

**PUBLICATION OF THE GRADUATE SCHOOL
OF BUSINESS ADMINISTRATION
GEORGE F. BAKER FOUNDATION—HARVARD UNIVERSITY**

**VOLUME XXIX, NUMBER 3
SEPTEMBER, 1942**

**BUSINESS RESEARCH STUDIES
NUMBER 26**

**ADVERTISING PROGRAMS FOR PRODUCTS
WITH SELECTED DISTRIBUTION**

**AN ANALYTICAL STUDY OF THE PLACE OF GENERAL ADVERTISING,
DEALER COOPERATIVE ADVERTISING, AND DEALER HELPS
IN PROMOTIONAL PROGRAMS**

**BY
JAMES DACON SCOTT**



PRICE, \$1.50

**HARVARD UNIVERSITY
GRADUATE SCHOOL OF BUSINESS ADMINISTRATION
BUREAU OF BUSINESS RESEARCH
SOLDIERS FIELD, BOSTON, MASSACHUSETTS**

**PUBLICATION OF THE GRADUATE SCHOOL OF BUSINESS
ADMINISTRATION—Individual Issues**

BUSINESS RESEARCH STUDIES

| | | |
|---------|---|--------------|
| No. 1. | Merchandising of Cotton Textiles—Methods and Organization, by M. T. Copeland and E. P. Learned (1933) | \$1.00 |
| No. 2. | Raw Material Prices and Business Conditions, by Melvin T. Copeland (1933) | \$1.00 |
| No. 3. | The Behavior of Consumption in Business Depression, by Arthur R. Tebbutt (1933) | \$1.00 |
| No. 4. | Department Leasing in Department Stores, by Stanley F. Teele (1933) | \$1.00 |
| No. 5. | International Raw Commodity Prices and the Devaluation of the Dollar, by Melvin T. Copeland (1934) | \$1.00 |
| No. 6. | Managing Cloth Inventories in the Cotton Textile Industry, by John J. Madigan (1934) | \$1.00 |
| No. 7. | Truck Selling: Simultaneous Selling and Delivery in Wholesale Food Distribution, by Lars J. Sandberg (1934) | \$1.00 |
| No. 8. | The Effect of Size on Corporate Earnings and Condition, by William Leonard Crum (1934) | \$1.00 |
| No. 9. | Management and the Worker: Organization in an Industrial Plant, by Roethlisberger and Dickson (1934) | Out of Print |
| No. 10. | Corporate Earning Power in the Current Depression, by William Leonard Crum (1935) | 50 cents |
| No. 11. | A Test of the Consumer Jury Method of Ranking Advertisements, by N. H. Borden and O. S. Lovekin (1935) | Out of Print |
| No. 12. | The Use of Statistical Techniques in Certain Problems of Market Research, by T. H. Brown (1935) | \$1.00 |
| No. 13. | The Distribution of Wealth: A Survey Based Upon Federal Estate-Tax Returns, by W. L. Crum (1935) | Out of Print |
| No. 14. | Law and Labor Relations: The Industrial Disputes Investigation Act of Canada, by B. M. Selekman (1935) | \$1.00 |
| No. 15. | Unemployment and Prospects for Reemployment in Massachusetts, by D. H. Davenport and J. J. Croston (1935) | \$1.00 |
| No. 16. | Determination of Confusion in Trade-Mark Conflict Cases, by Neil H. Borden (1936) | \$1.00 |
| No. 17. | The Compensation of Executive Officers of Retail Companies, 1928-1935, by J. C. Baker (1937) | Out of Print |
| No. 18. | Organization, Functions, and Financing of State Public Utility Commissions, by C. O. Ruggles (1937) | Out of Print |
| No. 19. | A Raw Commodity Revolution, by Melvin T. Copeland (1938) | Out of Print |
| No. 20. | The Co-operative Banks of Massachusetts, by Donald H. Davenport (1938) | \$1.00 |
| No. 21. | The Risk of Unemployment and Its Effect on Unemployment Compensation, by James W. Horwitz (1938) | Out of Print |
| No. 22. | Merchandise Testing as a Guide to Consumer Buying, by Mabel T. Gragg with N. H. Borden (1939) | Out of Print |
| No. 23. | Executive Compensation Practices of Retail Companies, 1928-1937, by John C. Baker (1939) | Out of Print |
| No. 24. | Portfolio Policies of Commercial Banks in the United States: 1920-1939, by Pearson Hunt (1940) | \$1.50* |
| No. 25. | Recent and Prospective Developments in Accounting Theory, by William A. Paton (1940) | \$1.00* |
| No. 26. | Advertising Programs for Products with Selected Distribution, by James Dacon Scott (1942) | \$1.50 |

BUREAU

RECENT BULLETINS

CHAIN STORES

| | |
|---------------------------------|----------------------|
| No. 116. | Expenses and Profits |
| No. 114. | Expenses and Profits |
| No. 112. | Expenses and Profits |
| Expenses and Profits of Limited | |
| 1933, No. 95; | |
| No. 101. | Operating Results of |
| No. 99. | Expenses and Profit |
| No. 94. | Chain Store Expens |
| No. 90. | Expenses and Profit |
| No. 87. | Operating Results of |
| No. 86. | Operating Results of |
| No. 84. | Expenses and Profit |

CONSUMER CO-OPERATIVES

| | |
|----------|----------------------|
| No. 108. | Operating Results of |
|----------|----------------------|

