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How to Reduce the Cost of Selling

A. G. Frost

OFFICE OF THE SECRETARY

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N. A. C. A. BULLETIN

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In two sections—Section I

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Section I

Vol. VII, No. 7 December 1, 1925.

How to Reduce the Cost of Selling

By

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The Wahl Company,
Chicago, Ill.

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The National Association of Cost Accountants does not stand sponsor for views expressed by the writers of articles issued as Publications. The object of the Official Publications of the Association is to place before the members ideas which it is hoped may prove interesting and suggestive. The articles will cover a wide range of subjects and present many different viewpoints. It is not intended that they shall reflect the particular ideas of any individual or group. Constructive comments on any of the Publications will be welcome.

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National Association of Cost Accountants

Editorial Department Note

A topic dealing with the reduction of the cost of any of the elements making up the selling price of a commodity is always sure of a hearing. The consumer gives ready ear to any nostrum that promises a reduction of costs and therefore an increase of funds available for other purposes. Many agencies are at work in the endeavor to find means of reducing the prices charged for commodities and manufacturers themselves are examining minutely the entire route of the product from raw materials to the ultimate consumer for the purpose of finding places at which costs may be reduced.

The main point of attack at the present time relates to the costs of distribution. Almost always a necessary preliminary to the reduction of costs concerns itself with the control of costs. Without accurate knowledge of costs and an adequate measuring of the particular cost against the services or commodity which it secures, there can never be any certain or sound basis for taking the next step, i.e., a reduction of costs. The current publication deals chiefly with the proper control of the costs of selling. The author, Mr. A. G. Frost, of the Wahl Company, speaks with authority on this subject. He has been their General Sales Manager for the past four years and previous to that was in business for himself, rendering professional service to clients in the reorganization of staff, personnel, and employment. He specialized in the sales and executive divisions of business.

The material of this publication was delivered before our Chicago Chapter at one of its regular meetings last year.

HOW TO REDUCE THE COST OF SELLING

The range of selling activities is much too broad to discuss in detail here to-night. Expenses of selling can be reduced in a great many ways. If the experimental department produces goods that are easy to sell, the selling cost will be low. Advertising can do a very splendid job on some articles that are susceptible to advertising, and that will, of course, reduce the direct selling cost. If a monopoly of a necessary commodity exists, so that people come to you for their goods, the costs of selling will be almost eliminated.

Because of my limited time, I will not attempt to discuss the merits or the costs of marketing through wholesalers, retailers, or direct to consumers. Any of these methods can show minimum selling expense on that commodity to which each method is best adapted.

My talk will be limited to a discussion of the reduction of selling costs and the methods used for getting the most out of the selling expense, as applied to the company which I represent. We make and sell, as you know, Eversharp Pencils, Fountain Pens, and Leads through our own sales force direct to the retail trade, i. e., to stationers, jewelers, druggists, and department stores.

Since there will be opportunity given for discussion after the talk, I will only bring out the high spots of our plan, in order to leave as much time as possible for questions and answers.

Naturally, what I have to offer is not a cure-all that can be applied to every business. The businesses of your respective companies are perhaps much different from ours, and yet there are to be met in all our enterprises somewhat the same problems and I can only hope that some part of my recital may be of sufficient interest to pay you for the time spent in listening to it.

In the matter of selling costs, the first thing we have to determine is how much we are going to spend for selling our goods. Here is where the members of this association play a most important part. A set-up or budget must be made that forecasts the sales volume and pre-determines appropriations for manufacturing, administration, advertising, selling expenses, and profits.

The factory manager will demand and be allowed an amount sufficient to manufacture the anticipated volume. In this he will probably have the co-operation of the accounting department which in most businesses keeps careful account of manufacturing costs and knows what is required. Sales costs, however, are not so well known and therein lurks a danger.

I know of one company selling a household appliance through the retail trade that has two salesmen for each factory worker—two men to sell the output of one. If this company had not reserved enough for selling costs they could not have afforded this organization and would probably not have been so successful.

Our company sells from six to seven million dollars' worth of merchandise a year. I believe I could personally sell the first two million of that product at a cost for selling, shipping, billing and collecting of less than two per cent—one seventh of our present cost—but probably would not make any money.

That is what happens if in setting up the expense budget you do not allow enough for the selling end. Selling cost, after all, is like factory cost, made up of productive and non-productive labor. The productive labor is the salesmen. The non-productive labor comprises the supervision and office expenses. You must have enough salesmen just as you must have enough productive factory workers. You might as well try to manufacture goods with nothing but foremen as try to sell with nothing but office people and no salesmen.

So, in setting up the expense budget it has always seemed to me that the success of a business is primarily affected by the proper appropriations to the selling end of the business. Sometimes there are limitations; sometimes you cannot increase your resale prices to a point where you could have as much sales effort as you ought to have. When that time comes you should look into manufacturing costs and administrative expenses, and not starve the sales and advertising departments, because that is the poorest place, as I see it, to save expense. A product that cannot stand a selling price that will permit the necessary selling expense can never become a profitable enterprise.

There is always a serious problem to be faced in the matter of "fixed expense." Accounting and sales departments are usually compelled to support a fixed business structure, i. e., investment in the business. Business conditions change and the investment at one date may be badly out of step with the requirements of a subsequent date. Organized business cannot reduce its investment with reduced volume. Factories cannot be abandoned at will and capital investment cannot be reduced quickly. If that were possible, a profit would always be sure.

The problem, then, of the sales department is to support and make a profit for the "structure" as it exists.

If greater sales effort is necessary, it must be provided for in advance. There certainly can be no good come from manufacturing a product to sell when you have insufficient funds. The shoe had better be on the other foot; you had better have greater selling effort than manufacturing effort, because it is better to be oversold than to be undersold.

The time naturally comes when the maximum efficiency is reached. Here, again, I will refer to our own business. We had the highest expense ratio, when we had the fewest salesmen. We have worked that down to a point where we have our *minimum expense* ratio with the *maximum number* of salesmen. We did in one year overshoot the mark. I will show you a little later how we arrived at what we considered the right number of salesmen and the right sales expense for our business; but the result was that we had to overshoot the mark before we knew that the pendulum had swung too far.

