55,712		55,712
November 18	55,845		55,845
November 25	55,653		55,653
December 2	55,919		55,919
December 9	55,611		55,611
December 16	55,905		55,905
December 23	55,713		55,713
December 30	55,865		55,865
Total	1,507,363		1,507,363

9. Analysis of Controlled Circulation as to Type of Readers Based on Issue of December 30, 1935.
100% of total circulation used as basis for this analysis.
This issue is practically the same as average for period.

Retail Drug Stores, Chains, and Independents and Drug Departments of Department Stores	55,102
Wholesale Druggists and Salesmen	763
Total	55,865

9a. What is the Numerical Extent or Limit of the Fields and What Is the Source or Authority for This Information?

Classification or Group	Number	Source (including Data of Authority)
Retail Drug Stores	57,716	U.S. Dept. of Commerce Census, 1930

10. Circulation by States, Based on the December, 1935, Issue.

State	Receiving Every Issue	Number on Rotated Basis	Totals
Maine	397		
New Hampshire	242		
Vermont	162		
Massachusetts	1,972		
Rhode Island	349		
Connecticut	819		
New England			3,941
New York	6,352		
New Jersey	1,851		
Pennsylvania	4,173		
Middle Atlantic			12,376
Delaware	84		
Maryland	668		
District of Columbia	286		
Virginia	717		
West Virginia	401		
North Carolina	832		
South Carolina	416		
Georgia	918		
Florida	824		
South Atlantic			5,146
Ohio	2,892		
Indiana	1,663		
Illinois	3,621		
Michigan	1,948		
Wisconsin	1,272		
East North Central			11,396

10. Circulation by States, Based on the December, 1935, Issue. (*Continued*)

State	Receiving Every Issue	Number on Rotated Basis	Total
Kentucky	861		
Tennessee	825		
Alabama	720		
Mississippi	614		
East South Central			3,020
Minnesota	1,056		
Iowa	1,432		
Missouri	2,013		
North Dakota	316		
South Dakota	332		
Nebraska	896		
Kansas	1,108		
West North Central			7,153
Arkansas	687		
Louisiana	702		
Oklahoma	1,288		
Texas	3,502		
West South Central			6,179
Montana	294		
Idaho	213		
Wyoming	102		
Colorado	639		
New Mexico	126		
Arizona	159		
Utah	186		
Nevada	50		
Mountain			1,769
Washington	905		
Oregon	622		
California	3,231		
Pacific			4,758
Bulk	127		127
United States			55,865
U. S. Territories			
Canada			
Foreign			
Miscellaneous			
Grand Total			55,865

11. If rotational method is used for part or all of list, give below a comprehensive statement showing number of names rotated and period in which rotated and, if not periodic, then explain rotational system used.

Not Rotational

12. Give below a comprehensive statement as to source of supply of names on lists and provisions made for keeping lists up-to-date.

The *Drug Topics* Circulation Policy is to reach:

1. All drug stores of established and acceptable credit with one or more wholesale drug companies.
2. All chain-owned drug stores.
3. All chain drug store system buying offices.
4. All wholesale drug companies.
5. The department buyers of all major department stores operating drug and toilet-goods departments.

Wholesale drug companies throughout the United States regularly report to *Drug Topics* the names of new drug stores, ownership changes, removals, failures, drug stores going out of business, and other changes. A national newspaper clipping and news reporting service of drug store changes is also employed. More than 200 newspapers, sales agencies, window-display services, and other agencies also regularly report changes and furnish lists for checking purposes. All reports are double checked with direct verifications from the individual drug store owners.

Return postage is guaranteed on all undeliverable copies mailed, which are promptly removed from circulation. *Drug Topics* employs a staff of seven people working solely or partially on mailing-list maintenance, and its service of furnishing drug store changes is regularly subscribed to by other organizations also maintaining drug store lists.

13. Number of Names Removed from and Added to Lists during Period Covered by Report (Optional with Publisher)

Date	Removed	Added
1935		
July	175	166
August	115	112
September	186	228
October	128	146
November	146	148
December	178	124
Totals	928	924

14. If same grade and weight of stock are not used in entire edition, state quantity of each in each edition and give reason for this policy. Same grades and weights of stock used throughout each edition.
15. Space below is reserved for remarks or comment by auditor.

Publisher's Affidavit

State New York

County New York

We hereby make oath and say that all statements set forth in the four pages of this report are true.

Johnson Rogers H. K. Ambrose

(At least one of above signatures must be that of an officer of the publishing company)

Subscribed and sworn to, before me, this *8th* day of *February*, 1936

George E. Carnegie
Notary Public

Auditor's Affidavit

State New York

County New York

I hereby make oath and say that I have personally examined the records of the publication subject of this report and that all the statements set forth in the four pages of this report are true to the best of my knowledge and belief.

A. C. McNeil
Auditor

Subscribed and sworn to, before me, this *14th* day of *April*, 1936

Wm. A. Low
Notary Public

C. C. A. Auditing Methods

Circulation facts and figures in this report have been verified in the following manner:

The auditor has examined all available records pertaining to circulation.

Post-office receipts, vouchers, and ledger records have been examined.

Bills for supplies, service, paper, printing, and addressing have been checked and compared with bookkeeping records.

Stencil files and other lists have been counted, sampled, and tested to verify qualitative analyses of circulation.

Officers and employees concerned with circulation have been questioned with regard to the work or records in their charge.

The auditor has compared and cross-checked data from the various sources and has conducted direct samplings and other tests considered essential to the complete and accurate authentication of this report.

American Druggist, in 1935, carried 935 pages of paid advertising. In the same year, *Drug Topics* carried 1,011 pages of paid advertising.

The Audit Bureau of Circulations was incorporated in 1913, to investigate, analyze, and collate facts about the circulation of newspapers, magazines, farm papers, business papers, and miscellaneous periodicals published by members of the Bureau, and to distribute these facts through audit reports to advertisers and

their advertising agents who were also members of the Audit Bureau of Circulations. Membership was divided into two main classes. In one division were the advertisers and advertising agents; in the other group, the publishers. To the first group, the Bureau supplied reports of its audits of the circulations of member publishers. The service the Bureau rendered the publisher group was to audit its books and make suggestions regarding methods of record keeping, so that the publisher might render accurate information to the advertiser. Publisher members agreed to keep such records as would permit an annual audit of their circulation and to preserve for use in these audits all original bills for paper, original subscription audits, and several mail galleys each month, together with a complete record of cash receipts and disbursements, with the circulation revenue segregated. The type of audit made is indicated in the Audit Bureau of Circulations report given above.

Out of a total of approximately 2,000 publications in the trade-paper field, only 275 were audited by the Audit Bureau of Circulations. To be eligible for the Audit Bureau of Circulations, at least 60% of the total number of copies distributed for each issue had to be paid circulation.

Free or controlled-circulation publications had their start with the publication of *Oral Hygiene* in 1911, and had a steady growth in number until there were approximately 225 in 1931. In contrast to paid trade papers, which were generally sent only to readers who had purchased subscriptions, the free or controlled-circulation papers, according to their publishers, were sent without charge to individuals within a definite market. Most controlled-circulation publishers reported some sales of copies to individuals who did not qualify as the type desired for inclusion in the controlled list.

With the purpose of bringing to controlled-circulation publications benefits such as came from the Audit Bureau of Circulations audit, the Controlled Circulation Audit was developed in the fall of 1931 under the sponsorship of national advertisers, advertising agencies, and publishers of controlled-circulation trade papers. The stated purpose of the Controlled Circulation Audit was to provide a check on circulation and circulation methods in the free or controlled field just as the Audit Bureau of Circulations was doing in the paid field. Its form of report and methods of

audit are indicated in the report given above. A publisher was eligible to membership in the Controlled Circulation Audit if he could demonstrate that he was publishing a trade paper which carried an editorial message to a restricted field, and if 70% of the distribution was maintained without the influence of a price payment.

In considering the relative merits of paid and free publications in the drug trade field, the president and the sales manager of the Orol Company became interested in a report of the proceedings of the December 9, 1931, meeting of the Technical Publicity Association, Inc., which featured an address on "Controlled versus Paid Circulation," by Joseph Vessey, Secretary, Kenyon & Eckhardt, Inc. In the general discussion which followed, Mr. George Hecht of School Management, Inc., stated the case for controlled circulation in the following words:

Gentlemen in the rear of the room have suggested criticisms of the controlled-circulation publication that have remained unanswered. I happen to be the publisher of both a magazine with 250,000 Audit Bureau of Circulations circulation and also of a controlled-circulation publication, so I can see both sides.

One question was why don't we call it free-circulation publications rather than controlled-circulation publications? The answer to that is this: the so-called controlled publication is not sent to just anyone free, even in the field the publication covers. The controlled-circulation publication restricts its distribution to just the key people whom it wishes to reach.

In the field which our controlled circulation publication covers, for example, the school field, we are not sending it to any teacher who writes in, "Please send it to me free"; we are not sending it to any school which writes in and asks for it free. There are 25,000 schools in the United States, and we are not sending it to any one-room schoolhouse that asks for *School Management* free. It is restricted. It is controlled to the 40,000 biggest schools. Also, we are not sending it to any clerk in the board of education. The circulation is controlled and limited to the superintendent of schools, the purchasing agent of the school board, or the business manager of the school board if there happens to be one. So it isn't sent promiscuously, free to anyone. The circulation is controlled and limited to those key people in the field who have a direct influence on the purchasing and whom the advertiser is sure to reach.

Another objection was made by another gentleman who said, "How do you know that the publications reach the right person, because people move from one place to another?"

Every publisher of a controlled-circulation publication prints on the envelope "return postage guaranteed," so that if it doesn't reach the

subscriber the copy comes back to the publisher. Also, there is a regulation in the post-office department which requires that change of address come back to the publisher.

The publisher has a lot at stake. He is not in business for one issue or one year. He is in business to make that controlled publication pay year in and year out; and the only way he can make it pay is if the advertiser gets results; and the advertiser can only get results if the publication reaches the key people in the field. So it is to his interest to see that each issue gets to the recipient; and the publishers of the controlled-circulation publications spend thousands and thousands of dollars keeping their lists absolutely up to date, making all changes of address recorded by jobbers or clippings in the newspapers or the various directories, keeping those lists up to date, and keeping the addresses up to date.

In reply, Mr. William Buxman of McGraw-Hill Publishing Company was quoted as saying:

When a man tells you he has no paid circulation, audit or no audit, he is in effect telling you that he is not a publisher but is rather in the business of distributing advertising material, because his sole income comes from the manufacturers whose advertising he distributes. Even these gentlemen that talk about this question use the word distribution when they define their efforts and not circulation which you are trying to audit.

A publisher who does a publishing job in the interest of his readers naturally must charge the readers for that service. On the other hand by the same token, a man who is solely in the business of distributing the advertising material of manufacturers has no reason to charge the recipient. He is solely the distributing agent of the manufacturer; and as no manufacturer himself charges a recipient for advertising material, obviously his agent cannot do so.

Mr. Hecht continued the discussion by commenting:

The success of the controlled-circulation publication is dependent upon what is in the publication editorially. If the stuff in the controlled-circulation publication is good and useful to the recipient, it will be read. In many cases the controlled circulation publication has to be better editorially even than the paid-circulation publication. It is a challenge to the controlled-circulation publisher to make his editorial content so good that it has to be read, for if the publication isn't read it will surely fail. The advertiser won't get results and the publication will fall down.

If you take a specialized field (and most publications can only succeed in a specialized field) where there already is a professional interest and if you appeal to the man who has a professional interest in that certain field and give him useful, accurate, up-to-date information that he can't get elsewhere, he is going to read it for it will be helpful to him; and if he reads the articles in the magazine, he will read the ads, too.

The officers of the Orol Company were also interested in the remarks of Mr. Allan Brown, of the Bakelite Corporation, who said in part:

I think it is only fair for the publishers of paid publications as well as the advertisers who buy space in those publications to consider the possibilities of what a controlled paper will give us. Reference has been made, this evening, to the controlled papers rendering direct-mail service to the manufacturer or to the buyer of space rather than depending upon a real editorial job.

I can see the possibility in a field that has a total number of operating units of 20,000 where there are 4 or 5 paid publications today fighting for that circulation. There is bound to be a certain amount of duplication; in some cases, considerable duplication. If the advertiser wants to get total coverage of that field, he is forced to buy two or three or possibly four of those publications and is forced to pay a very high price per thousand not only because of duplication but because of the expense of making additional plates and other production costs.

It might be possible for a controlled publication to come into that field and give you that entire coverage of 20,000 at a considerably reduced rate per thousand, meaning a large saving to the advertiser. As one man pointed out, it is essentially a distribution of the manufacturers' advertising material to the prospective owners, like direct mail. But if the publisher of the controlled paper can prove that his publication has reader interest in that field, it may pay the advertiser to buy that controlled circulation rather than try to buy four or five publications to get the same coverage.

6. ATHENA CORPORATION (C)

SELECTION OF MAGAZINES

Assume that the Athena Corporation[1] has obtained distribution for its "Brightshine" in enough major markets throughout the United States to make advisable launching its advertising in magazines. The appropriation for magazine space for the next year is approximately $100,000.

Prepare a magazine schedule[2] for the coming year for this product, indicating the reasons for your selection of magazines, sizes of advertisements, and timing of insertions.

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[1] See case of Athena Corporation (A), p. 262.

[2] Suggested source material:
Copies of magazines considered.
Standard Rate & Data Service, or A B.C reports.
Annual Analysis of Net Paid Circulation and Subscription Pro duction, Associa-

7. ENDERS SHOE COMPANY

SELECTION OF NEWSPAPER MEDIA

Early in 1929 the Enders Shoe Company, a manufacturer of corrective shoes, decided to conduct a newspaper advertising campaign for the spring and fall seasons in metropolitan New York in cooperation with the retailers who sold its shoes in that area. The company then was faced with the problem of choosing the most suitable newspapers to carry the advertising.

The Enders Shoe Company manufactured corrective shoes for both men and women; the volume of its sales of shoes for women, however, was three times as large as the volume of men's shoes. The men's shoes were sold at retail for $12 a pair, and the shoes for women were sold at several prices from $9 to $14. Enders shoes were designed primarily to afford comfort, but they also were attractively styled.

The company advertised nationally in magazines, including the *Saturday Evening Post*, *Vanity Fair*, *Collier's*, the Quality Group, and leading magazines for women. The primary appeal used was that of comfort, but the stylish appearance of the shoes also was emphasized. An analysis of the magazine advertising satisfied the company that the per family coverage of the magazines used was less adequate in the New York City area than in other metropolitan territories in the United States. Enders retailers outside the New York area, furthermore, had exclusive territories and customarily supplemented the national advertising by local newspaper advertising and sales promotion efforts. In metropolitan New York, on the other hand, Enders shoes were sold by more than 40 retailers and almost no local advertising of the brand had been done. In 1929, however, the retailers selling Enders shoes in metropolitan New York agreed to contribute $25,000 to a $50,000 local newspaper campaign to be carried on by the manufacturer. The contributions of the individual retailers were to be proportionate to their sales of Enders shoes during the campaign.

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tion of National Advertisers

A Trend Study of 158 *"General" Magazines*, Association of National Advertisers.