DEPARTMENT STORES (See also)

| | |
|-------------------------------|----------------------|
| No. 115. | Operating Results of |
| No. 113. | Operating Results of |
| No. 111. | Operating Results of |
| No. 97. | Operating Results of |
| Operating Results of Departme | |
| 1934, No. 96; | |
| No. 61. | Department Store C |
| Operating Results of Departme | |
| 1926, No. 63; | |

| | |
|---|--------------|
| 1, by Elizabeth A. Burnham | \$1.00 |
| 0, by Elizabeth A. Burnham | \$1.00 |
| 9, by Elizabeth A. Burnham | \$1.00 |
| 1937, No. 107; 1935, No. 103; 1934, No. 98; | |
| \$1.00 each | |
| Groups: 1929, 1931-1934, by S. F. Teele | Out of Print |
| malz | Out of Print |
| 32, by Malcolm P. McNair | \$1.00 |
| ship Groups in 1931, by Malcolm P. McNair | \$1.00 |
| lz | \$1.00 |
| lz | \$1.00 |
| Malcolm P. McNair | \$1.00 |

| | |
|-----------------------------|--------|
| in 1937, by Carl N. Schmalz | \$1.00 |
|-----------------------------|--------|

| | |
|---------------------------------------|---------------|
| Charles A. Bliss | \$2.50* |
| Malcolm P. McNair | \$2.50* |
| Malcolm P. McNair | \$2.50* |
| fic Coast States: 1934 | 50 cents |
| o. 106; 1936, No. 104; 1935, No. 100; | \$1.00 each |
| ancial Ratios for 1923, 1924, 1925 | 50 cents |
| o. 85; 1928, No. 78; 1927, No. 74; | 50 cents each |

(cover)

* To firms furnishing figures for the d
to educational institutions, etc., the list pr

ail Dry Goods Association, which financed the work, and
gular discounts apply.

Orders for the several issues of the Publication of the Graduate School of Business Administration should be addressed to the Bureau of Business Research, Harvard Business School, Soldiers Field, Boston, Massachusetts. Whenever possible the remittance should accompany the order. Checks should be made payable to the Bureau of Business Research. Trade, quantity, and educational discounts on application. The prices of these publications are revised from time to time. Lists showing the prices current at any time may be obtained from the Bureau of Business Research.

ADVERTISING PROGRAMS
PRODUCTS WITH
SELECTED DISTRIBUTION

AN ANALYTICAL STUDY OF THE PLACE OF GENERAL
ADVERTISING, DEALER COOPERATIVE ADVERTISING,
AND DEALER HELPS IN PROMOTIONAL PROGRAMS

By

JAMES DACON SCOTT

*Associate in Marketing
School of Business Economics
Johns Hopkins University*



HARVARD UNIVERSITY
GRADUATE SCHOOL OF BUSINESS ADMINISTRATION
BUREAU OF BUSINESS RESEARCH
SOLDIERS FIELD, BOSTON, MASSACHUSETTS

HARVARD UNIVERSITY
GRADUATE SCHOOL OF BUSINESS ADMINISTRATION

GEORGE F. BAKER FOUNDATION

DONALD K. DAVID, *Dean*

MELVIN T. COPELAND, *Director of Research*

Copyright, 1942

BY THE PRESIDENT AND FELLOWS OF
HARVARD COLLEGE

FOREWORD

In this study Dr. Scott has sought through analysis of advertising case histories to find answers to important advertising and promotional issues met by manufacturers who distribute their products through selected retail distributors. The advertising and promotional programs of such manufacturers are subject to wide variation. Apart from differences in advertising copy techniques, which are to be expected, there are variations involving an important question of advertising and promotional strategy; namely, the question of how most effectively to distribute expenditures among the forms of general advertising placed over the manufacturer's name, dealer cooperative advertising, and point of purchase advertising. Case histories gathered over a long period have shown that some manufacturers devote a preponderant part of their expenditures to general advertising, with little given to dealer cooperative advertising or to point of purchase efforts. Others reverse the procedure and direct most of their appropriations to advertising through retailers. Between these extremes are endless variations in the patterns of expenditures.

Immediately the question arises as to whether there are sound reasons for these widely varying patterns of advertising practice. And if there are sound reasons, what considerations make it wise to follow one pattern in one case and another pattern in another case? Can an analytical approach be set up which will give some assurance of a manufacturer's laying down a wise pattern of expenditures among the various forms of advertising for his particular set of circumstances? Dr. Scott sought to find answers to these questions.

The study is believed to be significant both to practitioners and to students of advertising and marketing. Hope for improvement in business management and for elimination of waste in marketing rests in studies such as this one, which seeks answers to important business problems through the inductive method. As is true with many advertising and marketing problems, answers to the issues are difficult to determine because the variables involved are many, and data are hard to obtain and to appraise, for the methods of measuring business effectiveness are inexact and crude. Accordingly, a beginning study such as this will not give the clear-cut answers that one might wish; nevertheless it is desirable to present the study in considerable detail, not only that the findings, which have significance both to advertising practitioners and to students of marketing, may be appraised, but also that students and research workers may later build upon the extensive efforts described herein.

Aside from an extensive questionnaire study carried on by Dr. Scott, he made use of numerous business cases in the files of the Harvard Business School. A considerable number of these cases were collected by Dr. Scott himself while he was assisting in the extensive research of *The Economic Effects of Advertising*,

carried on under a generous grant from Mrs. Alfred W. Erickson. We are grateful to Mrs. Erickson for this further aid to advertising study from her gift.

This bulletin is an abridgment of Dr. Scott's doctoral thesis, which is on file in the Baker Library of the Harvard Business School. The thesis contains a full statement of the advertising cases, of Dr. Scott's commentaries, and numerous statistical appendices which for the sake of economy have been omitted in this abridgment. Those interested in a more extended study of the subject presented may turn to the original volume in Baker Library.

NEIL H. BORDEN
Professor of Advertising

BOSTON, MASSACHUSETTS
September, 1942

PREFACE

In the preparation of this study I have been assisted by the cooperation, suggestions, and advice of many people. In particular, I am especially indebted to the many business executives who provided the information upon which this study is based. To these executives, who must remain anonymous, I express my sincere thanks for their splendid cooperation.

I have benefitted from the helpful suggestions and advice of Professor Melvin T. Copeland, Professor Edmund P. Learned, and Mrs. Mabel Taylor Gragg, of the Harvard Graduate School of Business Administration.

My greatest debt, however, is to Professor Neil H. Borden, of the same institution, who has contributed kindly encouragement, penetrating criticism, and helpful suggestions at each stage of the development of this study.