Having determined the amount of money available for selling, our problem is to get the most out of it. When I say "selling expense" I am referring now to the entire marketing expense from the time the goods reach the finished stores until they are paid for. That includes the shipping, billing, credit, service, advertising, direct selling, sales department overhead, branch offices, and so on. These expenses, excepting direct selling and advertising, are pretty well set and after we have appropriated for all these, we find we have a certain amount left for direct selling and advertising.

There is hardly a man so all-knowing that he could, without experience in the particular business, determine the ideal division between advertising and direct selling expense. That question was solved by our company from experience gained in the way that I am going to describe. We discovered how much of our appropriation we should spend for advertising, and how much we should spend for direct sales expense. At first we cut our direct sales expense down to the minimum and spent all the rest for advertising. Later experience dictated a more scientific apportionment.

Having determined the amount of money we have available for direct selling expense, i. e., salaries, traveling expenses, and commissions of salesmen, and sales supervision, our first problem is how to divide the country into the greatest number of sales territories the money will provide men for.

There are certain going rates of salesmen's compensation in every field, which competition more or less sets for us. If salesmen in a certain line are in the habit of getting a certain compensation you cannot successfully employ men for less money; and you should not pay a great deal more unless the men earn it in bonuses for exceeding their contract bogies. As the compensation per man is fairly well set, you have only to divide the amount of money available by that compensation rate to get the number of men you can employ. After some experience you will know whether you have overshot the mark or undershot it, whether you should spend more money for advertising, and less for direct selling or vice versa.

I have prepared some charts showing how to go about dividing the country into sales territories and to get the best results out of the salesmen's efforts.

When we set about this problem we discovered that there was no such thing as a standard quota finding system. There were several offered us from one source or another, but I think I am safe in saying that there is not in existence a Quota Finding System that can be adapted to a variety of businesses. We had offers running from thirty to fifty thousand dollars to prepare one but the results were not guaranteed, neither was the money available, so we had to make up our own.

I will now take up in turn the several charts and forms we have found valuable in controlling sales and sales expenses. The first one is the County Card.

There are so many factors in setting sales quotas that all of them can never be considered and weighed properly. We had to take into consideration all the data we could find and estimate the rest. We therefore set up what we called a County Potential; that is, the value of each county in the United States to the Wahl Company. Putting it in another way, we tried to determine the per cent of business that should be done in each county of the United States, with the purpose in mind that if we had that percentage figure we could always determine the County Dollar Quota at any time by applying these percentages to the desired volume for the entire country.

You will see by the form that the first factor we have taken is the "Literate Population Over Ten Years Of Age." This is a natural factor for us to use, just as automobile registrations by counties would be a natural factor for auto accessory concerns. Naturally, people have to be literate to write, and we are after the writing public. The second factor was the "Number Of Income Tax Returns." This is another natural factor for us, based on previous analysis of our business.

Now, as to the first factor you see that in Kane County, Illinois, there are 81,502 literate people, representing one-tenth of one per

COUNTY STATISTICS

STATE__________

CODE

ITEMS	AMOUNT	% TO U. S.	WAHL CO. ESTIMATED SALES: TOTAL COUNTY SALE % TO U. S.	BY SALESMAN: % TO COUNTY	BY SALESMAN: % TO U. S.	BY MAIL: % TO COUNTY	BY MAIL: % TO U. S.		
1 Literate Pop. over 10 yrs.	81502	0.1045%							
2 No of Income Returns	10675	0.1652%							
3 1922 Net Sales	$ 6141	0.1306%							
4 1923 Net Sales	$ 6025	0.1843%							
5									
6									
7 S.E.P. (COMBINED)	7388	0.1372%							
8									
9 EASTMAN									
10 FULLER BRUSH									
11 WRIGLEY									
12 WESTERN CO.									
13 COLGATE									
14 QUAKER OATS									
15									
16									
17									
18			0.16%	75%	0.12%	25%	0.04%		

FORM 1

cent of the total literate population of the United States, which is something over eighty million.

The number of income tax returns, that is, the *number* of returns, not the *value* of them, in that county is 10,675 or .16 per cent of the total in the United States. This shows that that county is a little bit above the average in the number of income tax returns; it is a wealthy county.

Against that we put our own net sales of previous years. We have also used the Curtis Publishing Co.'s combined circulation, that is, the Saturday Evening Post, the Ladies' Home Journal, and the Country Gentlemen. This shows that Kane County absorbed .13 per cent of the total circulation of these publications. We used these data because these publications have more nearly a perfect national distribution among educated people than any other commodity we know of.

The other names you see—"Eastman, Fuller Brush, Wrigley, Western Co., Colgate, and Quaker Oats"—are the names of those companies with which we are co-operating in the exchange of sales figures. We want to get a number of actual experiences of nationally distributed products, showing the county percentages to the total business in the United States and thus make it possible for us to estimate still more accurately the per cent of our total output that should be sold in each county. The reason figures are not shown for each of these companies is that at the present time we are exchanging figures on a *state* basis, and as our figures are computed on *county* lines we could not use them for this year. We use them now as spot checks only.

Out of these figures for Kane County, we have estimated a sale of .16 per cent. Now, that figure is more or less arbitrary—an estimate based on the factors shown. It is also based on our knowledge of our business. We know a lot about what we should sell. This particular percentage would probably not do for any other business but the principle could be used by every one. Thus, we have estimated .16 per cent as being the value of that county to us. If we expected to do ten million dollars of business in the United States in a given year, Kane County would have a quota of $16,000. We cannot set quotas solely on previous experience; we might have had a good salesman who sold considerably over his head. The next year if we wanted to increase our total business ten per cent and based our quotas on previous experience we would have to penalize that salesman for his good performance by asking him for a 10 per cent increase—a thing which might be impossible. We might have in some other territory a salesman who has not done very well and by increasing him ten per cent we would have a very small quota which would not be representative of the possibilities.

In our particular business we analyze our sales so as to show both the orders taken by salesmen and those received by mail. In Kane County our analysis showed respectively 75% and 25%.