An Analysis of the Duplication in the Circulation of Magazines, American Association of Advertising Agencies

Report of advertising expenditures in leading magazines, as reported in *Leading Advertisers*, Curtis Publishing Company; *National Advertising Records*, Denney Publishing Company, Inc

It was estimated that there were in metropolitan New York approximately 1,800,000 English-speaking families. In selecting newspapers to use for the campaign, the manufacturer and the advertising agency which it had employed took into consideration circulation, duplication of circulation, type of readers, proportion of men and women readers, advertising rates, and type of advertising carried. The following exhibits contain data which the company and the agency analyzed in arriving at a decision as to media.

EXHIBIT 1

Agate Lines of Shoe Advertising Carried by Leading New York Newspapers,* 1928

Newspaper	Agate Lines of Shoe Advertising Carried
Evening Sun	453,810
Evening Journal	333,673
Herald-Tribune	277,176
Times	265,376
Evening World	208,649
News (tabloid)	179,726
Morning World (including Sunday)	121,344
American	95,306
Post	76,382
Telegram	52,162
Mirror (tabloid)	49,319
Graphic (tabloid)	15,586

* Source: *Valuable Data for the Space Buyer*, compiled by the *New York Sun*.

EXHIBIT 2

Circulation Analysis of Nine New York Newspapers,* 1928

	Total Circulation	City	Suburban	All Other	Rate per Line†
Evening Newspapers					
Journal	635,401	489,580	114,457	31,102	$1.25
Post	89,265	77,317	7,175	4,788	.45
Sun	283,435	241,989	29,225	12,221	.65
Telegram	235,578	208,241	21,992	5,345	.45
Evening World	291,792	244,054	34,898	12,446	.595‡
Graphic	295,645	228,388	26,584	40,673	.65
Morning Newspapers					
American	210,020	139,683	45,844	24,468	.50
Herald-Tribune	309,959	144,110	100,469	60,955	.75
Times	418,687	239,031	81,655	87,710	.90
Morning World	336,869	274,451	33,599	28,096	.595‡

* Source: *Standard Rate and Data Service*, April, 1929.
† General advertising flat or open rate.
‡ For contracts for 2,500 to 5,000 lines.

EXHIBIT 3

Circulation Duplication between *New York American* and Nine Other Newspapers, for New York City and the Area within a Radius of 50 Miles*

Newspapers	Total Circulation	Amount of Duplication	Per Cent of Duplication
American	201,613	10,468	5.2
Herald-Tribune	241,823		4.3
American	201,613	18,836	9.3
Times	301,440		6.3
American	201,613	16,473	8.2
Morning World	307,911		5.4
American	201,613	24,558	12.2
Graphic	243,648		10.1
American	201,613	82,319	40.8
Evening Journal	645,116		12.8
American	201,613	12,133	6.0
Post	64,415		18.8
American	201,613	35,161	17.4
Sun	265,964		13.2
American	201,613	37,804	18.8
Telegram	223,442		16.9
American	201,613	35,996	17.9
Evening World	300,788		12.0

* American Association of Advertising Agencies, *An Analysis (a) of the Occupations and Incomes of the Readers and (b) of the Duplication in the Circulations of New York City Newspapers*, 1928.

EXHIBIT 4

Circulation Duplication between *New York Morning World* and Nine Other Newspapers, for New York City and the Area within a Radius of 50 Miles*

Newspapers	Total Circulation	Amount of Duplication	Per Cent of Duplication
Morning World	307,911	16,473	5.4
American	201,613		8.2
Morning World	307,911	36,273	11.8
Herald-Tribune	241,823		15.0
Morning World	307,911	68,377	22.2
Times	301,440		22.7
Morning World	307,911	41,445	13.5
Graphic	243,648		17.0
Morning World	307,911	94,582	30.7
Journal	645,116		14.7
Morning World	307,911	23,575	7.7
Post	64,415		36.6
Morning World	307,911	75,076	24.4
Sun	265,964		28.2
Morning World	307,911	78,260	25.4
Telegram	223,442		35.0
Morning World	307,911	66,690	21.7
Evening World	300,788		22.2

* American Association of Advertising Agencies, *ibid.*

EXHIBIT 5

Circulation Duplication between *New York Times* and Nine Other Newspapers for New York City and the Area within a Radius of 50 Miles*

Newspapers	Total Circulation	Amount of Duplication	Per Cent of Duplication
Times	301,440	18,836	6.3
American	201,613		9.3
Times	301,440	72,431	24.0
Herald-Tribune	241,823		30.0
Times	301,440	68,377	22.7
Morning World	307,911		22.2
Times	301,440	12,141	4.0
Graphic	243,648		5.0
Times	301,440	39,081	13.0
Journal	645,116		6.1
Times	301,440	41,010	13.6
Post	64,415		63.6
Times	301,440	137,722	45.7
Sun	265,964		51.8
Times	301,440	42,823	14.2
Telegram	223,442		19.2
Times	301,440	54,427	18.1
Evening World	300,788		18.1

* American Association of Advertising Agencies, *ibid.*

EXHIBIT 6

Circulation Duplication between *New York Herald-Tribune* and Nine Other Newspapers, for New York City and the Area within a Radius of 50 Miles*

Newspapers	Total Circulation	Amount of Duplication	Per Cent of Duplication
Herald-Tribune	241,823	10,468	4.3
American	201,613		5.2
Herald-Tribune	241,823	9,628	3.9
Mirror	328,675		2.9
Herald-Tribune	241,823	36,273	15.0
Morning World	307,911		11.8
Herald-Tribune	241,823	9,358	3.9
Graphic	243,648		3.8
Herald-Tribune	241,823	29,561	12.2
Journal	645,116		4.6
Herald-Tribune	241,823	36,819	15.2
Post	64,415		57.1
Herald-Tribune	241,823	107,446	44.4
Sun	265,964		40.4
Herald-Tribune	241,823	40,740	16.9
Telegram	223,442		18.2
Herald-Tribune	241,823	48,553	20.1
Evening World	300,788		16.1

* American Association of Advertising Agencies, *ibid.*

EXHIBIT 7

Circulation Duplication between *New York Graphic* and 11 Other Newspapers, for New York City and the Area within a Radius of 50 Miles*

Newspapers	Total Circulation	Amount of Duplication	Per Cent of Duplication
Graphic	243,648	24,558	10.1
American	201,613		12.2
Graphic	243,648	9,358	3.8
Herald-Tribune	241,823		3.9
Graphic	243,648	80,232	32.9
Mirror	328,675		24.4
Graphic	243,648	152,787	62.7
News	1,135,083		13.5
Graphic	243,648	12,141	5.0
Times	301,440		4.0
Graphic	243,648	41,445	17.0
Morning World	307,911		13.5
Graphic	243,648	76,189	31.3
Journal	645,116		11.8
Graphic	243,648	3,629	1.5
Post	64,415		5.6
Graphic	243,648	18,693	7.7
Sun	265,964		7.0
Graphic	243,648	21,901	9.0
Telegram	223,442		9.8
Graphic	243,648	17,028	7.0
Evening World	300,788		5.7

* American Association of Advertising Agencies, *ibid.*

EXHIBIT 8

Circulation Duplication between *New York Evening Sun* and Nine Other Newspapers, for New York City and the Area within a Radius of 50 Miles*

Newspapers	Total Circulation	Amount of Duplication	Per Cent of Duplication
Sun	265,964	35,161	13.2
American	201,613		17.4
Sun	265,964	107,446	40.4
Herald-Tribune	241,823		44.4
Sun	265,964	137,722	51.8
Times	301,440		45.7
Sun	265,964	75,076	28.2
Morning World	307,911		24.4
Sun	265,964	18,693	7.0
Graphic	243,648		7.7
Sun	265,964	48,133	18.1
Journal	645,116		7.5
Sun	265,964	24,545	9.2
Post	64,415		38.1
Sun	265,964	40,181	15.1
Telegram	223,442		18.0
Sun	265,964	43,531	16.4
Evening World	300,788		14.5

* American Association of Advertising Agencies, *ibid.*

EXHIBIT 9

Circulation Duplication between *New York Evening World* and Nine Other Newspapers, for New York City and the Area within a Radius of 50 Miles*

Newspapers	Total Circulation	Amount of Duplication	Per Cent of Duplication
Evening World	300,788	35,996	12.0
American	201,613		17.9
Evening World	300,788	48,553	16.1
Herald-Tribune	241,823		20.1
Evening World	300,788	54,427	18.1
Times	301,440		18.1
Evening World	300,788	66,690	22.2
Morning World	307,911		21.7
Evening World	300,788	17,028	5.7
Graphic	243,648		7.0
Evening World	300,788	58,897	19.6
Journal	645,116		9.1
Evening World	300,788	10,461	3.5
Post	64,415		16.2
Evening World	300,788	43,531	14.5
Sun	265,964		16.4
Evening World	300,788	28,180	9.4
Telegram	223,442		12.6

* American Association of Advertising Agencies, *ibid.*

EXHIBIT 10

Circulation Duplication between *New York Evening Journal* and Nine Other Newspapers, for New York City and the Area within a Radius of 50 Miles*

Newspapers	Total Circulation	Amount of Duplication	Per Cent of Duplication
Journal	645,116	82,319	12.8
American	201,613		40.8
Journal	645,116	29,561	4.6
Herald-Tribune	241,823		12.2
Journal	645,116	39,081	6.1
Times	301,440		13.0
Journal	645,116	94,582	14.7
Morning World	307,911		30.7
Journal	645,116	76,189	11.8
Graphic	243,648		31.3
Journal	645,116	10,050	1.6
Post	64,415		15.6
Journal	645,116	48,133	7.5
Sun	265,964		18.1
Journal	645,116	50,906	7.9
Telegram	223,442		22.8
Journal	645,116	58,897	9.1
Evening World	300,788		19.6

* American Association of Advertising Agencies, *ibid.*

EXHIBIT 11

Circulation Duplication between *New York Post* and Nine Other Newspapers, for New York City and the Area within a Radius of 50 Miles*

Newspapers	Total Circulation	Amount of Duplication	Per Cent of Duplication
Post	64,415	12,133	18.8
American	201,613		6.0
Post	64,415	36,819	57.1
Herald-Tribune	241,823		15.2
Post	64,415	41,010	63.6
Times	301,440		13.6
Post	64,415	23,575	36.6
Morning World	307,911		7.7
Post	64,415	3,629	5.6
Graphic	243,648		1.5
Post	64,415	10,050	15.6
Journal	645,116		1.6
Post	64,415	24,545	38.1
Sun	265,964		9.2
Post	64,415	11,154	17.3
Telegram	223,442		5.0
Post	64,415	10,461	16.2
Evening World	300,788		3.5

* American Association of Advertising Agencies, *ibid.*

EXHIBIT 12

Circulation Duplication between *New York Telegram* and Nine Other Newspapers, for New York City and the Area within a Radius of 50 Miles*

Newspapers	Total Circulation	Amount of Duplication	Per Cent of Duplication
Telegram	223,442	37,804	16.9
American	201,613		18.8
Telegram	223,442	40,740	18.2
Herald-Tribune	241,823		16.9
Telegram	223,442	42,823	19.2
Times	301,440		14.2
Telegram	223,442	78,260	35.0
Morning World	307,911		25.4
Telegram	223,442	21,901	9.8
Graphic	243,648		9.0
Telegram	223,442	50,906	22.8
Journal	645,116		7.9
Telegram	223,442	11,154	5.0
Post	64,415		17.3
Telegram	223,442	40,181	18.0
Sun	265,964		15.1
Telegram	223,442	28,180	12.6
Evening World	300,788		9.4

* American Association of Advertising Agencies, *ibid.*

EXHIBIT 13

Proportion of Total Men and of Total Women in the Families Receiving New York Daily Newspapers Who Read the Papers*

Daily Newspaper	Percentage of Men Readers	Percentage of Women Readers
Morning Newspaper		
American	95.7	73.1
Herald-Tribune	95.1	47.5
Mirror	86.5	94.2
News	93.8	93.7
Times	97.0	45.8
Morning World	97.8	51.3
Evening Newspaper		
Graphic	†	97.0
Journal	†	97.7
Post	96.9	71.0
Sun	90.9	94.4
Telegram	91.2	96.0
Evening World	†	98.6

* American Association of Advertising Agencies, *ibid.*
† Figures omitted because of insufficient data.

EXHIBIT 14

Percentage of Circulation of New York Newspapers in Specified Income Groups*

	Income Groups†				
	D	C	B	A	AA
Morning Newspaper					
American	4.3	39.7	44.0	9.0	3.0
Herald-Tribune	.6	13.8	40.4	27.7	17.5
Times	1.0	12.4	39.2	28.6	18.8
Morning World	3.5	30.9	45.3	14.4	5.9
Evening Newspaper					
Graphic	9.2	49.5	36.8	3.8	.7
Journal	5.0	43.3	41.9	7.7	2.1
Post	.3	12.3	40.4	31.0	16.0
Sun	1.6	18.4	42.7	24 0	13.3
Telegram	2.8	34.4	45.0	13.7	4.1
Evening World	3.4	30.1	45.5	15.2	5.8

* American Association of Advertising Agencies, *ibid.*
† D, approximate family income $1,000.
C, approximate family income $1,000 to $2,000.
B, approximate family income $2,000 to $5,000.
A, approximate family income $5,000 to $10,000.
AA, approximate family income $10,000 or more.

Advertising for the spring season for shoes normally extended approximately from February 1 to June 15. The fall advertising period was planned to extend from September 1 to December 1.

What schedule of advertising should have been adopted for the cooperative campaign?

8. EURIPIDES TOBACCO COMPANY

VARIATION OF SCHEDULE IN NEWSPAPERS

The Euripides Tobacco Company, a heavy advertiser in magazines, newspapers, radio, and outdoor media, considered in 1936 the wisdom of classifying newspapers on the basis of one or more factors, such as size of city, milline rate, and amount of display advertising carried, the classification to serve as a guide in varying advertising schedules in these newspapers.

Up to this time the company had followed no uniform plan in varying its advertising schedules in different newspapers. Generally an advertisement of uniform size was inserted in all papers used by the company. Usually the company had sought to dominate a page by use of advertisements of 1,000 lines or more. In some years a differentiation between large and small cities had been made by inserting fewer advertisements in the papers of small cities. On occasion there had been some variation in the size of advertisements between large city dailies and small city dailies. As a means of securing a maximum of advertising impression from the company's newspaper expenditure, it was proposed that newspapers be classified as A, B, C, D papers and that the linage allotted to the papers be varied. Such variation in linage could be accomplished by variation either in size of insertions, in frequency of insertion, or in both. For example, 1,000-line advertisements could be sent to A papers; 800-line advertisements to B papers; 600-line advertisements to C papers; and 400-line advertisements to D papers. Or size could be kept uniform and frequency of insertion reduced.