JAMES DACON SCOTT

BALTIMORE, MARYLAND
September, 1942

CONTENTS

| CHAPTER | PAGE |
|--|------|
| I. Introduction | I |
| II. Selected Distribution Defined and Described | 5 |
| III. Classification of Different Kinds of Advertising | 18 |
| Advertising Directed to Consumers | 18 |
| Advertising to the Trade | 31 |
| IV. Advertising Programs Used to Promote Products with Selected Distribution | 33 |
| Methods of Classifying Advertising Programs | 33 |
| Types of Advertising Programs Commonly Used | 34 |
| Evidence of Variation in Practice | 41 |
| Summary | 43 |
| V. Factors That Explain Broad Variations in Advertising Practice | 46 |
| Size of the Advertising Appropriation | 47 |
| Strength of Brand Preference | 61 |
| Nature of Response Desired from Advertising | 68 |
| Other Methods of Stimulating Dealer Advertising | 71 |
| Various Ways of Building Brand Preference | 77 |
| Ways of Stimulating Immediate Sales Results | 78 |
| Use of Effective versus Ineffective Advertising Programs | 81 |
| Null Hypotheses | 82 |
| Factors That Explain Minor Variations in Practice | 83 |
| Summary and Conclusions | 83 |
| VI. Factors to Consider in Building Advertising Programs | 85 |
| Determination of Basic Promotional Strategy | 85 |
| Methods to be Followed in Achieving Desired Promotional Objectives | 90 |
| Analytical Approach Summarized | 106 |
| Appendix | 107 |
| Results of Experimental Analyses of Advertising Programs | 107 |

ADVERTISING PROGRAMS FOR PRODUCTS WITH SELECTED DISTRIBUTION

CHAPTER I

INTRODUCTION

DEFINITION OF THE PROBLEM

The primary purpose of this study is to discover what factors account for the wide variations in advertising practice found among different manufacturers who market their products under the policy of selected distribution; that is, distribution through selected dealers.

In the promotion of products so distributed, widely varying types of advertising programs are used. For instance, one manufacturer may spend 50% of his advertising appropriation upon general advertising, 30% upon advertising over the retailer's name, and 20% upon dealer sales helps. Here the advertising strategy may be to create a strong preference for the manufacturer's brand among consumers, to inform the prospective buyer where he may buy this brand in his community, and to stimulate immediate retail sales.

In contrast, another manufacturer may divide his advertising appropriation into 75% for advertising over the retailer's name and 25% for dealer sales helps. Here strategy may be, first, to get retail dealers actively to promote and advertise the manufacturer's brand, and, secondly, to stimulate an immediate sales increase.

Still another manufacturer may divide his advertising appropriation into 60% for advertising to the trade and 40% for dealer sales helps. In this case the strategy may be to build up a preference among retailers for the manufacturer's brand and then to get retail dealers who stock the brand to sponsor it actively in their local markets.

Why is there such variation? Does the use of different types of advertising programs among

such manufacturers grow out of the size of the appropriation which can be devoted to advertising? Can differences in practice be accounted for by the ability of one manufacturer to create a strong preference for his brand through advertising, while another manufacturer can create only a weak brand preference through advertising? Do variations in practice grow out of the fact that one manufacturer may appoint only one retail representative in a community regardless of its population, while another manufacturer may appoint from two dealers in a community with a population of 10,000 up to 1,500 dealers in New York City? May the use of different advertising programs be the result of selecting different methods of performing a given promotional job, all equally effective? Or do variations in advertising practice grow out of the use of effective advertising programs by some manufacturers and ineffective advertising programs by others?

Once the factors responsible for the use of varying types of advertising programs are discovered, then the groundwork has been laid for the development of an analytical approach to solutions of the problems encountered in building effective advertising programs for products with selected distribution. The secondary purpose of this study is to develop such an analytical approach.

SCOPE OF THE STUDY

As is already evident, this study is limited in scope to manufacturers who follow the policy of selected retail distribution in marketing their products. Although this policy is used in market-

ing both producers' goods and consumers' goods,¹ this investigation is limited to the latter classification.

It is desirable to limit the field of inquiry still further by confining the study to products sold under manufacturers' brands. This limitation serves to exclude products sold under wholesalers' or retailers' private brands, the advertising problems of which are essentially different from those of manufacturers' brands.

Finally, this study is limited to products with national distribution.

SURVEY OF PUBLISHED MATERIAL DEALING WITH THE PROBLEM

A survey of library material indicates that no analyses have been published dealing with the factors responsible for the use of different types of advertising programs in the promotion of products with selected distribution.

Several cases, however, published in different editions of Professor Neil H. Borden's case book, *Problems in Advertising*, bear directly upon the problem.² Likewise, two cases published in different editions of Professor Harry R. Tosdal's case book, *Problems in Sales Management*, deal with the issue.³

Aside from the case studies referred to in the preceding paragraph, the most helpful published material available is found in Lawrence

¹"Another distinction . . . is that between consumers' goods . . . such as food, clothes, etc., which satisfy wants directly on the one hand; and, on the other hand, producers' goods . . . such as ploughs and looms and raw cotton, which satisfy wants indirectly by contributing towards the production of the first class of goods." (Marshall, Alfred, *Principles of Economics* [8th ed., London, Macmillan and Company, Ltd., 1920], p. 64.)

²I refer to the following cases: in the 1937 edition, Kalama Hosiery Company, Weyenberg Shoe Manufacturing Company, Armstrong Cork Company (A), Norge Corporation, and Excello Tire Company (Borden, Neil H., *Problems in Advertising* [3d ed., New York, McGraw-Hill Book Company, Inc., 1937], pp. 168, 201, 285, 311, and 331); in the 1932 edition, Baldwin Motor Company and Kenniston Company (Borden, Neil H., *Problems in Advertising* [2d ed., New York, McGraw-Hill Book Company, Inc., 1932], pp. 325 and 339); in the 1927 edition, Holton Hosiery Company (A), Leighter Skate Company, and Hale Company (Borden, Neil H., *Problems in Advertising* [Chicago, A. W. Shaw Company, 1927], pp. 109, 123, and 152.)