TERRITORY QUOTA CARD

$7000,000 $3,000,000 $1,000,000 $2000,000 $1,000,000 CODE______

ITEMS	TERRITORYS % TO U. S.	TOTAL SALESMANS ESTIMATED QUOTA	PENCILS	RUBBER PENS	METAL PENS	LEADS	MISC.
ESTIMATED POTENTIAL	1.92%	$134,400	57,600	19,200	38,400	19,200	
ACTUAL 1923		$104,430	48,583	11,321	35,200	9,326	
ACTUAL 1924		$113,437	55,624	16,328	39,688	11,797	
1925 QUOTA		$125,000	56,000	18,000	35,000	16,000	

FORM 2

Thus 75% of the value of the county—i. e., .16%—is .12 per cent for salesman's effort, leaving .04 per cent for mail sales.

Our second chart is the Territory Quota Card. With us a salesman's territory is a given number of counties. In this particular territory the estimated potential sale is 1.92 per cent. That is arrived at by adding together the county percentages previously referred to. Assuming that we expect to do seven million dollars' worth of business in the United States, we simply multiply the seven million by 1.92% and get $134,400 as the quota for that territory. By the same method this figure is divided into Pencils, Rubber Pens, Metal Pens, and Leads to get the quotas by commodities.

We are not sure enough, however, of our estimated potential to accept it as final. We hope in a few years to be able to get a figure that we can accept. There are unknown factors, however, that have to be taken into consideration in settling quotas. These unknown factors are presumably all included in the previous experience. If a territory sale is over or under the estimated potential, it is fair to assume that some unknown factor is operating. So, in our case we set up the actual sales of previous years which you will notice are $142,000 and $148,000 respectively. Here is a salesman who for some unknown reason has really done more than the potential calls for. Instead of setting that salesman's quota at something greater than $142,000 or $148,000 we have as you see, actually set it at $141,000; an amount greater than the estimated potential, because there are some favorable conditions existing in the territory that are for the moment unknown to us; and at the same time actually less than sales in prevous years, so as not to penalize the salesman for some extraordinary performance that may not be possible in the years to come. These extraordinarily high sales may be due to many causes. Sometimes salesmen load up their dealers so heavily that the carry-over results in lower sales the following year. Or there may be extraordinary crop conditions. For instance, recently in Texas sales were greatly above the average because there was a pretty good crop of cotton, a thing which may not happen in years to come.

In Form 3, we have a territory quota card where the reverse condition is shown. It is the same territory with the same per cent of value, but the actual sales shown are less than the potential. In that case we made the quota more than previous sales because it is obvious that the territory had not been worked to the fullest extent; and yet, because of some unknown backward condition in the territory, we do not give it quite the load that we would if we did not have these figures to go by.

Having determined the quota of a given territory we are interested in knowing *where* the salesman is going to get the business. We furnish him, therefore, with what we call an Estimate Book, (Size 5″ x 7″) ruled as shown on Form 4. This book contains a complete list of the customers in each territory. We ask the

TERRITORY QUOTA CARD

CODE ________

ITEMS	TERRITORYS % TO U. S.	TOTAL SALESMANS ESTIMATED QUOTA	PENCILS	RUBBER PENS	METAL PENS	LEADS	MISC.
		$7,000,000	$3,000,000	$1,000,000	$2,000,000	$1,000,000	
ESTIMATED POTENTIAL	1.92%	$134,400	57,600	19,200	38,400	19,200	
ACTUAL 1923		$142,289	61,969	21,253	39,580	19,487	
ACTUAL 1924		$148,642	65,423	22,323	40,572	20,324	
1925 QUOTA		$141,000	60,500	21,000	39,500	20,000	

FORM 3

TOWN DEALER		PENCIL	RUBBER PEN	METAL PEN	LEAD	TOTAL
FRANK WARD	ESTIMATE	100	25	50	50	225
145 MAIN ST.	YOUR					
ANADARKO, OKLA	PERSONAL					
	SALES					
WEAVER-ELLIS&JORDAN	ESTIMATE	WILL	NOT	HANDLE	AGAIN	
FORMERLY WEAVER & JORDAN	YOUR					
ANTLERS, OKLA.	PERSONAL					
	SALES					
DOYLE'S	ESTIMATE	75	50	75		200
4 MAIN ST.	YOUR					
ARDMORE, OKLA.	PERSONAL					
	SALES					
GRAVITT DRUG CO.	ESTIMATE	310		15	5	330
ARDMORE, OKLA.	YOUR					
	PERSONAL					
	SALES					
RITTMAN BROS.	ESTIMATE		NO	GOOD		
BARTLES, OKLA	YOUR					
	PERSONAL					
	SALES					
T.S. TERRY	ESTIMATE	45	12	15	8	80
114 E. THIRD ST.,	YOUR					
BARTLESVILLE, OKLA	PERSONAL					
	SALES					
KEMP McCORD DRUG CO.	ESTIMATE	400	675	125		1200
BILLINGS, OKLA.	YOUR					
	PERSONAL					
	SALES					
NEW BEGGS PHCY.,	ESTIMATE	150		75	10	235
BLACKWELL, OKLA.	YOUR					
	PERSONAL					
	SALES					

salesman to make a definite estimate of what he expects to sell each one of the customers in his territory. If a salesman has been in a territory before, he is able to make the estimate with considerable intelligence. If he has not been in the territory before, he has the help of district superintendents or sales managers, who have traveled the territory and who know about it. In the absence of previous experience on the part of salesman or supervisor, we use our previous experience with each one of these dealers. After this estimate is made, it either does or does not add up to the quota either in total or by commodities. If it does not, obviously the salesman must go over his territory and re-estimate it. If he says, "It is impossible, just can't make the quota in that territory," the Estimate Book tells its own story and proves or disproves the salesman's contention immediately. I will point out here what has happened—these are arbitrary figures, but they are very much like we get.