Just what factors should be employed in the building of such classifications was a matter of discussion. The assistant adver-

tising manager, who was assigned the problem of determining the basis for classification, found, upon conferring with the space buyer of the agency employed and with other advertisers, that different formulae were employed by advertisers in classifying papers for variations in schedules. Some advertisers varied the linage in accordance with the size of the city. Some varied it in accordance with the milline rates of newspapers used. Others gave chief weight to a rating based on display linage carried in the newspapers. Still others stated that the variables of market potentiality and of adequacy of distribution should be considered in deciding the size of space and frequency of insertion

EXHIBIT 1

City	Population	Paper	Circulation	Mini-milline Rate	Lines Display Advertising*
Chicago, Illinois	3,376,438	*American*	418,143	1.79	6,948,829
		Herald-Examiner	379,768	1.84	3,895,933
		News	393,999	1 90	9,820,742
		Times	228,386	1.40	3,993,884
		Tribune	783,781	1.21	8,798,386
Philadelphia, Pennsylvania	1,950,961	*Bulletin*	512,284	1.22	9,476,121
		Inquirer	277,966	1.80	5,017,839
		News	132,515	2 41	4,265,534
		Public Ledger	191,844	2.19	10,886,002
		Record	221,927	1.80	5,289,249
San Francisco, California	634,394	*Call-Bulletin*	121,193	2.31	5,844,705
		Chronicle	98,000	2.55	4,331,416
		Examiner	168,864	2.49	4,483,574
		News	94,117	2.34	5,388,334
Denver, Colorado	287,861	*Post*	154,738	1.94	8,383,971
		News	38,285	4.18	3,434,973
Dallas, Texas	260,475	*Dispatch*	44,460	2.70	2,387,590
		News	87,273	2.41	5,670,772
		Journal	46,852	2.77	4,375,680
		Times-Herald	66,929	2.54	8,365,837
Albany, New York	127,412	*Knickerbocker Press*	26,146	4.59	2,476,248
		News	41,242	3.15	5,883,140
		Times-Union	46,873	2.77	5,552,914
Manchester, New Hampshire	76,834	*Union* / *Leader* Combined	36,815	3.26	4,582,445
Stamford, Connecticut	46,346	*Advocate*	11,194	4.91	4,392,290
Gastonia, North Carolina	17,093	*Gazette*	5,946	6.73	1,716,120
Tarentum, Pennsylvania	9,551	*Valley News*	5,223	7.66	3,278,800
Bradentown, Florida	6,139	*Herald*	3,180	12.58	1,789,508
Dowagiac, Michigan	5,550	*News*	2,168	9.23	66,210

* *Media Records*, 1935. All other data taken from *Standard Rate & Data Service*, Newspaper Edition, January, 1936.

employed and modified classifications based on rates or linage by these factors.[1]

Data regarding advertising linage were readily available for 369 newspapers covered in the reports of *Media Records*. Such data regarding the approximately 1,600 other dailies in the United States could be had in many instances either from the publishers or from their sales representatives.

From *Media Records* and the *Standard Rate & Data Service*, the assistant advertising manager constructed a table of data relating to newspapers. In Exhibit 1 is reproduced a selection of cities contained in his table.

Should the Euripides Tobacco Company have varied its schedule of advertising in different newspapers and, if so, what scheme should have been adopted?

9. XENOPHON MEDICINE COMPANY

VARIATION OF SCHEDULE IN NEWSPAPERS

The Xenophon Medicine Company, manufacturer of a well-known proprietary medicine, having noted that other advertisers varied their schedules of newspaper advertisements according to a classification as A, B, C, or D papers, considered whether it should adopt some such scheme. Of its net sales of $1,250,000 the company spent approximately 40% on advertising. Almost 90% of its advertising expenditures were in newspapers. In view of the fact that the use of its product was not seasonal, the company had inserted newspaper advertisements at the rate of approximately one a week throughout the year. The advertisements were generally 100 lines in size and were mostly of the testimonial

[1] A discussion of so-called "A, B, and C schedules" for newspapers will be found in a series of articles appearing weekly in *Printers' Ink*, starting with the issue of April 25, 1935, as follows:

"Making Up A, B, C Schedules for Newspapers," by Max Hacker.
"A, B, C Schedules for Large Newspaper Users," by J F Quick
"A, B, C Schedules Depend on Copy and Markets," by Leonard Gessner.
"Two Space Buyers Discuss A, B, C Schedules," by H. G Selby.
"A, B, C Schedules Call for Definite Plan," by C. D Benner
"Local Markets and A, B, C Newspaper Lists," by Jack J. Boyle.

type. The company believed that it had as complete distribution as did other leading proprietary remedies, and deemed it advisable to place its advertising in as many markets as possible. Accordingly, it used the small city and town dailies as well as the large city dailies in its attempt to get coverage.

The issue was raised whether it should vary its schedule between newspapers, and on what basis.

10. THROCKMORTON BREWING COMPANY

RADIO ADVERTISING

The Throckmorton Brewing Company, of Boston, which sold its ale and beer only in New England, had under consideration in February, 1937, the purchase of radio broadcasting time on some Boston station. Since the company desired to reach both men and women with its advertising, the executives thought that an evening broadcast should be used, but found that guaranteed time that was satisfactory was not available on any of the three leading Boston stations, WNAC, WEEI, and WBZ. A salesman of station WAAB, which held fourth place in popularity in the Boston area, presented to the company and to its advertising agency opportunity to contract for the coming period for either all or any quarter of two one-hour periods, one at 8 p. m. on Tuesday, the other at 8 p.m. on Thursday.

The Throckmorton Brewing Company was an old, well-known organization which had been reestablished with the repeal of prohibition. It had quickly gained distribution in New England for its "Down-East" ale and beer. In the Boston area it was one of the leading sellers both in bottles and from the tap.

In 1935 the company spent $50,000, approximately 5% of its net sales, for advertising. This expenditure had been divided roughly as follows: 40% for newspaper space; 30% for dealer helps and point-of-purchase advertising; 20% for outdoor advertising; 5% for administrative expense; 5% for advertising production costs.

Executives of the Throckmorton Brewing Company had noted with interest the use of radio by certain local breweries and by breweries with national distribution. Accordingly, they desired to experiment with this medium in Boston, and, if it was

found effective, to broadcast throughout New England over one of the New England chains, WAAB being the key station of one of these. Hence the company was willing to spend more in developing a popular program than ordinarily would be justifiable for a single-station broadcast.

The salesman of WAAB made available to the Throckmorton executives information relating to listening habits which it had obtained from two coincidental surveys, one of which was conducted under the direction of Professor Robert F. Elder,[1] of Massachusetts Institute of Technology, on audimeters during the period from Sunday, November 3, 1935, through Saturday, January 11, 1936.

The audimeter, a recording clock device perfected by Professor Elder and Professor E. F. Woodruff, was attached to receiving sets, and on a tape was recorded the times at which the set was turned on and the listenings to the key stations of the area. When the recorder was started, the exact time was noted on the tape opposite a starting mark. After the recorder had operated for a desired period, the finishing time was recorded opposite another mark, and the instrument was removed. A mechanical device developed to facilitate reading recorder tapes made it possible easily to determine the exact times receiving sets had been in operation and the stations to which they had been tuned.

The ten weeks' survey of Boston stations employed a carefully selected sample within a ten-mile radius of the center of downtown Boston. This district was chosen because within it all local stations gave a clear signal and therefore all families were free to choose between the same programs offered. One hundred instruments were used, each being left in a home for one week, then moved to another home. Thus during the ten-weeks' period of the survey the listening habits of 1,000 families were recorded. In all, 101,004 quarter hours of listening were recorded.

Exhibit 1 shows the popularity percentages of Boston stations by hourly periods as indicated by the Elder survey. This table was constructed from the record of quarter-hour listenings indicated on the audimeters. One hundred per cent for any hour represents all the quarter-hour listenings, and the percentage for each station represents its share of total listenings during the hour.

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[1] A more complete explanation of the survey method followed will be found in "A New Type of Radio Coverage Research," by Robert F Elder, *American Marketing Journal*, January, 1936

EXHIBIT 1

Boston Station Popularity Percentages by Hourly Periods—Elder Survey

	WNAC	WAAB	WEEI	WBZ	WHDH	WMEX	WCOP	WORL	Outside Stations	Total
7–8 a.m.	34 8 %	4.5 %	29 3 %	21 4 %	5.2 %	*	4.0 %	*	.8 %	100 %
8–9 a.m.	27.4	14.2	24.5	18.0	5.4	3.7 %	5.8	.1 %	.9	100
9–10 a.m.	24.2	9.2	33.1	12.7	8.8	3 2	7 0	.9	.9	100
10–11 a.m.	25.6	12.0	29.2	11.3	7 6	4.6	7.3	1.1	1.3	100
11–12 Noon	25.4	12.2	24.2	12.2	8.7	5.6	8.4	2.3	1.0	100
12–1 p.m.	27.2	10.3	18.5	15.5	14.0	3.6	7.2	1.9	1 8	100
1–2 p m.	31.3	13.2	13.1	11.3	16 0	4.7	6.7	2.1	1.6	100
2–3 p.m.	23.6	13.0	16.1	17.3	15.3	4.9	7.1	1 2	1.5	100
3–4 p.m.	22.8	16.9	15 3	20.9	10.1	5.2	5 4	1.9	1 5	100
4–5 p.m.	30.9	16.7	18.4	15.4	10.1	4.3	1.8	.8	1.6	100
5–6 p.m.	31.6	15.5	17.9	16.0	12.3	4.1	*	*	2.6	100
6–7 p.m.	30.3	15.5	26.7	14.2	6.7	3.7	*	*	2.9	100
7–8 p m.	32 7	9 7	30.4	20.4	*	2.0	*	*	4 8	100
8–9 p.m.	26.3	6.7	34.5	25.6	*	2.0	*	*	4 9	100
9–10 p.m.	28.0	7.5	25.9	32.4	*	1.8	*	*	4.4	100
10–11 p m.	30.6	12.4	17.9	30.2	*	2.9	*	*	6.0	100
11–12 Mid.	31.3	17 4	18.6	20.7	*	2.8	*	*	9 2	100
12–1 a m.	55.4	2.5†	16.9	9.8	*	*	*	*	15 4	100
All Day Average	29.0	11.7	23.8	20.2	5.7	3.3	2 3	.5	3 5	100

* Station not on the air.
† Station only on air at this time during part of survey.
Source: *WNAC Again Proves Its Leadership*, The Yankee Network, Inc., Boston.

Exhibit 2 shows graphically the percentage of radio sets found in operation at each hour from Monday through Friday, as determined by the Elder survey.

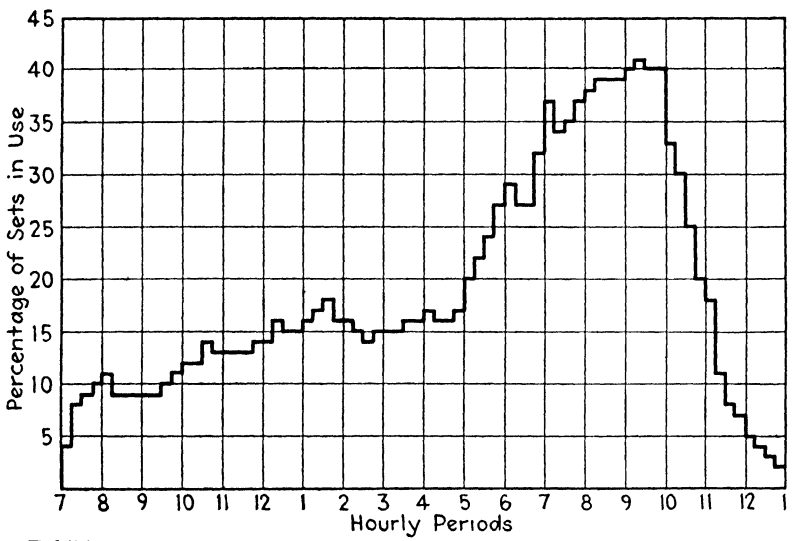


Exhibit 2· Percentage of Sets in Operation, Monday through Friday, Boston, Massachusetts. (Based on 77,992 quarter-hours of listening, November 3, 1935, through January 11, 1936). 100% = all sets owned.

The second report on Boston radio audiences was based on a coincidental survey made by telephone by the Ross Federal Service and Research Corporation. This survey was conducted from 9 a.m. through 10 p.m. daily for the period December 6–12, 1936, and involved over 12,000 telephone calls. For each call a record was made of the station and program tuned in at the time.

Exhibit 3 is a presentation of station popularity percentages on the basis of hourly periods, as determined by the listenings recorded in this study.

EXHIBIT 3
Boston Station Popularity Percentages by Hourly Periods—Ross Federal Survey

	WNAC	WEEI	WBZ	WAAB	WHDH	WMEX	WCOP	WORL	Out-of-Town and Short-wave Stations	Total
9–10 a m	43 33 %	21 67 %	10 00 %	16 67 %	3.33 %	0.00 %	0.00 %	1.67 %	3.33 %	100 %
10–11 a.m	47 37	25 00	11 84	3 95	3 29	1.97	1.97	1.32	3 29	100
11–12 a.m.	49.62	16 03	19 85	6 11	4 58	.76	2.29	0.00	.76	100
12–1 p.m	49 34	27 63	11 84	5 92	3 29	0 00	66	0 00	1.32	100
1–2 p m	39 02	29 27	12 20	10 57	2 44	1.63	.81	.81	3.25	100
2–3 p.m	49 24	14 39	16 67	6 06	6 06	0 00	1.52	2.27	3.79	100
3–4 p m	42 48	10 46	15 03	17 65	3 27	1 96	3.92	1.31	3.92	100
4–5 p m.	42 86	17 03	13 74	20 88	2 20	2 75	0.00	0.00†	.54	100
5–6 p m	35 00	17 92	16 25	20 00	3 75	4.17	*	*	2.91	100
6–7 p m	48 82	21 21	20 88	6 06	2 02‡	34	*	*	.67	100
7–8 p.m	40 12	24 92	22 80	10 03	*	61	*	*	1.52	100
8–9 p.m	41 27	31 65	19 75	5 57	*	1 52	*	*	.24	100
9–10 p m.	39 41	33 99	18 97	4 93	*	.49	*	*	2.21	100
All Day Average	42.80	24 24	17.59	9.45	1 93	1.27	.58	.33	1.81	100

* Station not on the air.
† Station only on air until 4·15.
‡ Station only on air until 6·30.
Source: *WNAC, Boston's Mos. Popular Station at All Hours'* The Yankee Network, Inc.

The programs of the leading Boston stations then current on Tuesday and Thursday evenings during and near the hours under consideration are shown in Exhibit 4.

Some evidence of current listening habits of the Boston audience for the Tuesday and Thursday evening hours under consideration was available from the Ross Federal survey. Exhibit 5, given on page 639, shows in the first column for each program the percentages of those who had their sets in operation tuned to the various programs. The second column shows the percentage of total set owners interviewed who were tuned to these programs. The second figure is less, of course, because only about 40% of those interviewed had their sets turned on at the time.

EXHIBIT 4

Programs of Leading Boston Stations, Tuesday and Thursday, 7:45–9:00 P.M.