³In the 1939 edition, Watson Rubber Company (Tosdal, Harry R., *Problems in Sales Management*

C. Lockley's study of vertical cooperative advertising.⁴ This study provides valuable background on the desirability of using vertical cooperative advertising in the promotion of products with selected distribution. It does not, however, deal with the problem being investigated in this study.

Similar material is presented in Leverett S. Lyon's book on advertising allowances.⁵ Ben Duffy's book on advertising media also contains some helpful material on methods of cooperative advertising and, even more significant, representative cooperative advertising systems.⁶ A number of articles dealing with the desirability of using vertical cooperative advertising were found in trade publications, but these are not particularly helpful.

In short, published sources provide some helpful background relating to different kinds of advertising. In addition, some valuable case evidence is supplied, part of which will be used in this analysis. No analyses have been published, however, bearing directly on the issue being investigated.

On the other hand, published sources provide some invaluable material which is to be used in connection with the definition and description of the policy of selected distribution and the classification of different kinds of advertising. The sources of this material are too numerous to list here, but are cited in footnotes.

METHOD OF THE STUDY

In addition to the 12 cases published in Borden's and Tosdal's case books, evidence was collected on the types of advertising programs used by 86 manufacturers. These data were secured by making case studies of individual manufacturers, through the use of mail questionnaires, and by correspondence.

[4th ed., New York, McGraw-Hill Book Company, Inc., 1939], p. 373); in the 1926 edition, Beckman Paint Company (Tosdal, Harry R., *Problems in Sales Management* [Rev. ed., Chicago, A. W. Shaw Company, 1926], p. 501).

⁴Lockley, Lawrence Campbell, *Vertical Cooperative Advertising* (New York, McGraw-Hill Book Company, Inc., 1931).

⁵Lyon, Leverett S., *Advertising Allowances* (Washington, D. C., The Brookings Institution, 1932).

⁶Duffy, Ben, *Advertising Media and Markets* (New York, Prentice-Hall, Inc., 1939), pp. 276-291.

Case studies of the advertising experience of 26 manufacturers were made through personal interviews with business executives. One additional case study was based upon a Printers' Ink article supplemented by correspondence with executives of the company involved.

Many of the case studies present a record of changes from one type of advertising program to another, state the reasons given by the management for making the change, and indicate the results of the modification. Such cases supply valuable evidence upon the conditions which make variations in advertising practice desirable.

In selecting manufacturers for case study, it appeared desirable to include typical examples of the many different kinds of products marketed under the policy of selected distribution. Preliminary library work indicated that such products included men's clothing, shoes, household appliances, musical instruments, automobiles, paints and varnishes, and ladies' silk hosiery. An effort was made to secure evidence covering all these different products.

In addition, examples were sought dealing with products ranging in retail price from 79 cents to \$2,500. It was thought that by covering the various prices typical of products with selected distribution it might be possible to discover whether variations in buying habits have any influence upon the type of advertising program used.

Also, evidence was requested from manufacturers making products of varying degrees of durability. At the one extreme were products purchased once a month; at the other, products purchased once in a lifetime.

Then, too, care was taken to collect information from manufacturers who appropriated small, medium, and large sums for advertising. Again, examples were chosen to represent different degrees in selectivity of distribution. At the one extreme was a manufacturer who appointed only one dealer in New York City; at the other, a manufacturer who appointed 1,500. Finally, in recognition of possible differences in buying habits between men and women, products were selected which were sold to and used by both sexes.

Mail questionnaires¹ were used to supplement the case studies for two reasons: first, in order

¹A copy of the questionnaire used is filed with the original thesis at Baker Library, Harvard Graduate School of Business Administration.

to broaden the size of the sample within product groups already covered by case studies; secondly, in order to provide information on products not covered by case studies.

A total of 343 questionnaires were mailed. Altogether, 65 questionnaires were returned; 59 were completely filled out and 6 were partially completed. Of the 65 reports submitted, 33 were from clothing manufacturers, 13 from household equipment firms, 7 from automotive firms, 5 from musical instrument manufacturers, 2 from photographic equipment firms, and one from a manufacturer of lubricants. The completed questionnaires provided evidence on the division of advertising expenditures among general advertising, dealer cooperative advertising, dealer sales helps, advertising to the trade, and other advertising expenditures. Supplementary information to aid in the analysis of the data on the division of advertising expenditures was also provided.

The mailing list was built up from the names of manufacturers listed in *The Standard Advertising Register*,² supplemented by other names selected from *Thomas' Register of American Manufacturers*.³ Care was taken to include small-size and medium-size advertisers as well as large advertisers, and local advertisers as well as national advertisers.

²*The Standard Advertising Register*, 1938 edition, provided a concise record of 9,500 advertisers. "This register is a classification of every Nationally advertised article; an authentic index to advertisements appearing in publications carrying advertising offerings and announcements which could be considered as part of a national plan; a Perpetual Recording Index of National Advertising." (*The Standard Advertising Register* [New York, National Register Publishing Co., Inc., 1938].)

This list was believed to cover most advertisers with national distribution; in addition, it was thought to include advertisers confining their promotional expenditures to local media, and small as well as large advertisers. It was recognized, however, that the coverage of local advertisers might not be so complete as the coverage of national advertisers.

³*Thomas' Register of American Manufacturers* is described as "a purchasing guide that aims to list all American manufacturers and primary sources of supply." (*Thomas' Register of American Manufacturers* [29th ed., New York, Thomas Publishing Company, 1938].)