We find, for instance, in Ardmore, Oklahoma, the fourth one down, that the salesman expects to sell $310 worth of pencils but no rubber pens. It happens to be true in our business that every merchant who sells pencils, sells rubber pens in about double the volume; that is, the volume of rubber pen business in the country is about double the mechanical pencil business. Both commodities are invariably handled by the same dealers. The salesman who made this estimate says very plainly to himself and to us "I can't sell this particular fellow the $600 worth of rubber fountain pens that he is buying." Also he has estimated only $15 for sales of metal pens. The metal pen business has a direct proportion to the metal pencil business. Hence we know it is above or below the average. In this case it is much below. Generally speaking, a dealer who sells $300 of our pencils in a year ought to sell $800 or $900 of the other items. Hence, he must be buying $800 or $900 worth from somebody else, and we want the business. So, we are able to go over the estimate and point out where the business is. Obviously the estimate by dealers must show possibilities beyond the territory quota.

Now, this is only an estimate. The main object, after all, is to make the salesman think about his business, think about his territory, and think about where he is going to get his business, before he starts out. In this way when this salesman gets into each town, there is no question in his mind about the job he has to do, because he has set the task himself.

In Bartles, Oklahoma, there is an account shown as "no good." Maybe it is and maybe it isn't. The credit department passes on that.

We check these books very carefully with customer's lists and lists of prospects to see that we are getting coverage.

At Antlers, Oklahoma, it is shown that the dealer will not handle our goods again. We are interested in knowing why.

When these books are made up they are checked in the office

SIX MONTHS ROUTE LIST

July 7 - Dec. 13, 1924.

SALESMAN__________ Page 1

List every town you expect to make. Columns are provided for five trips. Show additional trips, if required, at bottom of route list. Enter your proposed dates for each trip in column "P". The "A" column is for office use in posting actual date of visit.

TOWN	DATE		DATE		DATE		DATE		DATE	
	P	A	P	A	P	A	P	A	P	A
ALLENTOWN	7/7		9/5							
BETHLEHAM	7/8		9/16							
HELLERTOWN	7/8		9/17							
EASTON	7/9		9/18 9/23		11/15 11/16					
READING	7/10 7/11		9/24 9/25				12/12 12/13			
MYERSTOWN	7/12									
LEBANON	7/13 7/14									
ANNVILLE	7/15									
HERSHEY	7/16									
PALMYRA	7/17									
HUMMELSTOWN	7/18									
HARRISBURG	7/19 7/22		9/26 9/27		11/17 11/18					
CARLISLE	7/23									
SHIPPENSBURG	7/24									
STOCKTON	7/26									
MIDDLETOWN	7/26									
ELISABETHTOWN	7/27 7/28		9/28				12/5			
MARIETTA	7/29									
MT. JOY	7/30									
SHENANDOAH	7/31 8/1		9/29				12/6			
SHAMOKIN	8/2									
WEST CHESTER	8/3				11/22					
COATSVILLE	8/4									

FORM 5

and a duplicate is placed in the hands of the district sales superintendent, who visits this man once every five or six weeks. On these visits he goes over these individual estimates to straighten out any discrepancies that may appear. These books then become the salesmen's lists of accounts and constant reminders of the business expected.

Having determined *how much* business each salesman must get and *where* he is going to get it, the next question is *when* he is going to get it. A salesman will have approximately 600 accounts in traveling territories; in the small town territories he is likely to have as many as 500 towns. He must, therefore, plan his traveling so that he will be able to make a complete coverage in the time available. Form 5 is a six months' routing plan, beginning with the first of July and ending with the 15th of December, which is the end of our selling season. This is only a sample page. First, the towns are set up in the most economical order of travel. There is but one most economical way and that can be determined only by experience. This man says he is going to spend one day in Allentown, he is going to make Bethlehem and Hellertown in one day; Reading in two days, and so on. When he finishes his tentative schedule, he has probably exhausted either the towns or the days, and must then revise the routing in order to cover the territory in a manner satisfactory to the sales manager. In that way he plans time for every town to be covered and the company decides whether the time estimated for each town is adequate. Experience so gained discloses when territories are too large or too small. If the territory is too large, the salesman cannot make it; if it is too small, the calls on dealers are too frequent.

On this form, I call your attention to Easton, Pennsylvania, where on the first call he spends one day and on the second call he spends *five days*. These five days are devoted to the school opening period of Lafayette College, in this particular case. School opening is an important day with us, and we have our salesmen spend that time with the dealers in their main college towns, helping the dealer with the great rush of students who come in on registration day. By planning his work, the salesman is able to reserve the five days necessary for this. Previously he had never reserved the time, and consequently, had spent the time in other less productive places or in making unnecessary repeat calls on dealers, usually in his headquarters town where working conditions were more agreeable.

This is a six months' routing plan, not a route list. It is not expected that the salesman will hold to this exactly; it would be impossible. Health, accidents, and other factors will make it impossible for him to live up to it exactly. So, we ask him every two weeks to send us a route list and that is checked with this annual routing plan, so that we know in advance that the salesman is getting off his route. Thus, this advance information makes

5

SALESMAN'S DAILY ORDER REPORT

TOWNS LISTED IN ORDER AS VISITED

1. ARDMORE, OKLA.　　5. ______
2. BARTLESVILLE, OKLA.　　6. ______
3. ______　　7. ______
4. ______　　8. ______

PLACE BARTLESVILLE, OKLA. DATE 10/25 1924

SALESMAN SMITH

Instructions—Made in duplicate each night by Salesman. Both copies to Home office.

List all calls made, both customers and prospective customers. Check (✓) all columns in this section properly without fail.

Use reverse side of duplicate copy for requesting special letters from home office.

The quantity and quality of co-operation you receive from your home office depends upon the information you give on this report.