Tuesday Evening

Hour	WNAC*	WEEI†	WBZ‡	WAAB§
7:45	Terri Franconi (Tenor Soloist) Sustaining Program	Boake Carter (News Commentator). Sponsor: Philco Radio	Happier Lives. Sustaining Program	Al Donahue's Orchestra. Sustaining Program
8:00	Leo Reisman's Orchestra and Supporting Features. Sponsor Philip Morris & Co., Ltd.	Hammerstein Music Hall (Music, Varieties) Sponsor: Kolynos	Log Cabin Dude Ranch (Jackie Cooper), Varieties. Sponsor General Foods	Orchestra (Dance Music). Sustaining program
8:30	Wayne King's Orchestra. Sponsor: Lady Esther Company	Al Jolson Show (Varieties) Sponsor. Lever Bros.	Edgar Guest. Sponsor: Household Finance Corporation	H. Williams Orchestra. Sustaining Program
9:00	Sidewalk Interviews. Sponsor: Mollé Shaving Cream	Watch the Fun Go By (Varieties). Sponsor. Ford Motor Company	Ben Bernie (Music and Varieties) Sponsor: American Can Company	Gabriel Heatter (News Commentator). Sponsor: Grove Medicine Company

Thursday Evening

7:45	Adrian O'Brien (Soloist). Sponsor. Community Dentists (Local)	Boake Carter (News Commentator). Sponsor: Philco Radio	Jerry Cooper (Singer). Sponsor: Procter & Gamble Company for Drene Shampoo	Al Donahue's Orchestra. Sustaining Program
8:00	Rudy Vallee and Connecticut Yankees (Orchestra and Variety) Sponsor: Standard Brands—Royal Gelatin	A. & P. Bandwagon, Kate Smith (Music and Varieties). Sponsor: A. & P.	N.B C. Symphony Orchestra Sustaining Program	Symphony Orchestra. Sustaining Program
8:30	"	"	"	Rudy Bundy's Orchestra. Sustaining Program
9:00	Lanny Ross, Maxwell House Show Boat, Varieties. Sponsor: General Foods—for Maxwell House Coffee	Major Bowes' Amateur Hour. Sponsor Chrysler Sales Corporation	N B C. Jamboree. Sustaining Program	Musical Program. Sustaining Program

* Chain affiliation: National Broadcasting Company, Red Network.
† Chain affiliation: Columbia Broadcasting System.
‡ Chain affiliation: National Broadcasting Company, Blue Network.
§ Chain affiliation: Mutual Broadcasting System.

EXHIBIT 5
Certain Program Ratings as Shown by the Ross Federal Survey Conducted in Boston, December 6–12, 1936

Length of Program	Program	Percentage of Sets in Operation Tuned to Program	Approximate Percentage of Set Owners Tuned to Program
Tuesday			
15 Minutes	Boake Carter	30%	12%
½ Hour	Leo Reisman	43	17
½ Hour	Hammerstein Music Hall	43	17
½ Hour	Wayne King	29	12
½ Hour	Edgar Guest	29	12
½ Hour	Sidewalk Interviews	22	8
½ Hour	Ben Bernie	22	8
½ Hour	Ford Program—Fred Waring*	55	22
Thursday			
15 Minutes	Boake Carter	30	12
15 Minutes	Community Dentists	50	20
1 Hour	Rudy Vallee	60	24
1 Hour	Kate Smith	31	12
1 Hour	Major Bowes	35	14
1 Hour	Maxwell House	59	24
1 Hour	Symphony Orchestra	6	2½

* This program had new talent after January, 1937.

Since the number of telephone interviews made in any one quarter hour was necessarily limited, the chance error involved in these figures is high. Accordingly they must be accepted with a large possible error in mind.

Further evidence of the popularity of the various programs was available, however, through reports of the Cooperative Analysis of Broadcasting, a research service supported by certain national broadcasters and by the national chains. The research work for this organization was carried on by Crossley, Inc.

The method followed by Crossley Inc., in determining consumer listening habits was to have its representatives make telephone calls four times daily to determine what programs the interviewees remembered having heard. The basis for determining a program rating was stated in Cooperative Analysis of Broadcasting reports as follows.

1. The investigation is carried on in 33 major cities reached regularly by programs from the networks of the Columbia Broadcasting System, and the National Broadcasting Company, Red and Blue.

2. The ratings given in this report are for a particular group of cities which may or may not be representative of the country as a whole.

3. The information is obtained from radio set owners by telephone by asking if their sets were in use and if so at what time, to what program and to what stations the set owner listened.

4. The interviews are made four times a day, calls being made (in each case time given is local time):

At 12:15 p.m. covering up to 12:00 noon of the same day.
At 5:15 p.m. covering from 12:00 noon to 5:00 p.m. of same day.
At 8:15 p.m. covering from 5:00 p.m. to 8:00 p.m. of same day.
At 9:00 a.m. covering from 8:00 p.m. to 12:00 p.m. of previous day.

5. When an informant gives any description of a program which makes identification possible, the program is entered on C. A. B. records as having been heard.

6. Each program rating is an average of the identifications or mentions recorded for the current and preceding week during which the investigations were made.

7. The number of set owners interviewed in those cities where the investigations were made and which are also reached by the program's network is taken as 100%.

8. The number of radio sets reported tuned to the individual program is represented by a percentage of that 100%, i.e., of set owners interviewed.

9. Where a program is broadcast more than once a week, the ratings for all of these broadcasts are combined into an average for the week.

10. All program ratings must be considered subject to a normal fluctuation of 1½ points, plus, or minus, in addition to the seasonal trends and competition of individual programs.

Listed in Exhibit 6 on page 641 are the ratings derived from interviews for the period December, 1936, to February, 1937, of certain chain programs which were appearing at the hours under consideration by the Throckmorton Brewing Company.

Station WAAB did not present maps showing its coverage geographically, nor did it make claims of the number of homes reached. A study issued by the Columbia Broadcasting System in 1935,[1] in which listening areas were determined by responses to an offer of a souvenir joke book, indicated that WAAB had

[1] *Day and Night Listening Areas,* Columbia Broadcasting System, 1935.

good coverage in four Massachusetts counties with a total population of 2,664,000 in which it was estimated that there were approximately 554,000 radio homes out of a total of 650,000 families. Occasional listening was indicated in a secondary area of some 20 counties.

A more conservative approach to the number of listeners might be had by restricting calculations of coverage solely to the Boston area. A report made by the Columbia Broadcasting System,[1] based on extensive consumer surveys throughout the

EXHIBIT 6
Ratings for Selected Chain Broadcasts Based on Interviews during December, 1936, and January-February, 1937.

Program	Percentage of Set Owners Interviewed Tuned to Program
Major Bowes' Amateur Hour	23.2
Rudy Vallee	20.1
Al Jolson	14.7
Maxwell House Showboat	14.4
A. & P Bandwagon—Kate Smith	14.2
Ben Bernie	12.7
Boake Carter	12.4
Wayne King	9.8
Ford Motor Company Varieties	8.3
Hammerstein Music Hall	8.0
Sidewalk Interviews	6.6
Leo Reisman	6.3
Edgar Guest	5.5
Log Cabin Dude Ranch	3.7
Gabriel Heatter	1.6

Source *C A B. Program Report* (Volume VII, Report 23, for Period Ending February 9, 1937). The Cooperative Analysis of Broadcasting.

United States, indicated that in large cities 93.8% of the families owned radios, that 96.1% of radios were kept in working order, and that at least 77.3% of all radios were in use sometime each day for an average length of 4.8 hours. Station WAAB had clear signal strength throughout the metropolitan area and well beyond. The population of metropolitan Boston was estimated by the Bureau of the Census to be 2,307,897.

Station WAAB was established in 1931. It was the basic Boston station of the Mutual Broadcasting System, established in 1936. In addition, it was a part of the Colonial Network, founded in September, 1936, which consisted of 11 New England stations.

[1] *Radio in* 1936, Columbia Broadcasting System, 1936.

The rates for musical or dramatic programs over leading Boston stations during evening hours were as shown in Exhibit 7.

EXHIBIT 7
Time Charges of Leading Boston Stations for Evening Hours

	WNAC	WEEI	WBZ	WAAB
1 Hour	$400	$350	$400	$200
¾ Hour	320			160
½ Hour	240	210	240	120
¼ Hour	160	140	160	80
10 Minutes			134	
5 Minutes	80			40

Station WAAB, which was under the same general management as WNAC, the Red Network station of the National Broadcasting Company, and the chief station of the Yankee Network, offered to furnish talent to the Throckmorton Brewing Company. Talent costs were as follows.[1]

Symphony Orchestra (40 men)	
½ Hour with 1 Hour Rehearsal	$ 425
Military Band (26 men)	
½ Hour with 1 Hour Rehearsal	350
Concert Orchestra (18 men)	
¼ Hour with ½ Hour Rehearsal	130
½ Hour with 1 Hour Rehearsal	200
Dance Orchestra (12 men)	
¼ Hour with ½ Hour Rehearsal	96
½ Hour with 1 Hour Rehearsal	135
String and Wood Wind Ensemble (9 men)	
¼ Hour with ½ Hour Rehearsal	72
½ Hour with 1 Hour Rehearsal	108
Members of Boston Symphony Orchestra, either Soloists or in Any Combination—Prices on Request.	
Philharmonic Choir (16 voices with accompanist and director), Modern Arrangements—½ Hour	200
Male Chorus (16 voices)	150
Double Male Quartette	110
Male Quartettes	50–100
Mixed Quartettes	50–100
Soloists (male or female)	15–200
Hawaiian Orchestra	75
Argentine Quartette (strings)	75
Mountain Melodies (Hill Billy)	60
Negro Spirituals	60
Male or Female Trios	35
Harmony Duo	35
Dramatic Production (script acts)	25
Stock Company	75
Grand organ available to advertisers for use in connection with other talent. Staff organist $10 per broadcast of ½ hour or less. Name bands and theater stars available on request. All prices include rehearsal. All prices subject to 15% agency discount.	

[1] *Radio Advertising Rates and Data*, Standard Rate & Data Service, December, 1936.

The salesman of WAAB stated that even though the company would have to compete with strong chain broadcasts at the hours available, he believed that the securing of an audience was a matter of showmanship, and that if the company was skillful it could secure in a reasonable time a good following for its program. He maintained that different people liked different types of programs and that a considerable number would turn to the type of program it liked, provided the quality was good and an individuality was established. He pointed out that many programs which became very popular on chain broadcasts had developed from sponsorship by local advertisers.

Should the Throckmorton Brewing Company have bought time on Station WAAB?

What length of program would you advise? At what hour?

What kind of program would you advise for this broadcast?

11. CARY CLEANSERS, INC. (C)[1]

USE OF CAR CARDS

In outlining the proposed advertising program to the executives of Cary Cleaners, Inc., Mr. John Mason of the advertising agency of Prentiss-Mason Company called attention particularly to the use of car cards for direct-action advertising of cleansing service for specific articles at specific prices. He conceded that such a use of car cards for direct-action advertising was somewhat unusual, inasmuch as the most common employment of the medium was for simple name display similar to the use of outdoor billboards, and certainly was in direct contrast to the previous car-card publicity of Cary Cleansers, Inc. He reiterated his reasons for discarding institutional name-display advertising, however, and suggested that car cards, traditionally regarded as an inflexible medium, could by judicious use be given much of the flexibility of newspapers.

In discussing the use of car cards, Mr. Mason pointed out that they were an auxiliary rather than a competitive medium. News-

[1] See case of Cary Cleaners, Inc. (A), p. 352.

paper advertising had limited circulation, short life, and made a relatively strong impression on readers. Car-card advertising had almost universal circulation, long life, and made a relatively weak impression on readers. He proposed to use both media and to endeavor to eliminate the inflexibility of car cards by arranging to vary the quantity in use, purchasing a full run in all cars throughout the metropolitan transportation system in some months and only one-half or one-quarter runs in other months. Changes would be based on the seasonal expectancy of sales returns, planned advertising cost percentages, and their relation to departmental profit budgets. He planned to introduce further flexibility by the geographical distribution of cards through the transportation system, avoiding lines tapping metropolitan areas where a majority of the population belonged to an economic class that could not afford Cary service. Some cards would run unchanged for a month. Others would be removed at the end of a week if sales returns indicated the advisability of taking such action. Double cards would be employed throughout, because from his experience Mr. Mason believed that a double card had a visibility three times as great as a single card.

Direct-action advertising would be stressed, and little or no use would be made of the familiar Cary trade-mark, which had been constantly and prominently displayed on car cards prior to 1933. The Cary name would not be subordinated to the copy, however, and would remain the single most prominent feature of each advertisement. Mr. Mason intended to experiment with various types of copy. In some cards he proposed to feature one article and its price. In other cards he would call attention to several articles at various prices. As in the newspaper advertising, a list of retail stores in the metropolitan area would be carried on every car card, and the telephone number of the cleansing plant would be clearly displayed.

12. PARKER-KALON CORPORATION

USE OF DIRECT-MAIL ADVERTISING FOR SELF-TAPPING SCREWS

Until October, 1928, the direct-mail advertising of the Parker-Kalon Corporation, although it had been extensive, had not been systematically planned. Mailings had been sent at irregular intervals and there had been no logical sequence of appeals. At that time, however, the company decided to undertake to determine, by means of a record of inquiry costs for a carefully planned direct-mail campaign, the value of direct-mail advertising as compared with publication advertising in securing new customers and developing new uses for Parker-Kalon self-tapping screws.

Prior to 1927, the Parker-Kalon Corporation had sought to develop only the primary markets for its self-tapping screws. After initial distribution had been secured, no salesmen had been employed. The company depended upon its extensive trade and industrial journal and direct-mail advertising to stimulate demand for its screws and thereby to induce its 650 distributors to continue to stock them and to solicit orders from users. The company's advertising had been aimed primarily at securing initial use of the screws by prospective customers since, in the company's experience, repeat purchases followed readily after initial purchases. Typical of the company's advertising appropriations was that of 1926, when approximately $30,000 was expended, 80% for trade and industrial journal advertising, and 20% for direct-mail advertising.

At that time, the company's direct-mail advertising had consisted principally of leaflets and folders explaining the advantages of self-tapping screws, suggesting the variety of the uses to which they might be put, and naming prominent industrial users. On the direct-mail material sent to each territory the names of the Parker-Kalon Corporation's nearest distributors were given. Several million pieces were mailed annually from the company's office in New York to a list of persons whose names were submitted by wholesalers or obtained from industrial catalogues and directories.

The company had circularized the primary markets principally, since it was difficult to build up lists of prospective users in the secondary markets. It was difficult also for the company to

segregate customers from prospective customers, inasmuch as the goods were sold through distributors; for this reason, customers and prospective customers had been circularized with the same material. Each mailing had been devoted to a single one of the three types of self-tapping screws, but the mailings had not been specialized by industries. Exhibit 1 shows the first page of one of the folders used in direct-mail advertising of that period.