Thomas' register was used in order to make certain that firms confining their advertising to local media would be covered as well as companies that spend a small amount on advertising. Firms with

In summary, this study is based upon evidence secured from the following number of manufacturers:

| | <u>Number of Companies Covered</u> | |
|---|------------------------------------|-----------|
| Case Studies: | | |
| Made by personal interview | 26 | |
| Based upon Printers' Ink article supplemented by correspondence | 1 | |
| Published in case books | <u>12</u> | 39 |
| Mail questionnaires (complete) | | <u>59</u> |
| Total number of companies | | 98 |

The studies which were made of the advertising programs of 14 of the foregoing manufacturers supplied material for 24 cases; the studies of the remaining 13 manufacturers were retained in note form. In addition, two of Professor Borden's cases were used with his permission. From among the 26 written cases, 14 of the more significant were selected. A commentary was prepared dealing with the specific issue raised in each of these 14 cases. These commentaries, together with the

approximate minimum capital of \$1,000,000 and over were selected on the assumption that companies with national distribution would be likely to have capital of this amount or more. It was believed that this group would still include firms which could afford to spend only small amounts on advertising. Some such method of selecting names was necessary in order to confine the mailing list to a number that would not be too expensive to approach by mail questionnaire.

cases to which they refer, provide the groundwork for this study.¹

After the case commentaries had been completed, hypotheses were developed, first, to provide explanations of why manufacturers changed from one type of advertising program to another, and, secondly, to explain why different manufacturers used different types of advertising programs. These hypotheses were tested by applying them to other cases and to the questionnaire data.

The questionnaire data were then analyzed. Advertising programs used to promote different brands of the same product were studied in order to discover whether there was any evidence of standard practice. Hypotheses were developed to explain variations in the types of advertising programs used to promote different brands of the same product. Later, other hypotheses were developed to explain variations in the types of advertising programs most commonly used to promote different kinds of products.

In a word, hypotheses to explain variations in the programs used to promote products with selected distribution were developed by both inductive and deductive processes. These hypotheses were tested against the case evidence as well as against the questionnaire evidence.

¹Because of the limitation of space, however, none of the 26 written cases and only a few of the 14 commentaries are presented in their original form in this bulletin. Instead, brief digests of typical cases have been inserted at appropriate points in this study, together with commentaries dealing with the major question at issue in each situation. Extensive use also has been made of brief citations to both cases and commentaries as supporting evidence and as illustrative material throughout this presentation. The original cases and commentaries are on file in Baker Library, Harvard Graduate School of Business Administration, and text and footnote references apply to these cases unless otherwise noted.

CHAPTER II

SELECTED DISTRIBUTION DEFINED AND DESCRIBED

Selected retail distribution is that type of distribution which limits the sale of a product to chosen retailers in each community.¹ It is to be contrasted with nonselected retail distribution, the purpose of which is to attain density of distribution. In the extreme case of selected distribution, the seller has only one retail representative in a given community and this seller is known as an exclusive agent. Where nonexclusive sales rights

¹The Committee on Definitions of the National Association of Marketing Teachers defined selective selling as follows:

"Selective Selling—The policy of selling to a limited number of accounts in any geographical area."

("Definitions of Marketing Terms, Consolidated Report of the Committee on Definitions," *The National Marketing Review*, Vol. I, No. 2, Fall, 1935, p. 163.)

Professor Copeland defined selected distribution as follows in his *Principles of Merchandising*:

"A manufacturer . . . utilizes selected retail distribution by choosing one or at most a few stores in each city to which to sell his product. In small cities he generally sells to not more than one retail store."

(Copeland, Melvin Thomas, *Principles of Merchandising* [Chicago, A. W. Shaw Company, 1924], p. 118.)

In my opinion, this definition sets an upper limit on the policy of selected distribution which is too low. Thus Company 5, a manufacturer of mechanical refrigerators, reported that its products were sold through selected retail outlets in each community. This company used a formula of one retail outlet per 25,000 population as a rough guide for dealer coverage. The company reported that on the average one retailer was appointed in cities of 10,000 population; four retailers were appointed in cities of 100,000 population; 40 dealers were appointed in cities of 1,000,000 population. Also, the company indicated that it had 160 dealers in Chicago and 300 dealers in New York City.

Because of this case and other similar examples encountered in this study, it was decided not to set a precise numerical upper limit to the number of retailers that may be appointed per community under a policy of selected distribution.

are given to more than one retailer² per territory, but where the number appointed is restricted "joint agents" are used. All gradations of limitation in number may be found, from one to a number so large as to approach the density of distribution attained under a policy of nonselected retail distribution.

It should be noted that although nonselected distribution involves selling to any and all retailers of good credit standing who will stock the product, density of distribution attained will vary among companies and products. Analysis of data for drug stores audited for the Nielsen Food and Drug Index³ discloses, for example, that 12 firms producing toothpaste secured retail coverage of from 71% to 98% of the drug stores, while 7 firms producing tooth powder had retail coverage of from 51% to 97% of the stores surveyed. In many cases it may not prove possible to achieve density of dis-

²The term "retailer" is defined as follows by the Committee on Definitions of the National Association of Marketing Teachers:

"A middleman who sells mainly to the ultimate consumer. He may sell to institutions but most of his sales are made to individuals or household consumers. He usually sells in small lots." (*Op. cit.*, p. 160.)

The retailers chosen to sell the brand of a manufacturer following the policy of selected distribution are commonly referred to, in the trade, as "dealers." In this study, therefore, the term "dealer" is used as a simplified version of the more exact term "retail dealer."

³The Nielsen Food and Drug Index is based upon store audits covering some 3,200 retail stores located in 700 cities. These stores are selected in order to provide a true sample or cross-section of the entire country. The stores are proportioned by territories, cities, city sizes, store types, store sizes, class of neighborhood, store ownership, and consumer incomes. (Leisch, F. K., "Profits from Practical Marketing Research," American Management Association, Consumer and Industrial Marketing Series, CM 24, p. 7.)

tribution and hence the result may be a forced selected distribution.

In this study the generalizations explaining variations in advertising practice do not apply to forced selected distribution when nonselected distribution is the wise choice for the manufacturer's product. It is believed that the generalizations may apply to cases of forced selected distribution when selected distribution would have been the wise choice. It should be emphasized, however, that the present analysis is based chiefly on the experience of firms which definitely planned to restrict the number of retail outlets for their goods.