LIST OF ALL CALLS MADE			PENCILS						PENS							SELLS				PROSPECT FOR						
NAME OF DEALER	CITY	STATE	UP TO 99 CTS.	1.00 TO 2.00	2.25 TO 3.50	3.75 UP	MATCH	MINIATURE	RUBBER	METAL	MINIATURE	LEAD	MISC.	DEALER TOTAL	TOWN TOTAL	Eversharp	WAHL PENS	Competitive PENCILS	Competitive PENS	Eversharp	WAHL PENS	SOLD	STOCKED	BUYER OUT	BUY LATER	REMARKS
DOYLE'S	ARDMORE		3	24	50	33			10	20		15	3	148		X			W	X	X	X				
GRAVITT DRUG CO.	"														148	X	X							X		Needs Xmas Stock
J. E. BRISCOE CO.	BARTLESVILLE			48	18	19			30	14		10		139		X	X	X	X			X				
MORRIS D. BLACKBURN	"															X	X								X	
PUR YEAR DRUG	"																			X	X					
A. F. BESSE	"		9	39	57	69			88	132				394	533	X	X	X	X			X				
JOBBERS																										
		TOTALS	12	111	125	111			128	166		25	3	681	681											

Number of new accounts (first time sold pens) 1 Total to Date ______

Number of new accounts (first time sold anything) 1 Total to Date ______

Reinstatement figured as new account when customer has not purchased for one year.

Total Number of Orders 3

Total Number of Calls 6

FORM 6

it possible for us to stop him and get him back on his route and schedule.

This routing plan also helps the sales correspondents in the office; they know when a salesman is expected to be in a given place. In this way it helps in corresponding with dealers and it helps to plan with the dealer and with the salesman.

When the salesman makes his calls, he sends to us a daily order report. Form 6, Salesman's Daily Order Report, shows the way the salesman fills it in. In the upper left hand corner is the name of the town, and below, the names of the dealers called on. At the right are check marks indicating certain conditions that exist with that dealer, such as "buyer out" or "stocked" etc. This is for the benefit of sales correspondents who are co-operating with the salesman. We use this form to save the salesman's time. The part of the report that is squared out is reserved for office use. The salesman does not price his orders; this is done in the office and the report completed. We are not believers in asking the salesman to do a lot of clerical work at night. They seldom do it right, and it is really a hardship to ask them to do it.

The portion of the form filled in by the office shows the business the salesman took on that particular day. The headings are commodity and price classes. We keep all of our records so as to show not only the total volume of sales but also the sales in each commodity class and in each price class. The pencils are divided into the following classes: "Up to 99 cents," "$1.00 to $2.00," "$2.25 to $3.50" and "$3.75 up." The pens are divided into "Rub-

SALESMAN'S STANDING

PERSONAL SALES QUOTA

Jan. 1 to Nov. 1, 1924

Salesman	*% Quota*	*Salesman*	*% Quota*
1. Gorton (Cent. N. Y., Pa.)	121.9	29. Costigan (E. Pa.)........	75.0
2. Sandoe (Cent. Calif.).....	121.0	30. McNaulty (N. W. Calif.)	75.0
3. Fox (S. Car., N. Car.)...	112.3	31. Kenny (Nebr., S. D., Ia.)	74.6
4. C. S. Smith (Wash., Ore.)	108.3	32. Gleason (Ia., Ill.).........	74.2
5. Gillham (Ga., E. Fla.)....	100.8	33. Glanz (N. Y. C.)........	72.8
6. Towson (W. Mo.)........	100.5	34. Morgan (S. Texas)......	72.7
7. Simmons (E. Mo., S. W. Ill.)	100.4	35. Schade (N. D., S. D.)....	72.4
8. Haugen (Chicago)........	98.6	36. I. H. King (Wis., N. Mich.)	69.0
9. Crawley (N. Y. C.).......	98.3	37. Deahl (N. W. Ohio, Mich., Ind.)	68.8
10. Ormiston (S. Calif.)......	96.3	38. Cox (D. C., Va.).........	68.6
11. Heap (N. Ill.)...........	94.8	39. Bassett (Chicago).........	68.5
12. Hobbs (Idaho, Mont., Wyo., Nev., Utah, E. Ore., E. Wash.)........	92.5	40. Hallock (S. N. J., Phil.)..	67.8
		41. Riley (Me., N. E. Mass.)	67.8
13. McAdams (Ohio, Clevel'd)	91.0	42. Milligan (Philadelphia)...	66.9

Form 7

ber" and "Metal." There is also a column for "Lead" and one for "Misc." We also get a town total. All of this information is accumulated on a weekly resumé sheet, which determines very quickly whether the salesman is working every day and whether he is selling all of our products every day. A carbon of the resumé sheet is sent to the salesman weekly for his information and serves as a stimulus to better work by making it possible for him to review his own efforts.

I regard it as a fundamental in the handling of salesmen not to ask the salesman to make a report to us and to get nothing back. I am never in favor of preparing a lot of statistics that are not vital and that are not used. Accordingly, in order to be sure that our figures are used, we make reports regularly to the salesmen. In other words, we ask the salesman to report to us so that we can have a basis for working up the figures, but we report back to him, so that he knows very definitely and very accurately just how he is progressing on his estimate and on his annual routing plan.

One of the standard methods of acquainting salesmen with their progress is a comparative standing against quota. (See Form 7.) We use it because the salesman likes the contest feature; but it has many vicious aspects, also. This comparative standing alone is bad; if you keep pounding at the salesman to be at the top of the list, he will stick to his big customers, to the big towns, to his best prospects, because he thinks he can get more business there. He will neglect less important customers whose business is, after all, necessary if maximum volume is to be secured. Also, where there are several commodities to be sold, he will sell the one that he finds easiest to sell, the one with which he can get the greatest volume. That is not good; for if he sells one hundred per cent of his quota in one product alone, he will be overloading his territory on that one item, and leaving the balance of the line for competitors to get. So, while we issue a comparative standing weekly, we do not place a great deal of dependence on it. It is good only when backed up with other stimulants to make the salesman sell the full line and his entire territory.