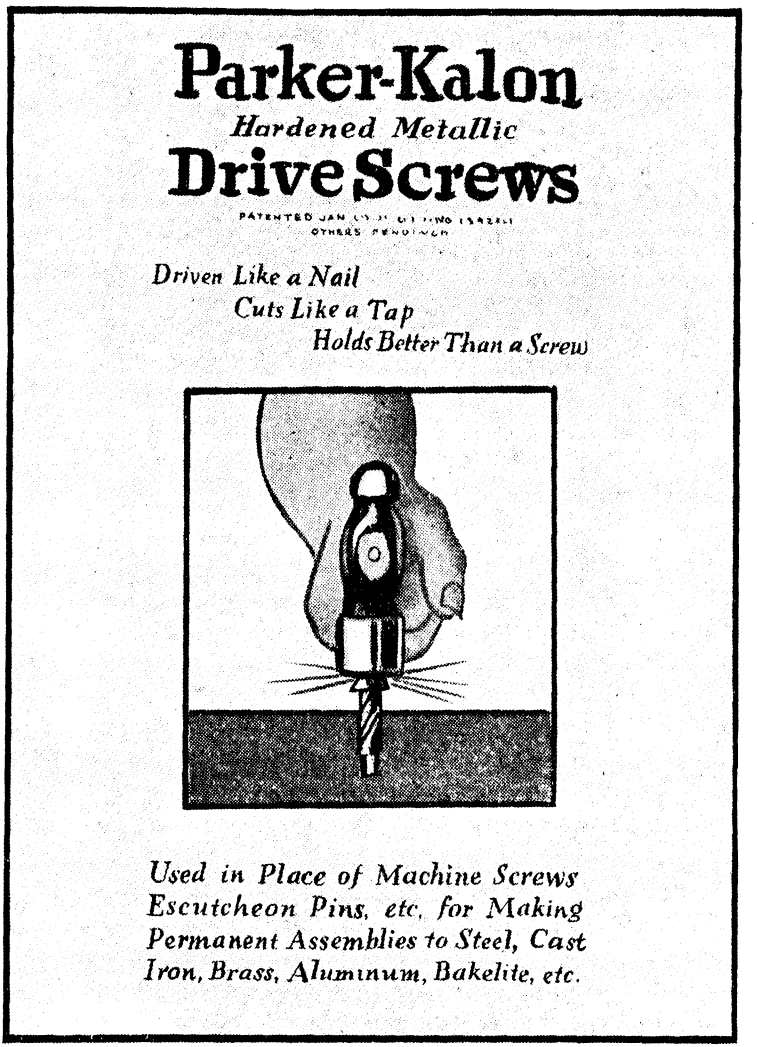
By 1927, the Parker-Kalon Corporation had effected wide distribution and use of its self-tapping screws in its primary markets, and annual sales exceeded $1,000,000. In that year the company instituted an advertising campaign in the *Saturday Evening Post* in an attempt to develop secondary markets and also to obtain new customers in the primary markets who had not been reached by the other advertising. The advertising appropriation in 1927 was approximately $75,000, of which $30,000 was used for the *Saturday Evening Post* campaign, $10,000 for direct-mail advertising similar to that used in the previous year, and $35,000 for full-page advertisements appearing monthly in the following trade and industrial journals:

American Machinist
Machinery
Iron Trade Review
Electrical Record
Automotive Industries
Motor Vehicle Monthly
Autobody
Journal of the Society of Automotive Engineers
Sheet Metal Worker
National Sheet Metal Contractor
American Artisan
Furnaces and Sheet Metals
Railway Mechanical Engineer

During the 1927 campaign, the cost per inquiry for trade and industrial journal advertising was approximately $30; for direct-mail advertising, approximately $7; and for the advertising campaign in the *Saturday Evening Post*, approximately $100 for desirable inquiries. About 80% of the inquiries resulting from that campaign were judged to be practically valueless, coming either from curiosity seekers or from very small potential users. The relatively low cost of inquiries in answer to direct-mail advertising was attributed to the familiarity which industrial firms had with the products as a result of the Parker-Kalon Corporation's extensive trade and industrial journal advertising.

In 1928, the Parker-Kalon Corporation increased its total advertising appropriation slightly. The campaign in the *Saturday Evening Post* was not to be repeated, the cost per desirable inquiry

being deemed too high, but a similar campaign consisting of full-page advertisements appearing monthly in *Nation's Business* was planned for the same purposes. Since the circulation of *Nation's*



Business was more closely confined to business executives than was that of the *Saturday Evening Post*, a lower cost per desirable inquiry was expected. Twenty per cent of the advertising

appropriation was to be used for the advertising campaign in *Nation's Business;* 20% was to be spent for direct-mail advertising; and the remaining 60% was to be expended for advertising in the following enlarged list of trade and industrial journals:

Automotive Industries
Motor Vehicle Monthly
Railway Mechanical Engineer
The Iron Age
Iron Trade Review
National Sheet Metal Contractor
Journal of the Society of Automotive Engineers
American Artisan and Hardware Record
Furnaces and Sheet Metals
Journal of the American Institute of Electrical Engineers
Sheet Metal Worker
Mill and Factory Illustrated
Factory and Industrial Management
American Machinist
Machinery
Electrical World
Fisher's Machinery Guide

Up to October 1, 1928, the cost per desirable inquiry resulting from the advertisements in *Nation's Business* was approximately $50, while the costs of inquiries from trade and industrial journal and direct-mail advertising closely paralleled those of previous years. At that time, the relatively low cost of inquiries from direct-mail advertising led the Parker-Kalon Corporation to seek to determine the effectiveness of that type of advertising when systematically planned, with a view to the possibility of increasing the proportion of the appropriation used for that purpose.

The general purposes of the new direct-mail advertising campaign were to be the same as those of the previous campaigns; namely, to develop new customers for Parker-Kalon self-tapping screws and to develop new uses by old customers. To this end, the advertising was planned to acquaint non-users with the merits of the screws and to secure from them information concerning their manufacturing processes which would enable the company to make intelligent recommendations as to the use of its screws. The advertising also was designed to induce those manufacturers who already were customers to extend the application of the screws in their assemblies. The information received in response to the direct-mail advertising, furthermore, was expected to be of aid in writing publication advertisements featuring specific applications of the products.

The campaign was designed to reach a list of 16,000 companies, compiled from the previous lists of the Parker-Kalon Corporation, from the inquiries resulting from the general magazine advertising, and from the names of manufacturers included in industrial

catalogues and directories. The mailings to each company were to be addressed to that executive who was believed to have the most influence in the selection of an item such as screws. Most of the firms to be circularized belonged in the company's primary markets. The company classified these firms in four groups: those in the electrical industry; those in the automotive industry; those in the sheet-metal industry; and railroads. It further classified them as to whether they could make use of the Drive Screws or of Types *A* and *Z*. The letters and circulars sent out were differentiated according to these groupings. The first mailing was sent on October 12, 1928, to the entire list of 16,000 names. Included in it was a multigraphed letter under the company's letterhead, with the name and address of the recipient typed in, and with a stamped impression of the sales manager's signature which could not be distinguished readily from a personal signing. In addition to the letter, the mailing included a folder describing the uses and advantages of the screws in detail, with illustrations showing the screw itself as well as three men using it in as many different kinds of repair work; a business reply card; and, in a cloth bag attached to the envelope, two small pieces of metal joined together with Parker-Kalon self-tapping screws, and two or three additional screws. The text of the letter and reply card accompanying the folder are reproduced below:

October 12, 1928

DEAR SIR:

Here is an opportunity to see how leading railroads are saving 50% and more of the cost of making sheet metal repairs on cars and locomotives . . . by using Parker-Kalon Hardened Self-tapping Sheet Metal Screws.

In the attached bag you will find two pieces of metal joined with a Parker-Kalon Sheet Metal Screw. Take the extra Screws and drive them home in the holes provided. An ordinary screwdriver is all you need.

Note how easy it is to turn in a Parker-Kalon screw . . . how firmly it binds the sections together. No tapping operation—no tapping plates or other holding devices—no nuts or washers. Now turn out one of the Screws. See how it has actually cut its own thread in the metal—just like a tap!

These Screws effect remarkable savings in time and labor and the fastenings they make stand up under vibration and the most severe service conditions.

In car and locomotive repair shops Parker-Kalon Screws are used for patching and repairing steel roofs; applying gutters to roofs of

steel cars; securing ventilator panels to steel cars; applying outer weather-strip, repairing steel head lining; applying and repairing inside finish sheets in baggage and express cars, attaching fixtures, molding, hardware, etc., to car interiors; repairing locomotive boiler jackets, head-light castings, etc.; fastening clips and conduit clamps to locomotives, and for many other purposes.

Perhaps you, too, can use Parker-Kalon Screws to advantage. Our Engineering Advisory Service places at your disposal many years of experience in the solution of sheet metal assembly and repair problems in the railway field. There is no charge for this service. Simply send us a detailed description of any applications you may have in mind and we will gladly furnish a generous supply of samples of the proper size for you to experiment with. Or, if more convenient, fill out and mail the enclosed post-card (no stamp required).

Yours very truly,

PARKER-KALON CORPORATION
Sales Manager

P. S. TO USERS OF OUR SCREWS:

Won't you please confer a favor by filling in the post-card with the information requested, and so enable us to complete our records?

The business reply card was worded as follows:

The return of this card (no stamp required) may lead to important savings in the manufacturing cost of your product.

Gentlemen:

Send us full information and samples of Parker-Kalon Hardened Self-Tapping Sheet Metal Screws. We wish to find out if we can use them advantageously for

. . . . . .

(State the application you have in mind)

TO USERS: If you are already using our Screws you would do us a favor by telling us here for what purposes:

Name of Company
Address . . .
Attention Mr **Title**

The second mailing was sent out 10 days after the first to a list of 14,500 names; the names of those prospective customers or users who had responded to the first mailing as well as the names of persons reported as unfound were taken off the original list. The second mailing consisted of a four-page illustrated folder, a form on which the recipient could detail the applications in which

he was using or might use Parker-Kalon screws, and a business reply envelope for returning the form. On the first page of the folder was a multigraphed letter, the text of which was varied for each of the four groups into which the company had classified the persons to be circularized. The remaining three pages of the folder were not specialized. They contained illustrations of some of the many ways in which Parker-Kalon self-tapping screws could be used to cut costs, together with a list of prominent users. The letter addressed to railroad officials in this mailing was as follows:

November 16, 1928

GENTLEMEN:

Did you receive the outfit for testing Parker-Kalon Self-tapping Screws sent to you about 10 days ago? If not, we will gladly send you another one.

If you received it, you probably observed how easily the Screws tap their own thread in the sheet metal—and what an excellent fastening they make.

But the thing that will interest you most of all is the savings that these Screws effect. They are so extensively used in car and locomotive shops for the reason that they reduce sheet-metal repair costs from 50% to 75%. This is not a mere advertising claim but an actual fact. The New York Central, the Big 4, the B & O, the Michigan Central, Pennsylvania, Lackawanna, Southern Pacific, Southern Railway are using Parker-Kalon Self-tapping Screws because they make fastening easier, quicker, cheaper and better than other devices or methods!

You, too, can effect large economies by using these unique Screws. Why not let our Engineering Advisory Service help you find out where they can be employed to advantage? The information service form sent herewith will enable us to do this without cost or obligation to you.

If there is a possible chance that you can use our Screws, fill in and mail this form back to us in the enclosed envelope (no stamp required). It may lead to important savings and improvements for you.

Yours very truly,

PARKER-KALON CORPORATION
Chief Engineer

P. S. TO USERS OF OUR SCREWS:

Won't you please confer a favor by filling in the post-card with the information requested, and so enable us to complete our records?

The form sent with the second mailing was worded as shown on page 652.

The third mailing, sent two weeks after the second mailing, was designed to attract the attention of those persons who had ignored the previous two mailings. It contained a multigraphed letter which asked the recipient to cooperate with the company by returning the inclosed information form and told of the economies which the use of the screws had effected for other companies. A booklet, called "The Evolution of the Screw," was sent with this mailing. The booklet contained a historical treatment of the development of the screw from the earliest times, leading up to the development of the Parker-Kalon self-tapping

INFORMATION SERVICE FORM

Every manufacturer interested in cutting costs and speeding up production will do well to thoroughly investigate the possibilities for saving time and labor through the use of Parker-Kalon Hardened Self-tapping Sheet Metal Screws. The return of this form filled in with the necessary information will enable us to send you suitable samples for test and make recommendations which may lead to important savings in the manufacturing cost of your products.

Concerns that are already using these Screws should also avail themselves of our Engineering Advisory Service. Our recommendations on your present application for the Screws or on any new assemblies which you may have in mind will prove of value.

Engineering Advisory Service
Parker-Kalon Corporation
200 Varick Street
New York, New York

Gentlemen:

Without obligating us in any way, please advise whether Parker-Kalon Hardened Self-tapping Sheet Metal Screws can be used advantageously for the following applications:

. . . . . .
. . . . . .
. . . . . .

A sketch / blueprint } showing details of the proposed assembly is attached.

TO USERS: If you are already using our Screws, you will do us a favor by stating below for what purpose.

. . . . . .
. . . . . .

Name of Company
Street
City **State**
Attention of Mr. **Title**

screws as the climax. This indirect appeal was expected to interest those persons who had failed to respond to the direct appeals of the previous mailings. Since the number of booklets which the company was willing to distribute was limited, the mailing list was reduced to the names of the 8,000 persons, among the total number who had not replied to the other mailings, who appeared to be most promising as future customers.

Exhibit 2 shows for each mailing the number of pieces mailed, the approximate cost of each mailing, the number of inquiries, and the cost per inquiry.

EXHIBIT 2

Number of Pieces Mailed, Cost of Each Mailing, Number of Inquiries, and Cost per Inquiry for Direct-mail Campaign of Parker-Kalon Corporation during October, 1928

	Mailing 1	Mailing 2	Mailing 3
Number of Pieces Mailed	16,000	14,500	8,000
Approximate Cost	$1,450	$1,040	$475
Number of Inquiries from Non-Users	320	179	71
Cost per Inquiry, Non-Users	$4.53	$5.81	$6.69
Number of Inquiries from Users	203	90	40
Cost per Inquiry, Users and Non-users	$2.77	$3.86	$4.28

As a result of its experience with the direct-mail advertising campaign of October, 1928, the Parker-Kalon Corporation planned to divide its increased appropriation for 1929 equally between direct-mail advertising and trade and industrial journal advertising. This program was not regarded as permanent, however. The company planned to keep a tabulation of inquiry records in 1929 and to divide its advertising appropriation in 1930 on the basis of the inquiry results.

13. DICTOGRAPH PRODUCTS CORPORATION (B)

USE OF DIRECT-MAIL ADVERTISING

In December, 1927, the Dictograph Products Corporation of New York had carried on in Detroit, as an experiment, a direct-mail advertising campaign for the Dictograph System. Direct mail had not been employed previously by the company. Nearly 4,000 letters at a total cost of $300 were sent to the chief executives

of companies operating in the Detroit sales territory. The results of the campaign had been gratifying, since the results in sales directly traceable to the campaign had made it practically self-sustaining. The success of this campaign had led the executives of the Dictograph Products Corporation to undertake a more extensive direct-mail advertising campaign during 1928.

In 1928 the Dictograph Products Corporation had been manufacturing and distributing electrical sound-transmitting instruments for over 25 years.[1]

EXHIBIT 1

Cost of 1928 Direct-mail Campaign by Sales Districts

	Number of Names in List	Proportional Cost
Sales and Service Offices		
Boston	1,297	$ 377.91
Chicago	1,718	501.23
Cleveland-Pittsburgh	1,544	449.52
Detroit	800	234.70
Kansas City	1,558	457.47
New York	3,189	934.83
Philadelphia	1,375	401.78
Atlanta	463	135.25
Buffalo	411	119.34
Hartford	188	55.69
Minneapolis	378	111.38
St. Louis	381	111.38
Washington	300	87.52
Home Office		3,978.00
Agencies		
Cincinnati	476	38.08
Indianapolis	316	25.28
Los Angeles	510	40.80
Louisville	172	13.76
Portland	349	27.92
San Francisco	268	21.44
Seattle	340	27.20
Total	16,033	$8,150.48

During the period from September, 1926, to June, 1927, the company had expended $23,000 for advertising space in magazines reaching executives, such as *Business*, *Forbes*, *Nation's Business*, *Clearing House*, and *Magazine of Business*. This was a much

[1] See Dictograph Products Corporation (A), p. 482.

larger advertising campaign than had been attempted in previous years, although the same type of media had been used.