EXCLUSIVE AGENCY DISTRIBUTION

As indicated in the preceding section, the practice of granting an exclusive agency to one retailer in a community, or larger geographical area, represents the extreme degree of limitation in number of retail outlets appointed under a policy of selected retail distribution.

Definition

An exclusive agency consists of an agreement between the manufacturer, or his wholesale distributor, and the retailer whereby the retailer is granted the sole right to sell merchandise bearing the manufacturer's brand within a described geographical area.¹

Exclusive Sales Rights Granted

The agreement of the manufacturer to sell a specified brand through only one retail store in

¹The Committee on Definitions of the National Association of Marketing Teachers defined exclusive agency selling as follows:

"That form of selective selling whereby sales to any one type of buyer are made through one dealer or distributor in each geographical area usually on a contractual basis." (*Op. cit.*, p. 152.)

In *The Exclusive Agency* the following definition appeared:

"Any agreement to sell within a certain territory a commodity or service through only one company or individual constitutes an unlimited or single exclusive agency."

(New York University Bureau of Business Research, *The Exclusive Agency* [New York, New York University, 1923], p. 1.)

each territory constitutes a major characteristic of the exclusive agency plan. As defined, the term exclusive agency does not include the practice of designating two or more retailers in a given territory as exclusive agents. While this is a form of selected distribution, it is not exclusive agency distribution.²

In granting exclusive agencies, large manufacturers usually reserve the right to sell directly to special customers, such as the United States Government, states, and county and municipal bodies. Likewise some companies reserve certain classes of trade as house accounts, such as manufacturers purchasing for use in their own business and not for resale.³

Definition of Territory

An important feature of the exclusive agency agreement is the definition of the territory within which the retailer is to have exclusive rights. This territory may include the area within the corporate limits of a city, a retail trading area, a section of a large city, or some other geographical area. The common practice among the companies covered was to make the city the smallest territorial unit in which exclusive sales rights were granted.

In a large city a company might grant one dealer the exclusive sales rights to a specified section of the community. If this were done, the result would be several retail representatives, each with exclusive sales rights to a specified section of the city. The case of the Tonebilt Radio Company, manufacturer of radio receiving sets designed to be sold at retail from \$160 to \$300, illustrates the application of this practice as of 1930.⁴

Tonebilt Radio Company sold directly to retailers, giving them exclusive territories. In the more concentrated markets the company had several representatives, each with exclusive sales rights to a territory consisting of a section of a city. Each dealer was expected to employ salesmen to call at every residence in his territory. The larger part of the sales were made in this way. The stores were intended to be primarily sales headquarters and stockrooms.

²See footnote 1, pp. 9-10.

³*The Exclusive Agency*, p. 6.

⁴Learned, Edmund P., *Problems in Marketing* 1st ed., New York, McGraw-Hill Book Company, Inc., 1936), pp. 129-131.

A company may follow the alternative practice of making a city the exclusive territory of one retailer. As an example of this policy the Lockwood Tire Company may be cited. This company, manufacturing a line of high-quality tires and tubes, distributed its products through 2,500 dealers, each having a city or town as exclusive territory.¹

Instead of limiting the territory of the exclusive agent to the corporate limits of the city, a manufacturer may extend the territory to cover the city and the surrounding small towns included in the retail trading area. The Randolph Eaton Company, manufacturer of electric refrigerators, provides an example of this practice. This company made its distributors responsible for the choice of retail dealers, as to both type and number. Except for large cities, the distributors gave one dealer the exclusive franchise for the city and surrounding territory.²

Although a company may divide a city into several sales territories, giving one dealer exclusive sales rights in each territory, Tonebilt Radio Company was the only organization encountered in this study which followed this practice. Instead, the general practice among the companies covered was to make the city the smallest geographical unit in which exclusive sales rights were granted. When a market was too large for one selling representative to handle adequately, the exclusive agency plan was dropped, and nonexclusive selling rights were given to several selling representatives. This practice is illustrated by the following examples.

According to the Federal Trade Commission, in 1939 the several selling divisions of both General Motors Sales Corporation and Chrysler Corporation usually designated metropolitan areas as nonexclusive territories.³ Other sales areas were designated as exclusive territories.

Chrysler Corporation restricted by agreement the number of competing dealers handling the same make of car in a given metropolitan area. Most of the General Motors agreements provided for factory surveys of the potential market in multiple-dealer cities and for the limitation of the number of

dealers in such cities in proportion to the potential volume of business.⁴

In 1939 Company 116, manufacturer of men's hats, reported that in small towns it might sell only to the leading store. The decision depended upon the ability of the merchant and the position he enjoyed in the town. In the larger cities the company never granted an exclusive agency, but sold to selected retailers. In a given shopping district in a metropolitan area the company sold to only one of a given type of retail store.⁵

The difficulty of guaranteeing dealers exclusive sales rights to one section of a city probably accounts for the practice of granting nonexclusive rights in large cities. Even when dealers are scattered among the shopping districts of the metropolitan market, attempts to limit the sales of a given retailer to people living in that section of the city contiguous to the retail store are likely to be impracticable.

People living in the suburbs and working in the business district of the city may purchase in a downtown store, instead of in a suburban store. Then, too, a given store advertising a special sale in the metropolitan newspapers might draw customers from all the other dealers' territories. Finally, when outside salesmen are used these salesmen naturally solicit their neighbors, friends, relatives, and acquaintances, even though these people do not reside in the salesmen's territories.

⁴With respect to sales territories, the Federal Trade Commission summarizes the practice of the industry as follows:

"The majority of the manufacturer-dealer agreements designate the dealer sales area and provide that the dealer shall have the right (exclusive or nonexclusive) to purchase motor vehicles for resale in the described sales area and not elsewhere

.
Similarly, the various manufacturers, including Ford Motor Co., Nash-Kelvinator Corporation, Chrysler Corporation, Packard Motor Co., General Motors Corporation, Studebaker Corporation, Hudson Motor Car Co., Graham-Paige Motors Corporation, Hupp Motor Car Corporation, and Willys-Overland Motors, Inc., grant exclusive territories to their distributors and some of their dealers, and limit the number of dealers in a selling area as a matter of administrative policy, even though their agreements may not refer to the subject."
(*Ibid.*, p. 117.)