For this purpose, the Report of Town Sales, Form 8, is furnished to salesmen every month. The master office copy is maintained on paper from which blueprints can be made. By reference to the specimen page, the value of this record to all concerned is apparent. For example:—"Indianapolis." The population is 314,194. The net sales for the previous year were $28,137. The sales the first six months of this year were $12,150. On the first trip, that is, the trip made between July 1st and August 22nd, when the first report was made, he sold 13 orders amounting to $1,061.00. The intermediate figure shows returns and cancellations,—in this case $87. That tells the story. The salesman *knows* whether it is good or bad. He knows why he did not call on all of the 115 dealers. If there is any reason why he should have a guilty conscience,

REPORT OF TOWN SALES—JULY 1ST TO DEC. 31, 1924

CODE ____________

TOWN	POP.	1923 NET SALES	1ST. 6 MO. 1924 NET SALES	NO. DEAL. IN TOWN	TO DATE 8-22 DEALERS CALLED ON	SOLD	RETURNS AND CAN'S	AM'T SOLD	TO DATE 9-11 DEALERS CALLED ON	SOLD	RETURNS AND CAN'S	AM'T SOLD	TO DATE 9-25 DEALERS CALLED ON	SOLD	RETURNS AND CAN'S	AM'T SOLD	NOTATIONS BY DISTRICT SUPERINTENDENT.
Indianapolis	314194	28137	12150	115	36	13	87	1061	68	25	275	5800	68	27	275	7177	Order more for Xmas
Jonesboro	1429	23	50	1													Stocked. Too close to Marion
Kempton	498	18	45	2													Stocked
Kingman	578	25	25	1					1	0		0					Too small
Knightstown	1918	109	57	3													Will order for Xmas.
Kokomo	30067	1363	277	18	16	6		160									Will sell this week.
Ladoga	1010	0	40	1													Stocked
La Fayette	22486	2950	1026	22	14	6	86	950					15	7	86	950	Probably order for Xmas
Lebanon	6257	251	90	3									1	0		0	Will sell this week
Logansport	21626	1520	134	19	14	4	5	189			12						Promised Xmas order
Marion	23747	848	208	11	8	2	13	168									Get Xmas order next week.
Markleville	263	0	0	0													Too small
Martinsville	4895	96	396	5													Stocked. Only 2 line dealers
Monon	1357	48	20	2									2	1		37	All they can handle
Monticello	2536	175	24	3													Can't make roads. Washed out
Muncie	36524	1799	140	14	11	2	7	225					3P 12	6		458	

FORM 8

this record operates as a constant reminder until the deficiency is corrected.

In the next column it shows that he went into Indianapolis again between August 22nd and September 11th, and called on enough more dealers to bring the total up to 68, and he sold enough more to make the total 25. He went to Indianapolis again some time between September 11th and September 25th but did not call on any dealers that he had missed before as the total dealers called on remains at 68 as before. This fellow is obviously sticking to the big trade. He did increase the number of dealers sold to 27, and the volume to $7,177.

The next line shows he has not been in Jonesboro. At the end of the year he may still not have gone into Jonesboro. He has expected to go there, as it is on his annual routing plan, and when he sent in his weekly route list the town was listed, otherwise he would have been checked up at the time. But he jumped it. Roads may have been bad, or he was late, or for some other reason he did not get there. There is no salesman who can get this blueprint twice a month and not make up these discrepancies or attempt to make some satisfactory explanation. He knows that the report is seen by everybody in the office. It is not good to write "nagging" letters to salesmen saying: "Why didn't you make Jonesboro?" or "When you were at Indianapolis you only called on 36 dealers out of 115." Hundreds of such letters would have to be written and it would get to be such an old story that the salesmen would soon pay no attention to them. By this report method, however, there may be 100 nags on every sheet. The salesman is conscious of the pressure without the irritation of fault-finding letters, some of which may not be warranted. For example, he may have a perfectly good reason for not getting into Martinsville, (the fourth line from the bottom). It is a pretty good town with five dealers. A letter commenting on this omission might be resented. If his conscience is clear, the blueprint report has no bad effect.

Any report to the salesman, however, gets to be an old story if sent regularly. To make sure it is not overlooked, we require the district superintendent to go over each item when he visits the salesman to determine what has happened and what help, if any, is needed. The district superintendent returns the record to the main office with his comments. These comments are seen on the right hand margin and speak for themselves.

This information is extremely valuable to headquarters. "Stocked" as a reason for salesmen's failure to get business would affect production schedules if appearing too frequently. "Dealer out of business" enables us to eliminate from our customers' lists and so save advertising material usually supplied. "Credit Bad" can be verified by our credit department.

Results obtained in each community readily determine whether we have too many or two few dealers. In our business where 10% of our accounts buy 60% of our total volume, the loss of one account

REPORT OF PERSONAL SALES TO LARGE DEALERS—JULY 1st TO DEC. 31, 1924

CODE__________

DEALERS	1923 NET SALES	1ST. 6 MO. 1924 NET SALES	TO DATE 8-22 NO. CALLS	TO DATE 8-22 RETURNS AND CAN'S	TO DATE 8-22 AM'T SOLD	TO DATE 9-11 NO. CALLS	TO DATE 9-11 RETURNS AND CAN'S	TO DATE 9-11 AM'T SOLD	TO DATE 9-25 NO. CALLS	TO DATE 9-25 RETURNS AND CAN'S	TO DATE 9-25 AM'T SOLD	NOTATIONS BY DISTRICT SUPERINTENDENT
Indianapolis												Just took Xmas order.
School & Off. Sta. Co	364	48				1		10				more coming. Should exceed 1923.
Wm. B. Collins	567	300										Well stocked. Some since 1923.
Ierval & Edwards	1500	200	3	42	91	4	42	132	6	42	434	Xmas order later.
Meyer & Gribben	800	580				1		218	1		218	Poor credit.
Petry, Grey & Co	800	112		76			76			76		Poor customer. Won't advertise.
Wesson Off. Sup. Co.	350	50										Will not order any more this yr.
Book Drug Co.	3500	1950				1		0	1		0	Business has been poor.
Leo Strauss	1048	500				1		0	1		0	Promised $500.00 more for Xmas.
C. Holweg & Co.	1178	590				2		55	3		485	Stocked
Aigs Pub. Co.	350	450										Will call here next week.
Battis D.G. Co.	765	317										Enough stock on hand
C.L.Frost Jlry. Co.	440	454							1		303	Big order due next few days.
I.E. Sturdy & Co.	800	175	1		97	1	5	370	1	5	370	Will order high priced sets later.
W. K. Swartz Co.	2545	1435	5		397	9	59	3701	10	59	3701	Small store. Big stock on hand
Maurice Krause	370	250							2		0	

FORM 9

frequently is serious. Sometimes the business of a few accounts is such that we can afford to forget the others. There is no rule; only experience in each community can determine how the greatest per capita sales can be secured.