In 1928 it was planned to spend approximately $10,000 in magazine advertising. The magazines considered for the 1928 campaign were *Nation's Business*, *Magazine of Business*, and *Review of Reviews*. The first two magazines were selected because they had previously demonstrated their value as media for advertising Dictograph Systems; *Review of Reviews* was added because it was believed to circulate among influential executives who might have need of such a communication system. This advertising was recommended primarily for its usefulness as a background for additional advertising programs and salesmen's activities.

EXHIBIT 2
First Mailing

LETTER:

DICTOGRAPH PRODUCTS CORPORATION
Two-twenty West Forty-Second Street
New York, N. Y.

June 28th, 1928

Mr. G. L. Kallman
Central Products Company
Cambridge, Massachusetts

Dear Sir:

Undoubtedly you receive all sorts of circulars and promotion material in your day's mail.

And you haven't either the time or inclination to read them all.

But I believe that the little folder we're enclosing warrants your attention. It deals with a subject of considerable significance to a busy executive and I think you'll find it interesting.

You can read it all in a couple of minutes. I'd appreciate your running through it at your convenience.

Sincerely yours,
District Manager

REPLY CARD:

It all sounds interesting enough BUT . . . we'll have to be shown. Suppose you have one of your men drop in to tell us the rest of the story about the Dictograph Interior Telephone.

Company.....
Address.....
Individual to see .....
When?.....

For the 1928 direct-mail advertising of the Dictograph System, a list of approximately 15,000 names was selected from the *Office Equipment Catalogue* as the nucleus of the completed list. The names selected were those of the presidents or chief executives of all companies having a credit rating of over $125,000. The

EXHIBIT 3
Second Mailing

LETTER:

DICTOGRAPH PRODUCTS CORPORATION
Two-Twenty West Forty-Second Street
New York, N. Y.

July 7th, 1928

Mr. G. L. Kallman
Central Products Company
Cambridge, Massachusetts

Dear Sir:

In one sense this letter is much like the overture before the play.

Frankly, it's intended to flag your attention.

Knowing what happens to so much mail-matter of this sort, we're anxious if possible to avoid a similar "fate" for the little folder that is enclosed.

We think it's well worth a moment or two of your time. Will you try to give it your attention either now or later in the day?

Very sincerely yours,
District Manager

REPLY CARD:

WE'RE BUSY

Which is precisely the reason why we'd like to save time. If Dictograph Interior Telephones will help us accomplish this, we're willing to hear more about them.

Company.....
Address.....
Individual to see .....
When? .....

Dictograph Products Corporation believed that its product was most useful to such companies and that the chief executive was the logical person to whom an appeal should be made for this

EXHIBIT 4
Third Mailing

LETTER:

DICTOGRAPH PRODUCTS CORPORATION
Two-Twenty West Forty-Second Street
New York, N. Y.

July 17th, 1928

Mr. G. L. Kallman
Central Products Company
Cambridge, Massachusetts

Dear Sir:

Even if you aren't a devotee of the sport, I'm reasonably sure that the accompanying folder, "It's Exactly Like Golf," will provide you with a few moments' interesting reading.

It explains a System which many busy executives have found wonderfully effective for putting extra hours into the day . . . for golf, perhaps.

The logic of the idea will undoubtedly appeal to you.

Very sincerely yours,
District Manager

REPLY CARD:

ALL RIGHT
WE'LL LISTEN

You may have one of your representatives call to tell us how we can profitably use the DICTOGRAPH Interior Telephone.....

Company.....
Address .....
Individual to see .....
When?.....

product. The names were then divided according to the sales districts of the Dictograph Products Corporation, after which a local list was sent to each sales and service branch and to each agent for checking. The checking operation consisted of the verification of addresses and names and the addition of any pros-

pects who might have been omitted. As a result of such additions, the list was increased to 16,000 names. Many of the names on

EXHIBIT 5
Fourth Mailing

LETTER:

DICTOGRAPH PRODUCTS CORPORATION
Two-Twenty West Forty-Second Street
New York, N. Y.

July 27th, 1928

Mr. G. L. Kallman
Central Products Company
Cambridge, Massachusetts

Dear Sir:

"Fiat!" . . .
Imperial Caesar's peremptory command:
"Let it be done."

The enclosed booklet tells you how it *can* be done—reaching the goal of the busy executive—the elimination of every unnecessary step and motion.

Two minutes reading the enclosed booklet may mean many a two minutes saved every day both by yourself and your office corps.

Very sincerely yours,
District Manager

REPLY CARD:

YES . . . OF COURSE

We're interested in *anything* that will add to our efficiency. Have one of your men drop in and tell us more about the DICTOGRAPH Interior Telephone . . . we'll listen!

Company. . . . . .
Address . . . . . .
Individual to see . . . . . .
When?. . . . . .

the list would have been covered in the regular calls of salesmen, but a large number of the names represented prospects who had not been previously approached.

To the 13 districts in which the company maintained branch sales or service offices, the cost of the direct-mail campaign was allocated in proportion to the number of names appearing on the mailing list for each territory. Each branch was apportioned one-half of the cost of the campaign for that branch, the home office assuming the other half. Agents were charged at the rate of 8 cents for each name circularized. Exhibit 1 gives the cost of this campaign in detail.

The direct-mail advertising campaign for the Dictograph System consisted of four mailings, the first in June, 1928, and the others sent at intervals of 10 days. The material for each mailing consisted of a letter and a folder. The letter was multigraphed on regular Dictograph Products Corporation correspondence stationery. The salutation was typed in, and each letter was signed by the district manager of the company or by the president of the agency handling the Dictograph System. The folder described briefly the advantages of the Dictograph System and explained that a company salesman would be able to describe them more fully. A reply card was enclosed, addressed to the district office of the company or to the agent. Upon the receipt of a reply card, a salesman was to call upon the sender immediately; when no reply was received, a salesman was to call at some time during the year. Exhibits 2, 3, 4, and 5 show the letters and the reply cards used.

The number of inquiries resulting from the first three mailings was smaller than the company had expected from its experience with direct-mail advertising in Detroit in 1927. The executives of the Dictograph Products Corporation believed that the letters and folders were satisfactory, but that the time for the campaign was not propitious. In their belief, executives were not in a receptive mood for advertisements of office equipment of this character in the summer, since many were absent on vacations and those who were still at work paid less attention to business matters than at other times of the year. Moreover, the company believed that a period of two months between the third and fourth mailings would renew interest in the campaign on the part of prospective purchasers of the Dictograph System. Accordingly, it was decided to postpone the mailing of the fourth letter and folder until September 22.

On October 1, 1928, the tabulation of inquiries and cost per inquiry of the direct-mail advertising campaign shown in Exhibit 6 was made.

EXHIBIT 6
Number of Inquiries Received and Cost per Inquiry of 1928 Direct-mail Campaign

	Number of Names on List	Proportional Cost	Number of Inquiries	Cost per Inquiry
Sales and Service Offices:				
Boston	1,297	$ 377.91	5	$151.00
Chicago	1,718	501.23	13	77.00
Cleveland-Pittsburgh	1,544	449.52	7	129.00
Detroit	800	234.70	5	94.00
Kansas City	1,558	457.47	19	48.00
New York	3,189	934.83	11	170.00
Philadelphia	1,375	401.78	2	401.00
Atlanta	463	135.25	0	
Buffalo	411	119.34	1	238.00
Hartford	188	55.69	2	55.00
Minneapolis	378	111.38	9	25.00
St. Louis	381	111.38	5	44.00
Washington	300	87.52	2	87.00
Home Office		3,978.00		
Total	13,602	$7,956.00	81	$ 98.22
Agencies:				
Cincinnati	476	$ 38.08	4	$ 9.52
Indianapolis	316	25.28	2	12.64
Los Angeles	510	40.80	5	8.16
Louisville	172	13.76	0	
Portland	349	27.92	0	
San Francisco	268	21.44	0	
Seattle	340	27.20	2	13.60
Total	2,431	$ 194.48	13	$ 14.96
Grand Total	16,033	$8,150.48	94	$ 86.71

Exhibit 7 shows the number of replies listed by mailings:

EXHIBIT 7
Number of Replies Received from Each Mailing

	Mailing Number	Number of Replies
June 28	1	26
July 7	2	15
July 17	3	47
September 22	4	6
Total		94

The following summary shows the cost, number of inquiries, cost per inquiry, number of sales, and total amount of sales directly attributable to the magazine advertising campaign for the Dictograph System in the period September, 1926, to July, 1927:

Cost	$23,280
Number of Inquiries	464
Average Cost per Inquiry	$ 54
(Both the space costs and the preparation costs were included in calculating the Average Costs of Inquiries.)	
Sales	
Number	13
Total Amount	7,292

The executives of the Dictograph Products Corporation concluded that, in general, the returns from the direct-mail advertising, as exemplified in the inquiry costs from the larger metropolitan areas such as Boston, New York, Philadelphia, and Chicago, and from the territory included within those sales districts, were poorer than from districts containing smaller cities such as St. Louis, Minneapolis, and Kansas City. This was attributed to the more intense circularization which the larger metropolitan areas received through the mails and to the smaller amount of attention which was paid to direct-mail advertising as a result.

The sales directly traceable to the 1928 direct-mail campaign for the Dictograph System were not more than $12,000 on October 1, 1928. This, however, was not considered a fair measure of the results of the campaign, since the company believed that it had reached many potential purchasers through the mails who would not have been reached in any other way and who were thereby familiarized with the Dictograph System and might be induced to purchase it in the future. Thus they considered that the real results of the campaign would show only over a long period of time, although there would be no method of tracing such results directly to the campaign.

What changes in the use of direct mail should have been made by the Dictograph Products Corporation in 1929?

SECTION X

ADVERTISING AGENCY RELATIONS

SUGGESTED READING

AMERICAN ASSOCIATION OF ADVERTISING AGENCIES, *Papers—1927.*

——— *Analysis and Criticism of a Study Entitled "Advertising Agency Compensation-Theory, Law, Practice."*

DURSTINE, *This Advertising Business*, Chaps. XI–XX.

ELLIS, *Check-List Contracts for Advertising Service.*

GUNDLACH, *Facts and Fetishes in Advertising*, Chaps. V–XI.

HAASE, *The Advertising Appropriation*, Chaps X–XI.

——— in collaboration with LOCKLEY, *Advertising Agency Compensation—Theory, Law, Practice.*

JAMES, *Careers in Advertising*, Chaps. VII–IX, XXIV–XXV.

KEELER AND HAASE, *The Advertising Agency, Procedure and Practice.*

REILLY, *Effects of the Agency Commission System.*

YOUNG, *Advertising Agency Compensation.*

1. CLAPHAM COMPANY

PROPOSED FORMATION OF AN ADVERTISING AGENCY BY ALLIED MANUFACTURERS OF MACHINERY AND MECHANICAL GOODS

The Clapham Company and 10 subsidiary companies, which were widely separated throughout the United States, conducted extensive advertising, for much of which they employed advertising agencies. Directors of the advertising of the different products manufactured were stationed at the several production and sales centers of the companies and had found it convenient to use advertising agencies located near their offices. Inasmuch as none of the advertising agencies employed specialized in the marketing and advertising of the types of products sold by the companies, the advertising department of the Clapham Company proposed the formation of a subsidiary agency to serve the company and its associates.

It was thought that a subsidiary agency could specialize in the marketing problems and practices for the particular types of merchandise sold by the companies and could supply authoritative and carefully prepared information to aid in directing advertising and promotional activities, a service which was needed and which the agencies had not been able to supply adequately.

The companies sometimes changed agencies, and each agency required considerable time to become familiar with the products and marketing problems and to collect necessary data. Since the Clapham Company and its associated companies manufactured many types of machinery and mechanical goods sold both to industries and to consumers, agencies found it difficult to master the technical aspects of the business.

It was believed further that a subsidiary agency would be able to coordinate the advertising activities of the companies. Hitherto the use of numerous agencies had hindered the adoption of a uniform policy and standardized method of presentation for the different products with the result that the effectiveness of the advertising expenditure, in the belief of some executives, was thereby reduced.

The merchandising departments of several of the companies maintained bureaus for the development of dealer helps. It was suggested that specialists in promotional activities among dealers could be employed by the proposed agency to centralize, coordinate, and improve that work.

It was expected that the operations of a subsidiary advertising agency would be profitable.[1] The associated companies spent large sums annually for advertising, more than one-tenth of which was received by agencies in commissions and fees. The company learned that the net profit of the agencies it used amounted to from 2 to 3% of the space charges, and that the commissions paid by the publishers were ordinarily 15%. The company believed that a subsidiary agency might show even a greater profit, since it would not have to spend money and effort in soliciting accounts.

The companies already had developed advertising production facilities and had collected information which duplicated much of that possessed by the agencies. This duplication had come about largely because the companies had found it necessary to prepare and place all copy appearing in trade and technical publications. Those publications ordinarily did not grant commissions to agencies, with the result that advertisements in such publications usually were not placed through agencies. Moreover, the highly technical character of the copy required for the Clapham Company's advertising in technical papers made it inadvisable to leave preparation of such copy to agencies, which ordinarily did not have a personnel fitted to prepare such copy.

The following memorandum, written by a member of the advertising department of the Clapham Company, listed some of the chief functions of advertising agencies and included comments on the Clapham Company's relations with its agencies.

THE FUNCTIONS OF ADVERTISING AGENCIES

1. Investigation of markets: Agencies are well equipped by knowledge and experience to conduct surveys to determine the best advertising plans and practices.

Our agencies are as well equipped as any to conduct market surveys. We have not employed them extensively for this purpose because we have close contact with the entire industry and have our own methods of obtaining information for this purpose. We regard our own agencies

[1] See case of Lydia E. Pinkham Medicine Company, p. 103, for earnings of an advertising agency reported to be controlled by a manufacturer.

and other outside service organizations as available in times of special need and have so employed them.

2. Agencies are qualified by experience to recommend the proper advertising appropriation needed to accomplish the results desired.

A good advertising agency, having made a thorough study of all elements involved for the advertising of a business, is as well qualified as any kind of organization can be to present plans and recommend appropriations for accomplishing results desired. We have not made use of any agency for this kind of service because the process of investigation organization would be of questionable value in assisting us in reaching a logical conclusion. Our practice is similar to that of other advertisers who are well equipped; namely, to determine our own appropriation.

3. Expert copy writing and layout service.

The advertising agency can suit the appeal to the product and to the consumer whom it is desired to influence. The copy writers have the outside viewpoint.

Copy writing and layout service is an important function of an advertising agency which we have always utilized liberally, in such advertising as appeared in publications reaching the general public, in promoting products of a nontechnical nature. This service is a free by-product of the agency commission allowed by publishers for space ordered through an agency. We have not, however, been dependent upon an agency for this service, but have considered it supplementary to our own activities in this direction.

4. Agencies have an intimate knowledge of media, as well as of quantity and quality of circulation, gained through long experience.