⁵Evidence collected by personal interview and correspondence.

¹Tosdal, 1931 ed., p. 281.

²Learned, *op. cit.*, pp. 183-184.

³Federal Trade Commission, *Report on Motor Vehicle Industry*, Pursuant to Joint Resolution No. 87 (H.J. Res. 594), 75th Congress, 3d Sess. (Washington, Government Printing Office, 1938), p. 117.

Recognition of such difficulties was implicit in the "territory security plan" introduced by the Chevrolet Motor Company in 1938. Under this plan dealers were required to pay a \$25 to \$35 sales adjustment for sales made within the corporate limits of the community in which another dealer was located. The sales adjustment, however, did not apply among the several dealers operating within the corporate limits of a multiple-dealer city. All dealers in such a city had open territory within the corporate limits of the community, inasmuch as no attempt had been made to zone multiple-dealer cities.¹

Thus, instead of dividing a large city into territories, it is more practicable to appoint dealers with nonexclusive rights. Among other methods, competition may be minimized by scattering the dealers among the shopping districts of the metropolitan market, by appointing only one store of a given type in a specific shopping district, and by limiting their number in proportion to the size of the potential market.

Territory Infringement

Even when exclusive sales rights are granted to one dealer in a city, numerous problems may arise in connection with the tasks of determining the exact nature of territorial rights and then of protecting those rights. The attitude of automobile manufacturers on the problem of territorial infringement is summarized as follows by the Federal Trade Commission:

Many years ago several agreements contained restricted-territory provisions, as well as territory infringement penalty provisions. The practice of penalizing a dealer for infringing on another dealer's territory fell into disuse and very few agreements carried infringement penalty provisions and, in fact, many agreements failed to even describe a sales area during the early part of the decade. However, in recent years the trend has been to restrict a dealer to a described sales area and to actively enforce penalty provisions when a dealer sells a new car into another dealer's sales area.

The majority of the manufacturer-dealer agreements provide for some form of adjustment (so-called penalty) in case the dealer sells a new passenger automobile into the protected territory of

another dealer handling the same make of automobile. While the precise nature and form of dealer infringement compensation varies with each agreement, the majority of the agreements provide that the dealer who sells an automobile into the protected territory of another dealer of the same make of automobile will pay a sum of money to that dealer directly or through the distributor or manufacturer as compensation (so-called penalty) for the infringement.²

The territory security plan of the Chevrolet Motor Company illustrates a recent attempt to solve the problem of territory infringement without interfering with normal, competitive trading practice.

Under the territory security plan, any dealer could sell to any customer anywhere. Any customer could buy from any dealer anywhere. But if a dealer located in one city made a sale to a customer living within the corporate limits of a second city in which another dealer was located, the selling dealer was obliged to make a \$25 voluntary adjustment or a \$35 imposed adjustment. All dealers located in multiple-dealer cities had open territory within the corporate limits, but were protected against raiding from dealers located outside the corporate limits.

This plan was designed to meet the problem of constant sales raiding and cross-selling between dealers without interfering with a dealer's competitive selling liberty.³

The foregoing information indicates how the problem of defining exclusive sales rights has been met in the automobile industry. Space does not permit further discussion on the general question under consideration.

Designation of Brand

An important feature of the exclusive agency agreement is the statement about the specific brand to which sole selling rights apply. Among the companies studied that granted exclusive agencies, the general practice appeared to be that of manufacturing one brand and of granting the exclusive sales rights for that brand in a specified territory to one retailer. On the other hand, some manufacturers found that the plan of granting exclusive agencies had a tendency to limit sales unduly in the larger

¹Baird, G. G., "Chevrolet Inaugurates Protected Territories," *Sales Management*, November 15, 1938, pp. 24-25.

²Federal Trade Commission, *op. cit.*, p. 118.

³Baird, *op. cit.*, pp. 24-25.

cities. In order to provide for more satisfactory development of large city markets, some companies had added a second and even a third brand to the line.

Thus, where additional representation is necessary to secure a satisfactory proportion of the potential sales volume in a large city, one retailer may be given the exclusive sales rights for the second brand, and one retailer exclusive sales rights for the third brand. By so doing, the company retains the practice of exclusive representation for a given brand but secures wider exposure to sale for the output of the company.

As an example of this policy, the case of Company 11, a manufacturer of high-grade men's clothing, may be mentioned.¹ This company distributed its products through 1,000 retailers located throughout the United States. The company had two separate brands of its own. Exclusive agencies for the main brand had been granted to one retailer in each community. In cities of over 10,000 population the company had given an exclusive franchise for its second brand to another retailer. In some cities other retailers also sold the company's line under a private brand. Yet the company had only one representative in each community with the franchise for one brand.

The foregoing discussion serves to illustrate the point that the exclusive agency agreement does not necessarily refer to the entire output of the manufacturer but may apply to only one of two or three separate brands marketed by the company.

Exclusive Handling of One Manufacturer's Line

The exclusive agency agreement may or may not contain a provision with respect to selling competing lines. In the case of automobiles, the dealer is usually required to confine his efforts to a single line of new cars.² Retailers of men's clothing, on the other hand, may sell more than one brand but usually not in the same price class.³ The

¹Data secured by questionnaire.

²"For years it has been the general policy of each motor vehicle manufacturing company to limit its dealers to the exclusive handling of its line of cars. This, in general, is true of both large and small manufacturers." (Federal Trade Commission, *op. cit.*, p. 1071.)

³As reported by Company 107, manufacturer of high-grade men's clothing, in the course of an interview.

same applies to men's shoes.⁴ In any event, whether specified in the franchise or not, the exclusive agent for a given brand does not generally sell a directly competing brand in the same price class.