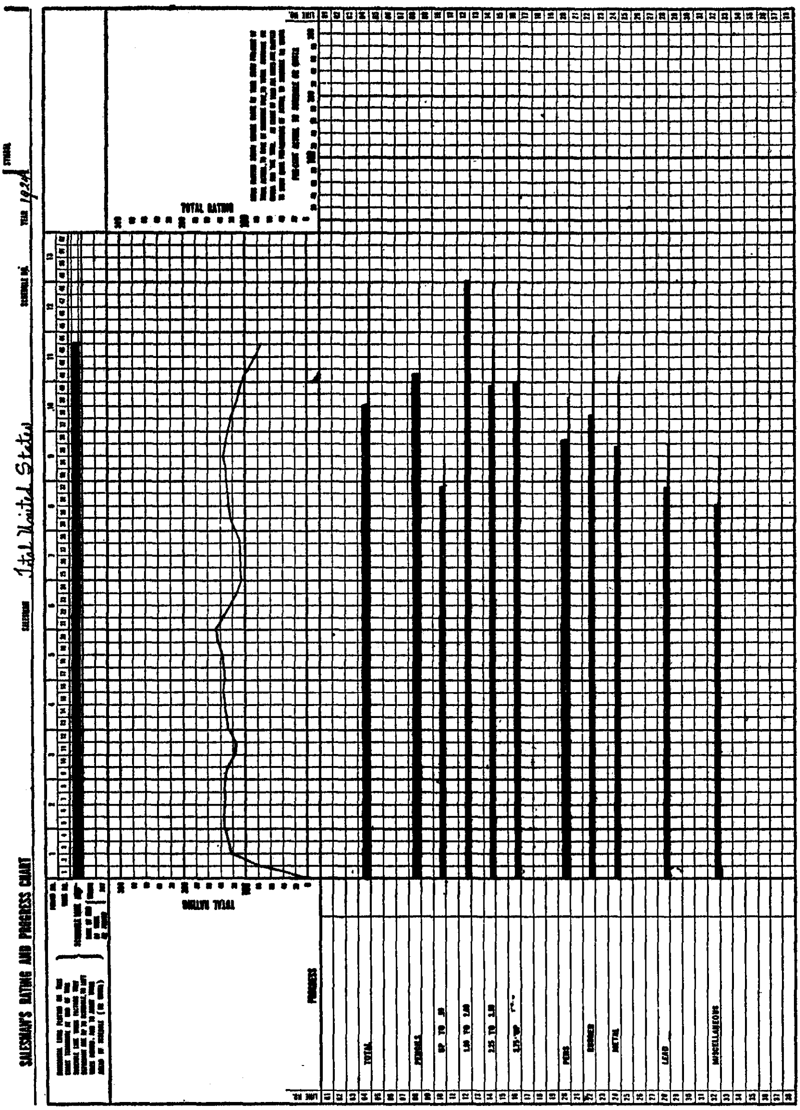
This report also has a big effect on our advertising. When we discovered that we were selling ninety per cent of our business in towns of twenty-five hundred and over, and seventy per cent in towns of one hundred thousand and over, we knew pretty well where and how we should advertise. It showed us where our prospective market was and where the uncovered market was.

From this report we are able to correct our lists of towns to be covered. It costs, on the average, approximately $20 a day for each salesman. A day spent in a small town may not produce sufficient business to pay. In such a case the town can be cut out and the time spent more profitably elsewhere. This results in a better regulation of the size of territories and of the number of salesmen necessary.

I have mentioned that ten per cent of our dealers sell 60 per cent of our volume. Therefore we set up that 10 per cent in the same way that we set up the town sales. (See Form 9, Report of Personal Sales to Large Dealers.) This chart shows that in Indianapolis the top customer in 1923 bought $364 and in the first six months of this year $48. The salesman did not call on him except in the second period when he made one call and sold $10. The district superintendent checks this report with the salesman exactly as he checks the Town Sales Report. This check-up means a lot or a little in proportion as the district superintendent and the salesman are efficient and interested. But I submit that when it is done, the salesman and the district superintendent are both thinking about their work and each individual customer.

As another illustration, look at the Wesson Office Supply Company item. For some reason the salesman has not called there. Maybe he quarreled with Mr. Wesson; maybe Mr. Wesson ordered him out of the store. A general report for that day that he had taken other good orders might win approbation for the salesman; but we would never know about this particular account unless it had been listed as being important.

We expect the salesman to sell the full line. There is no other way for him to make a satisfactory showing. The town sales charts and the dealers' sales charts show what the salesman is selling as to volume; the chart, Comparative Salesman's Standing, shows how that volume compares with the total quota; but, at no time are we able from these reports to tell just what part of the line, if any, the salesman is ignoring. The Salesman's Rating and Progress Chart, Form 10, shows the sales by price classes and by commodities against the quotas set for each. This specimen has been developed up to the 45th week. Line No. 04, Total, shows that the salesman is five to six weeks behind in his total sales. (Each division indicates one week). "Total pencils," Line No. 08,


SALESMAN'S RATING AND PROGRESS CHART
Total United States
YEAR 1924
TOTAL RATING
PROGRESS
TOTAL
PENCILS
UP TO .90
1.00 TO 2.00
2.25 TO 3.00
PENS
RUBBER
METAL
LEAD
MISCELLANEOUS

FORM 10

shows practically 100%; pencils "Up to 99 cents" is down, and the "$1.00 to $2.00" class is ahead, etc.

The narrow part of the line shows the returned goods and cancellations. Referring to the total sales again, this salesman took orders enough to carry him up to the 48th week, but he had enough cancellations and returned goods to equal 8 weeks' quota, making his net sales equal to 40 weeks' quota at the end of 45 weeks, thus putting him five weeks behind. This report is also blue printed and sent to the salesman every month to show his progress in each commodity and price class. Experience shows that salesmen will put special effort on the low spots.