While familiarity with advertising media is necessary for an agency, we have always considered it a necessity in our own work, hence, we have very complete records of media which have relieved us from dependency upon agencies for this information.

5. Agencies have detailed knowledge of publishers' rates and discounts and should be able to get the lowest prices for an advertisement.

Publishers' rates and discounts are not private information; they are as readily available to us as to any agency and are standardized and guaranteed by all reputable publishers. Our periodical information files are complete.

6. Advertising agencies are qualified by experience and knowledge to purchase art work, to supervise the mechanical work of preparing photographs and drawings, making plates, setting type, and so forth.

Supervision of the mechanical work of preparing advertisements is the valuable function of an agency which we use to a large extent because its technical skill in advertisement production exceeds that obtainable elsewhere. The skill cannot economically be developed or maintained within a single advertising organization because of absence of opportunity to gain broad experience and because of salary limitations which do not make large corporation work attractive to the expert artisan.

7. Advertising agencies have a fund of selling ideas gained as a result of many experiments. They are clearing houses for advertising ideas and advertising talent.

The agency as a clearing house for advertising ideas and advertising talent has in its orgnization ability not found elsewhere. We have drawn freely on this ability but do not consider that our work would suffer if it were not available.

8. Agencies check insertions and use of purchased space.

While checking insertions of advertisements is necessary upon the part of the agent, we do not depend upon an agency for this service because we have always checked all advertisements in all kinds of publications including general magazines. We have never utilized agency service for placing advertisements elsewhere than in the general magazines which secure practically all their business through agencies.

Several executives of the Clapham Company, in conjunction with certain other national advertisers, were opposed to the existing custom of payment of commissions by publishers. They maintained that this custom brought about a dual agency on the part of advertising agencies which was open to criticism. In order to avoid any such conflict of interests, they advocated the payment of advertisers to agencies of fees for counsel given and service rendered rather than the payment of a commission by the publishers on the space purchased. They pointed out that a subsidiary advertising agency would not have a divided interest. They anticipated that their point of view regarding the payment of commissions would be accepted sometime in the future. They maintained that should publishers discontinue the payment of commissions, it would be equally advantageous for the Clapham Company and its subsidiaries to have their own specialists in their subsidiary agency so as not to have to depend upon outside talent. Under either system, however, the company would be able to employ upon a fee basis such counsel as it needed.

Several members of the advertising department thought it possible that publishers might refuse to give recognition as an agency to a subsidiary of the Clapham Company. Since agencies controlled by other manufacturers had received recognition, however, the company believed that it could establish a subsidiary which would be entitled to commissions on its business.

Several so-called "house" agencies established by other large manufacturers were reported not to have been successful after a few years of operation. The chief reason assigned for failure was a lack of broad experience and a lack of new viewpoints and

fresh energy within the agencies. They were said to have "gone stale" after a time.

Under the system in use, the Clapham Company sought to secure a fresh point of view on its advertising problems either by preventing too close a contact between the agencies and the company or by changing agencies. It had been valuable to the Clapham Company to secure the benefit of the experience which the agencies had received from the accounts of advertisers in other lines.

Should the Clapham Company and its subsidiaries have established an advertising agency?

2. G. LYNN SUMNER COMPANY

ADVERTISING AGENCY COMPENSATION

Eight months after its organization in 1925, the advertising agency, G. Lynn Sumner Company, was called upon to determine on what basis of remuneration it could accept the account of the Dennison Manufacturing Company.

The agency, located in New York City, had been formed by G. Lynn Sumner and his partners in 1925. For the previous 15 years, Mr. Sumner had been associated with the International Correspondence Schools. As advertising manager of that institution, he had gained exceptional experience in the preparation, placing, and checking of advertisements designed to secure inquiries and to sell a service directly through mail follow-up. He also had participated in the establishment and operation of the Women's Institute, a correspondence school giving instruction in dressmaking and domestic science. Mrs. Mary Brooks Picken, formerly also on the staff of the Women's Institute, while not a partner in the agency, made her services available only to its clients. Mr. Sumner's partners had extensive advertising and marketing experience which supplemented his own.

These qualifications of the agency's principals led the Dennison Manufacturing Company in 1925 to request from it a report on the advisability of preparing courses of instruction in making craft articles in the home.

The Dennison Manufacturing Company's line of consumer products, for which approximately 20,000 retailers throughout the United States acted as outlets, comprised several thousand items. Some of the most commonly known were crepe paper, baggage tags, glue, sealing wax, and party favors. Although many of these were made in part of paper, both the materials from which they were made and their uses were diverse. Their unit prices, furthermore, were for the most part low, and few enjoyed frequent repeat sale. Consequently, although the Dennison name was well known to consumers, the company had not deemed it feasible to make it a strong blanket brand through advertising.

As an alternative the company endeavored not only to obtain the aggressive selling efforts of retailers but also to broaden the market for some of its less staple products, notably crepe paper and sealing wax, by educating consumers in new uses. For the latter purpose, the company had devised plans for home decorations and for home crafts, whose fabrication involved the use of Dennison or of similar materials. One of the most popular of these crafts was that of forming artificial flowers of crepe paper. In others crepe paper was used for weaving into paper rope, and that in turn made into sport hats or similar articles; or sealing wax was used for making beads, pendants, and other articles.

To arouse interest in these diversions and to spread their popularity the company had used small-space advertising in a considerable number of publications. Its annual appropriation for advertising had expanded from $10,000 in 1918, the year in which it had initiated consistent consumer advertising, to approximately $60,000 in 1925. During the same period, the prevailing size of space of its advertisements had been increased from 28 lines to 70 lines. A few advertisements occupying space from one-fourth of a page to a full page in size had been placed in 1925.

In order that consumers once interested in a craft might have directions for pursuing it, the company had prepared booklets of instructions. Some of these it sold to consumers at 10 cents each, both directly in response to requests prompted by the space advertising, and through retailers, to whom the booklets were sold for 5 cents each; others the company distributed without charge, almost entirely through retailers. The company was convinced that the regular appearance of its advertisements resulted in the stimulation of much untraceable demand for its products. It

nevertheless considered the dissemination of the instruction booklets to be its most effective means of promoting sales to consumers, and it measured the effectiveness of its advertising primarily on the basis of the number of booklets distributed through that channel.

In 1925, it had been suggested that the company supplement its group of booklets, of which there were about a dozen, by issuing one or more complete courses of instruction on individual crafts. These treatments, it was proposed, should provide more comprehensive and more detailed information than could be found in the smaller booklets then in use. It was expected that the courses would appeal to women who wished to engage in craft work for profit, as well as to those whose interest was not satiated by making the articles described in the 10-cent booklets.

In its report the G. Lynn Sumner Company recommended that the company undertake the project. It advised, however, that the craft instruction be given, not in a series of separately mailed lessons with questions to be answered or experimental work to be submitted on each, but in the form of one or two volumes in which all necessary material could be sent to the consumer at one time.

Shortly after the G. Lynn Sumner Company had executed this commission, the Dennison Manufacturing Company asked it to consider taking charge of the company's entire advertising account. The agency carried on no active personal solicitation of new business, but counted on its qualifications to attract to it accounts which it was particularly fitted to handle. In deciding whether to assume the account of the Dennison Manufacturing Company, the agency considered it essential to weigh the relationship between the services which that company looked for and the prospective income to the agency from space commissions.

The Dennison Manufacturing Company's requirements in its agency relationships were outlined by its advertising manager. The preparing and placing of the company's advertising copy had previously been carried on under the customary 15% commission arrangement of remuneration. From the G. Lynn Sumner Company, however, the company desired other important services in the nature of consultation upon sales and promotional methods and of facilities for carrying out all recommendations, whether relating strictly to space advertising or to work of an auxiliary character. The prospect was that these auxiliary services would

include comprehensive market surveys, records and analyses of inquiries, preparation of booklets and instruction courses, sales promotional measures, and similar activities. The company wished to be in a position to avail itself freely of all these services to whatever extent proved necessary.

The company also recognized the singular nature of its promotional problem; in fact, it had consulted the G. Lynn Sumner Company primarily for that reason. Consequently, it hoped that some basis of compensation might be agreed on under which the agency, in its recommendations, could apply its experience without any thought of the effect on its income.

The G. Lynn Sumner Company was interested in the opportunity of working on the account because of its experience with advertising and promotional problems closely allied in character to those of the Dennison Company. While knowing well that no temptation could induce it to offer biased advice, no matter what form of payment was adopted, the agency saw in the fee basis an added assurance of confidence between agency and prospective client. Moreover, the agency had a further reason for preferring the fee system in this particular case: the proposed service to be rendered was so extensive and the probable space to be used so limited, that reimbursement on the commission plan would obviously be inadequate compensation to the agency for the effort and expense involved. The agency, therefore, welcomed a fee arrangement that would be fair to both parties and that would not violate any of the rules of the American Association of Advertising Agencies, to which it had made application for membership.

The American Association of Advertising Agencies condemned the practice of rebating commissions and refused to admit to membership any agency suspected of doing so.

The section dealing with compensation in the American Association of Advertising Agencies' "Revised Statement of Standards of Practice," as adopted in 1924, contained the following statements:

COMPENSATION

The advertising agency should retain the full amount of compensation or commission granted by publishers without direct or indirect rebating, or the supplying of materials for advertising on any basis that can be considered as direct, indirect or secret rebating.

It shall be considered as rebating to place men in the service of the advertiser at the agency's expense, or to assume all or part of the salary of any employee of the advertiser, or to pay any fee or compensation to any one connected directly or indirectly with the advertiser, or to any third party not so connected, for obtaining or holding an account.

The advertising agency should not take from any third party a profit, discount or commission other than the regular agency commission allowed by publishers, unless known to the client and agreed to by him.

After consultations with the company had resulted in the formulation of a satisfactory plan of remuneration, the agency took charge of the account. The plan provided for an annual fee, the amount of which was to be determined in advance. Inasmuch as the company's advertising plans for each year were prepared in the summer of the previous year and were approved by the company's board of directors by September, the determination of the sum to be paid the agency could be made on the basis of a settled program. The principal factor in the agency's calculations, then, was the cost of furnishing the service called for by the year's schedule.

A basic fee covered all services outside so-called "major projects." In its advertising plans, the company was to make each "major project" the subject of an individual appropriation which should include a specified fee for the agency. By the term "major projects" the company designated nonrecurrent undertakings involving substantial effort, such as the preparation of the instructional courses on craft work which had been the subject of the agency's original report.

Furthermore, any piece of work in addition to the planned activity, which the company decided to carry out after the year's fee had been set, was to involve a corresponding extra payment to the agency. This situation arose, for instance, when the company in one year asked the agency to conduct a special test campaign in newspapers. The publishers' commission of $30 on the expenditure of $200 was insufficient to allow the agency to recover actual expenses. In this case the agency made it clear that the company was entitled to the time required on the part of its staff and that only out-of-pocket costs were to be considered in determining the additional payment.

It was also stipulated that the question of changing the basic fee might be brought up by either party at any time. Up to

April, 1930, the agency never had suggested a change. The fee as agreed on had not been reduced in any year, but had been increased twice at the company's volition.

If the fee in any year should be exceeded by the commissions on space placed by the agency, it was provided that the agency should receive the latter amount. The agency billed the company for the net cost of space, after deduction of commissions and cash discounts, and on each bill indicated the amount of commissions so deducted. The total of the commission account at the end of each year was thus available for checking against the fee. As both parties had anticipated, however, space commissions did not exceed the agency's fee during the first five years under the arrangement and, so far as could be foreseen in 1930, were unlikely to do so in the future. This provision, nevertheless, was essential to the maintenance of the agency's professional standing.

The agency bore the traveling expenses of its staff while engaged in regular service on the account, such as those occasioned by trips to and from the company's offices in Framingham, Massachusetts. The cost of extraordinary traveling, on the other hand, brought about by the necessity for consultation in other cities, was charged to the company.

The total fee for the first full year under the arrangement was approximately 2.27 times the income which the agency would have received on a commission basis if the company's entire appropriation for that purpose had been expended in commissionable space advertising. During the subsequent years the fee was increased, as has been mentioned, at the suggestion of the company, in accordance with a proposed increase in the extent of advertising. The margin of payment to the agency beyond space commissions for its extra service was retained at approximately the same amount in dollars as under the initial agreement.

In practice, the fee method of compensation proved mutually satisfactory to the company and the agency. The company considered that it had obtained the full benefit of the agency's capacities. The agency, on its part, without losing money was able to carry on an extensive and highly specialized service in connection with both space advertising and other activities. Moreover, the agency found that foreknowledge of its year's

income permitted stabilizing of operations and advance planning with more security both for itself and for its personnel. It was relieved of concern over those adjustments in its organization, at least in that part which served the Dennison Manufacturing Company, which would have been occasioned under the commission system by any unexpected reductions in the company's advertising expenditure.

The G. Lynn Sumner Company subsequently accepted other accounts on a fee basis, the detailed arrangement in each case depending on the amount of service desired by the client beyond writing of copy, selection of media, and mechanical work. The client who was placing the largest volume of advertising through the agency in 1930, however, was served on the usual commission basis. In the agency's opinion there was no disparity between the fee basis and the commission basis when measured by the value of the service the agency rendered in relation to the remuneration it received. It considered that each of the two plans was adaptable to certain conditions and that the one chosen should be selected in accordance with the requirements of the client.