This chart is valuable in other ways. It is not always the salesman's fault that sales drop. It has been our experience that one of those lines was very short on every salesman's chart. It is not possible that every one of our sixty men should fall down on the same item. The fault was found at headquarters.

On the other hand, if one salesman is down on an item and other salesmen in contiguous territories are ahead on the same item, it is obviously a local territory condition and is to be investigated accordingly.

Competition is sometimes responsible for decreased sales on certain parts of the line. The salesman will not usually report such a condition. This chart immediately shows something is wrong with that part of the line in that territory though total sales may be quite satisfactory.

The curved line shows progress of total sales to total quota. That naturally is a very interesting line to the salesman because by keeping it over a certain minimum he earns his bonus. If the line drops, the commodity lines show immediately which part of the line is responsible.

In conclusion let me say that no system of checking salesmen or watching sales costs will overcome bad selling methods, bad merchandising methods, or poor merchandise. A system of reports of this kind does, however, enable the sales manager to plan his sales effort intelligently and by such planning to reduce his sales costs. No system will forecast to a certainty the proper amounts to spend, nor overcome adverse business conditions.

System is certainly no substitute for brains in business. Neither this system nor any other will take the gamble out of business. It simply makes it possible for us to forecast more intelligently the amount of money we want to spend for selling and what we are going to get for it.

MR. CASTENHOLZ: The question box is open. If no one else is going to start it, I will. I should like to know by what methods you determine the profits which each salesman produces in each territory and how that profit is distributed according to the different products that he sells? Or is that the work of the accounting department entirely?

MR. FROST: There is, of course, a profit element estimated in the quota.

MR. SNYDER: What is the distribution between the sales effort by salesmen and by mail? You had it divided 75% and 25%. Where do the mail sales come in—on the small towns, or individuals or where?

MR. FROST: No, we don't sell individuals. It comes from a variety of places. It comes from right here in Chicago, because the stores are near the plant and they can telephone. It comes from small towns that the salesman doesn't call on but once in six months.

MR. SNYDER: That is not credited to the salesman working the territory, then?

MR. FROST: Yes, all orders from a territory are credited to the salesman, whether he gets them himself, or whether they come in by mail.

MR. SNYDER: Why do you separate these two classes of sales, then?

MR. FROST: Because there are certain territories that have a very high percentage of mail orders. Montana, Idaho, North and South Dakota, and Southern Texas, etc., will run as high as fifty per cent. The city of Philadelphia, for instance, will run only ten or twelve or fifteen per cent. If we gauged the salesman's effort by total sales including mail orders, we would have no knowledge of what he is getting himself. What we want him to do is to get as much business as he can on his call, because we sell on datings and deferred deliveries, in an effort to break down small and unprofitable mail orders.

MR. VON ARB: I would like to ask if you have ever determined the percentage of cost to sales of maintaining this record, i. e., this large record.

MR. FROST: Yes, I will tell you exactly. It is seventeen hundredths of one per cent, and this particular part of the record which you see here and which I am sure you refer to costs about $100 per salesman.

MR. BLACK: Do you pay your salesmen a regular salary or on a commission basis?

MR. FROST: A regular salary, with a bonus over bogey. The bogey is set at approximately 80 per cent of the quota as set by this method.

MR. SCOTT: Do you think it is worth while to pay your salesmen an increased percentage of commission on specialties? In your case wouldn't you think that your salesmen were worth an increase if they sold the high priced pencils?

MR. FROST: No, because again I must call your attention to the fact that, in the last analysis, we can sell only what the dealer can sell. Our job is to get coverage, not specializing on one item in the line. For example, our high priced numbers carry more profit, naturally, that the lower priced numbers. If we were to pay a salesman an additional compensation because of the higher priced numbers and the higher profit numbers, the only effect in our case would be that he would load up the dealers in one district, collect the commissions, and leave us before the returns come in.

MR. SCOTT: The reason I asked that question is this: Some businesses are built around a certain price and although they have a certain number of specialties, they have other side lines and they give their salesmen a larger percentage for selling those specialties.

MR. FROST: We have no side lines.

MR. SCOTT: What did you say your selling cost was, sixteen per cent?

MR. FROST: It used to be. I had it down in 1922 to 5.75 per cent for direct selling. It has jumped up since then. This year it will be between 6% and 7%.

MR. WILLIAMS: Do you have a return privilege?

MR. FROST: Returns for exchange only.

MR. WILLIAMS: Has that any bearing at all on the tendency of the salesman to overload a customer?

MR. FROST: Yes, decidedly so. It does make him overload; but when you are in a highly competitive field, and everybody else is overloading his dealers, you had better overload your dealer than let the other fellow do it.

A MEMBER: You said something about charging your selling expense on a unit basis rather than in the month in which the expenses were incurred.

MR. FROST: We don't set that up in our regular books of record. We stop salesmen making unprofitable calls whenever we can locate them.

A MEMBER: It does not affect your profit and loss and financial statement? That is carried on in the usual way?

MR. FROST: As a matter of fact, answering your question, we are abandoning monthly consideration of sales expenses because our business is so seasonable that monthly consideration is of no value.

MR. CASTENHOLZ: There is one thing that I think Mr. Frost has brought out that we want to carry home with us. He has unconsciously given us the finest talk in favor of budgets that I have ever heard. If you want to insure a profit in your business, the way to do it is to set *profitable* quotas. Then you can't go wrong, because in that case you can not only check the man with reference to his sales, but, if you have some kind of an arbitrary selling cost in connection with it, you can keep your expenses down.

Set profitable quotas and you are bound to make a profit. In other words, you are insuring yourself a profit when you set these quotas because you are not going to set a quota below the cost of selling; that would be absurd. We should, I think, devote a good deal of time and thought to this question as to the possibility of budgeting all of our efforts in a business, so we can put every effort on a profit yielding basis. And, it can be done, gentlemen.

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No. 7—How to Reduce the Cost of Selling, *A. G. Frost*

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