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INDEX

A

Advertising agency
  compensation of 669–675
  controlled by manufacturer 103, 665–669
  relations 664–675
  use of 27–33, 34, 46, 58, 78, 103–104, 135–140, 162, 233, 247, 273, 305, 331, 352, 390, 425, 432, 479, 493, 505, 511, 535, 547, 561, 624
Advertising & Selling 306–307
Allowances 79, 296–298
  see also Dealer helps
American Association of Advertising Agencies 625–630, 672
American Druggist 607–613
American Weekly 254, 276, 319, 427, 585
Appeals
  appetite 6, 249, 302, 369, 451–453, 457, 574, 582
  beauty 48, 50, 507
  cleanliness 228
  comfort 219
  convenience 78, 84, 115, 156
  economy 50, 108–109, 120, 135, 454, 607
  emulation 32–33, 41, 525
  gift 54
  health 6, 50, 87, 108–109, 219, 249, 302, 425–432, 455–456, 507, 564, 581–584
  performance 115, 120
  quality 91, 97, 190, 213, 219, 228, 569
  reliability 152–153, 158
  style 38, 176, 205
Appeals for
  appliance cord 228
  cereal 302
  cheese 249
  cigarettes 525
  cleanser 78
  clocks 158
  cold remedy 425–432
  dentifrice 108
  fountain pens 156
  ginger ale 360
  glass ovenware 574
  hosiery 190
  laxative 507
  linen damask 41
  milk 45–50
  mouthwash 607
  pipe unions 91
  radio sets 152–153
  salmon, canned 6
  salt 84, 87
  shoes, men's 38, 205, 219
  silverware 32–33
  suspenders 564
  ties, men's 178
  twine 97
  umbrellas 213
  walnuts 441–457
  wrenches 54
Appliance cord 221–231
Appropriations, advertising
  amount of 54, 78–79, 92, 104, 110, 116, 132, 143–144, 147–148, 159, 160, 162–163, 175–179, 181, 190–191, 208, 210, 214, 219, 225, 241, 272, 273, 284, 296–297, 305, 331, 351–412, 363, 370, 383, 389, 415, 535, 556, 561, 564, 581, 633, 634, 645–646, 670
  budgeting of 351–412
  of cooperative associations 6, 17, 21, 34–35, 40–41, 45–48
Association of National Advertisers 108, 143, 209–210, 241, 590
Audit Bureau of Circulations 227, 586, 594–606, 608–613, 618–619

B

Beans 195–200
Bench grinders 122–128
Beverages 44–53, 358–363, 634–643
Binder twine 93–99
Biologicals 386–388
Booklets offered consumers 7, 42, 50, 54, 63, 65, 87, 107, 144, 219, 284, 294, 459–482, 557, 575, 584, 652
Boycotting by consumers 12, 20, 24–25
Brand
  advertising of 61, 80–87, 135, 164–175, 440–457
  identification, means of 168, 170–171, 180, 213, 218
  preferences 185, 203, 299, 526–531
  private 195–200, 296
Broadsides, use of 37, 97, 248, 255, 290–291
Brushes 128–134
Buying power index 391–412

C

Cameras 493–498
Canned goods 3–10, 195–200
Car cards 582, 643–644
Cartoon advertising 47
Catalogues 127, 486, 110–112
Census of Manufactures 95, 107
Chain stores
  as distribution channel 195–201, 261, 274, 297, 359
Cheesecloth 145–149
Chicago Sunday Tribune 509
Children, advertising to 298–304
Circulation, dupl cation of 624–631
Citrus fruits, production of 15, 581–586
Cleansers and dyers 352–357, 436–439, 643–644
Cleveland Press Kitchen Inventory 199
Clocks 157–160
Collier's 506–623
Color, use of 7, 132, 177–179, 183, 206, 255 319, 359, 440–458, 556, 573–577, 582
Combination offer 267–273
Confectionery 140–145
Consumer judging of copy 493–512
Consumer living habits
  effect on purchases 11, 19–20, 31–32, 35–36, 201–202, 405–408

Consumer reading tests 512–524
Contests
  consumer 7–8, 22–23, 300–301, 305–310
  retailer 178, 323
Controlled circulation audit 614–618
Controlled circulation media 510, 606–622
Cooperative advertising
  electrical appliances 321–322
  fruit 581–585
  greeting cards 160–164
  hosiery 188, 194
  linen damask 39–44
  meat 10–26
  milk 44–53
  salmon 3–10
  silverware 26–33
  sugar 83
  walnuts 399–412, 440–457, 499–505, 512–524, 535–546
Cooperative analysis of broadcasting 639–640
Coupons
  analysis of 440–491, 506, 557, 575
  use of 28, 89, 107, 136, 162, 272, 508
Cyclical demand
  relation to advertising expenditure 376–385
  see also Seasonal demand

D

Dealer helps 8, 23, 33, 36–37, 41–43, 48, 50, 54, 85, 97–99, 110, 144, 148, 163, 171, 177, 185, 213, 219, 252, 258, 284, 290–291, 316–317, 333, 362, 373, 556, 583, 634
Demand
  primary 3–72, 535
  selective 75
Demonstrations 77, 79, 116–117, 125, 373
Dentifrice 103–109, 432–436
Department store advertising 568–572
Depressions
  advertising during 382, 384–385
Detroit Free Press 599–606
Detroit News 594–599
Detroit Times 599–606
Direct-action advertising 307–310, 353–357, 643–644
Direct mail 67–68, 91, 98–99, 110–112, 136, 140, 148, 161, 177, 205–207, 224, 230, 290, 370, 372, 387, 506, 606, 645–661
Direct selling 59, 135–140, 142, 173, 285, 365, 458
Drug products 103–109, 386–388, 415–425, 425–432, 432–436, 505–510, 606–622, 633–634
Drug Topics 613–618
Dry goods 188–195
  see also specific commodities

E

Editor & Publisher 103
Educational advertising 17, 19–22, 28, 78, 85, 293, 583
Effectiveness of advertising
  checking 415–532, 635, 643
  see also Results of advertising
Elastic 231–241
Electrical products 311–331, 482–491, 586–593
Exclusive agencies 128, 141, 332, 623

F

Farm Credit Administration 512, 535
Farm papers, use of 6, 97–98
Field investigations 331–337, 535–557
  see also Market surveys
Food products 3–10, 10–26, 44–53, 80, 84–87, 140–145, 195–200, 245–258, 296–298, 298–304, 305–310, 358–363, 399–412, 440–457, 499–505, 512–524, 535–546, 581–585
Fortune 527
Free deals 264–265, 270, 302
Fruit 581–585

G

Glassware 547–557, 573–577
Good Housekeeping 132, 162, 183, 188, 235, 275, 283, 318, 370, 555, 573
Good Housekeeping Institute 75, 132, 134, 283
Greeting cards 160–164

H

Harper's Bazaar 172, 188, 191
Home economics 8, 21, 583
Hosiery 188–195
House-to-house selling 79, 128–134
House organs 286, 387
Household equipment
  brushes 128–134
  cheesecloth 145–149
  clocks 157–160
  glassware 547–557, 573–577
  ironing tables 281–285
  linoleum 285–295, 394–399
  pillow cases 179–188
  refrigerators 311–331, 375
  sheets 179–188
  silverware 26–33, 510–511
  vacuum cleaners 134–140

I

Illustration, use of 568–572
Industrial products 54–57, 62–65, 88–93, 110–113, 113–121, 122–128, 221–231, 482–491, 645–653, 665–669
Inquiries
  cost of returns 63, 65, 72, 294–295, 380, 440–458, 458–482, 482–493, 512–516, 557, 576, 646, 653, 660–661
Institutional advertising 113, 152, 341–348
Ironing tables 281–285

K

Kelly-Dunn Bill 44, 46

L

Ladies' Home Journal 65, 132, 162, 183, 191, 235, 370, 517, 556, 573
Laxative 505–510
Leading Advertisers 107–108, 181, 183, 186, 277
Leather 217–221
Linen damask 39–44
Linoleum 285–295, 394–399
Lotions 57–60

M

Magazine advertising 6, 21, 33, 37, 85, 107–108, 132–134, 136–137, 143, 151, 153, 157, 160, 162, 172, 176–178, 186, 188, 194, 256, 275–276, 317–318, 332, 343, 345, 370, 440–457, 512, 524, 525, 556, 573–577, 582, 622, 623, 655
Mail order
  advertising and selling 135–140, 415

Market surveys
cheesecloth 146
elastic webbing 233, 238–240
forecasting service 66
lotion 58–60
milk 46–47
paper 101
sheets 184
silverware 28–31
suspenders 561–568
tires 331–337
twine 94
walnuts 309–412
Meat
cooperative advertising of 10–26
Media Records 632
Media
selection of 581–661
see also specific media: Car cards, Direct mail, Farm papers, Magazine advertising, Newspaper advertising, Outdoor advertising, Radio advertising, Trade papers
Milk
cooperative advertising of 44–53
Milwaukee Journal 199, 299
Missionary salesmen 78–79, 88, 147, 302
Motion pictures
as means of promotion 324, 584
Mouthwash 606–622

N

New products 61–62, 76, 245, 263, 267, 298
Newspaper advertising
cooperative 6–8, 22, 36, 46
use of 6–8, 22, 36, 46, 78, 80, 136–138, 143, 148, 151, 156–157, 175, 214, 219–220, 270–272, 289–295, 301, 319, 359, 370–372, 415–425, 428, 432–435, 525, 564, 570–571, 582, 623–631, 631–634
Newspaper audit 594–606

O

Outdoor advertising 320–321, 370, 582, 634

P

Packaging 54, 80–83, 84–87, 145–149, 233, 246, 276
Pens, fountain 154–157
Pickles 296–298
Pillow cases 179–188
Pipe unions 88–93
Premium advertising 299–300
Price
as affected by advertising 10
effect on consumption 12
leaders 182
maintenance 59–60, 182
policy 355–357
Printers' Ink 10, 24, 307, 334, 375, 382, 633
Products
individualization of 84–87, 99–102
new 61–62, 76, 245, 263, 267, 298
testing of 95
Promotional program 311–331
Proprietary medicines 103–104, 388–394, 415–425, 425–432, 505–510, 633–634
Psychological Corporation of New York 525–530

Q

Questionnaires, use of 154, 184, 465–474, 495, 535–546, 550, 563
Quotas, sales 55

R

Radio advertising 21, 46, 48, 106, 262, 278, 302, 319–320, 370, 525, 634–643
Radio receiving sets 149–154, 363–375
Radio surveys 635–643
Railroad
advertising of 344–347
Rating service 512–524
Rayon 165
Recipes and recipe books 6–8, 22–23, 50, 451–457, 499–505, 557, 575
Refrigerators 311–331, 375
Research
see Market surveys; Field investigations
Results of advertising 8, 42, 45, 50–53, 65, 144, 179, 192, 208, 230, 284–285, 393, 585, 653–654
see also Effectiveness of advertising
Rock drills 113–121
Rope 93–99
Rotogravure 151, 171, 359

S

Salmon
cooperative advertising of 3–10
Salt 84–87
Sampling 224–230, 235, 258, 269, 303, 387
Saturday Evening Post 54, 132, 151, 176–178, 213, 225, 235, 254, 318, 370, 506, 517, 564, 623, 646
Screws 645–653
Seasonal demand 358–375
Sheets 179–188
Shoes
cooperative advertising of 33–39
corrective 623–631
men's 33–39, 201–209
Silk 169–172
Silverware 510–511
cooperative advertising of 26–33
Slogans 32–33, 41, 45, 84, 159, 205, 219
Soaps and cleaning agents 75–80, 262–267
Sound-transmitting instruments 482–491, 653–661
Space, size of 245, 623, 631, 633, 561–568
Standard Rate and Data Service 229, 589, 613, 632, 642
Stationery and allied products
bond paper 99–102
boxes 376–385
fountain pens 154–157
greeting cards 160–164
paper products 99, 376–385, 458–481, 669–675
Style goods 166–169, 169–172, 172–179, 188–195, 201–209, 216
Substitution 59–60
Sugar 80
Surveys
see Market surveys; Field investigations
Suspenders 561–568

T

Teaser campaign 249
Test campaigns 6–10, 78–80, 136, 148, 175–176, 214–215, 238, 247, 259, 286, 415–425, 634
consumer jury 493–511
consumer reading 512–524
local area 425–432, 432–436
split-run 509
triple-association 531–532
Testimonials 46, 49, 108, 633
Textile machinery 110–113
Textiles
cheesecloth 145–149
cotton 164–169

Textiles (cont.)
linen 39–44
rayon 165
silk 169–172
Ties 172–179
Tires 331–337
Tobacco 525–531, 631–633
Toilet goods 57–60, 258–262, 267–273, 273–281, 388–394, 531–532, 606–622
Trade papers, use of 63–64, 88–89, 106, 110–113, 113–121, 124, 140, 148, 157–160, 167, 172, 183–184, 190, 204–205, 209–210, 218, 223–231, 235, 255, 274, 284, 286, 314–316, 381, 486–491, 556, 566, 586–593, 606–622, 646–648, 654
Trading areas 390–394, 394–399

U

Umbrella frames 211–216

V

Vacuum cleaners 134–140
Vanity Fair 33, 38, 172, 623
Vogue 33, 162, 172, 188, 191, 278

W

Walnuts 399–412, 440–457, 499–505, 512–524, 535–546
Wearing apparel
hosiery 188–195
shoes 33–39, 201–209, 623–631
suspenders 561–568
ties 172–179
Window displays 33, 290, 325, 372
see also Dealer helps
Woman's Home Companion 65, 183, 191, 213, 235, 370, 517, 556, 573
Wrenches, Stillson 54–57

ALPHABETICAL LIST OF PROBLEMS

	PAGE
Advertising to the Trade	209
Analysis of Media Selection	586
Armstrong Cork Company (A)	285
Armstrong Cork Company (B)	394
Aspinwall Company	586
Associated Salmon Packers	3
Athena Corporation (A)	262
Athena Corporation (B)	593
Athena Corporation (C)	622
Baltimore & Ohio Railroad	344
Bicknell, J. F., Lumber Company	281
Buckner Textile Machinery Company	110
Bureau of Milk Publicity—State of New York	44
California Fruit Growers Exchange	581
California Walnut Growers Association (A)	399
California Walnut Growers Association (B)	440
California Walnut Growers Association (C)	499
California Walnut Growers Association (D)	512
California Walnut Growers Association (E)	535
Canada Dry Ginger Ale, Inc.	358
Carmen Chocolate Company	140
Cary Cleansers, Inc. (A)	352
Cary Cleansers, Inc. (B)	436
Cary Cleansers, Inc. (C)	643
Chilton Pen Company	154
Clapham Company	665
Claybon Company	145
Colton Card Company	160
Contook Mills	164
Corning Glass Works (A)	61
Corning Glass Works (B)	547
Corning Glass Works (C)	573
Creighton Suspender Company	561
Dennison Manufacturing Company	458
Dictograph Products Corporation (A)	482
Dictograph Products Corporation (B)	653
Eastman Kodak Company	493
Enders Shoe Company	623
Ettrick Company (A)	376
Ettrick Company (B)	384
Euripides Tobacco Company	631
Excello Tire Company	331
Expello Corporation	75
Expenditures for Advertising by Industries	241
Florentine Company	273
Fuller Brush Company	128
General Motors Corporation	341
Grandee Company	432
Graton & Knight Company	217
Graybar Electric Company	149
Grigsby-Grunow Company	363
Halle Brothers Company	568
Hartley Company	211
Harvard Economic Service	65
Hewes & Potter, Inc.	172
Holmes Manufacturing Company	54
Host, George, Company	195
Institutional Advertising for Various Companies	348
Irish & Scottish Linen Damask Guild, Inc.	39
Janus Chemical Company	425
Jordan Company	298
Kalama Hosiery Company	188
Laurian Company	516

	PAGE
Lavena Corporation	258
Lederle Laboratories	386
Mallinson, H. R. & Company	169
Manly Elastic Company	231
Methods of Budgeting Used by National Advertisers	351
Mills-Gayley Cosmetic Corporation	388
Miltiades Paper Company	99
Morton Salt Company	84
National Live Stock & Meat Board	10
National Rock Drill Company (A)	113
National Rock Drill Company (B)	337
National Rock Drill Company (C)	347
National Shoe Retailers' Association	33
Naumkeag Mills	179
Nella Company	267
Norge Corporation	311
Orol Company	606
Pabst Corporation	245
Parker-Kalon Corporation	645
Pendleton Company	296
Peyton, C. J., Company	525
Pinkham, Lydia E., Medicine Company	103
Presbrey Soap Company	531
Providence Clock Company	157
Rand Company	134
Robbins Rope Company	93
Rubber Wire Company	221
Sargent Dental Company	103
Schammel Food Company	305
Schering Corporation	505
Silverware Association	26
Strength Union Company	88
Sucrosa Sugar Refining Company	80
Sumner, G. Lynn, Company	669
Throckmorton Brewing Company	634
Tonto Drug Company	57
Towle Manufacturing Company	510
Waverly Manufacturing Company	122
Weyenberg Shoe Manufacturing Company	201
Xenophon Medicine Company	633
Young, W. F., Inc.	415