The exclusive agency agreement may carry provisions with regard to maintenance of stock, quota of purchases by the retailer, purchase price, selling price, and other matters. Space does not permit the consideration of these questions.

Summary

In summary, the essential features of the exclusive agency arrangement are these: (1) The manufacturer agrees to sell a specified brand through only one retail outlet in a described territory. (2) The territory may include the area within the corporate limits of a community, a retail trading area, a section of a large city, or some other geographical area. The common practice among the companies covered was to make the city the smallest territorial unit in which exclusive sales rights were granted. (3) While the exclusive agency may apply to the manufacturer's entire line, in some instances it may cover only one of two or three company brands.

JOINT AGENCY DISTRIBUTION

Joint agency distribution involves less restriction in number of outlets per territory than exclusive agency distribution. On the other hand, it aims at greater restriction in number of retail representatives per territory than is the objective of the policy of nonselection.

Definition

The policy of joint agency distribution is followed when the manufacturer (or his wholesale distributor) grants two or more retailers the non-exclusive right to sell his brand in the same geographical area but limits the number so appointed by agreement or by administrative policy.⁵

⁴Company 102, manufacturer of high-grade men's shoes, indicated that its exclusive agents did not carry its line exclusively. In addition to the company's line, priced at \$10 and up, the retailers usually carried a line of \$8 shoes, and a line of \$5 shoes. However, retailers carried only the company's brand in the price line \$10 and up. (Data secured by personal interview.)

⁵In the process of defining exclusive agency selling the Committee on Definitions of the National Association of Marketing Teachers also defined the term "joint agency" as follows:

The policy of joint agency distribution is well illustrated by the plan followed by the several selling divisions of General Motors Sales Corporation in 1939. According to the Federal Trade Commission, General Motors Sales Corporation usually designated metropolitan areas as nonexclusive territories. Most of the General Motors agreements provided for factory surveys of the potential market in multiple-dealer metropolitan areas and for the limitation of the number of dealers appointed in those areas in proportion with the size of the potential sales volume.¹

Nonexclusive Sales Rights Granted

Thus one outstanding characteristic of joint agency distribution is the practice of granting nonexclusive sales rights to two or more dealers located in the same territory. This practice is in contrast to that followed under exclusive agency distribution when one dealer is granted exclusive sales rights in a given territory.

Number of Dealers per Territory Limited

Another important characteristic of joint agency distribution is the practice of limiting the number of dealers granted nonexclusive sales rights in a given territory either through agreement or by administrative policy. Thus, in 1939 Chrysler Corporation restricted by agreement the number of competing dealers handling the same make of car within the nonexclusive metropolitan areas.² On the other hand, Ford Motor Company restricted by administrative policy rather than by agreement the number of dealers appointed in a natural selling area.³

"Exclusive Agency Selling - That form of selective selling whereby sales to any one type of buyer are made through one dealer or distributor in each geographical area usually on a contractual basis.

"Comment - This definition does not include the practice of designating two or more distributors in an area as exclusive agent. While this is a form of selective selling it is not *exclusive agency selling*. It is recommended that the term '*Joint Agency*' be applied to the arrangement."

(*"Definitions of Marketing Terms," op.cit., p.152.*)

¹Federal Trade Commission, *op. cit., p. 117.*

²*Ibid.*

³The Ford Motor Co. sales agreement provides that Ford dealers can resell its products anywhere

With respect to the practice of limiting the number of selling representatives granted non-exclusive rights within the same geographical area, joint agency distribution differs from the policy of nonselected distribution. Nonselected distribution is characterized by the aim of selling to any and all dealers in a given geographical area, except for minor restrictions growing out of the practice of refusing to sell to retailers who do not pay their bills.

Other Aspects

A complete discussion of joint agency distribution would involve consideration of additional points, such as: designation of the brand to which nonexclusive sales rights apply, whether the dealer is required to handle one manufacturer's line exclusively, definition of territory in which the dealer operates, nature of protection against infringement of territory, and other points. The discussion on most of these points would tend to parallel that presented in the section dealing with exclusive agency distribution. For this reason, and because further discussion would not contribute to the main issue of this study, these points will not receive additional consideration.

EXCLUSIVE AND JOINT AGENCIES COMBINED IN COMMON TYPE OF DISTRIBUTION ORGANIZATION

Evidence collected in this investigation indicates that the practice of appointing one dealer per city regardless of size is followed in a relatively small percentage of cases. Instead, when selected distribution is followed, the common practice is to appoint one dealer in the smaller cities but to select several representatives in the larger cities.

within the boundaries of the United States, subject to the right reserved by the company to sell direct to other dealers and to retail purchasers in any part of the United States, and subject also to the provision that the dealer, on request by the company, must turn over to Ford Motor Co. orders received from the United States Government or any of its departments or from the American Red Cross, without remuneration. Ford Motor Co. also restricts, by administrative policy rather than by agreement, the number of dealers in a natural selling area." (*Ibid.*)

Thus, out of 56 companies which reported that they granted an exclusive agency to one dealer per city in part or all of the cities covered, only six made a city the exclusive territory of one dealer regardless of the population.¹

The following examples illustrate this policy. Burkhardt Company, manufacturer of high-quality men's suits and overcoats, followed the policy of granting an exclusive agency to one retailer in each community. Although company officials believed that the exclusive agency policy resulted in inadequate coverage in the larger cities, it was thought to be an essential feature of the Burkhardt market plan.²

Similarly, Company 42, a manufacturer of expensive pianos, followed the policy of exclusive agency distribution in all cities in which its pianos were sold. Exclusive sales rights were granted to only one retailer per city, the policy applying equally in New York City and Chicago as well as in smaller cities and towns.³

Company 27, manufacturer of high-quality ladies' full-fashioned silk hosiery, provides a final example of the same policy. The company sold through only one retail outlet in New York City and one in Chicago, as well as in the other communities where the brand was marketed.³

In contrast, 50 out of 56 reporting companies followed the practice of making a city the exclusive territory of one dealer in smaller communities, while appointing two or more retail representatives in larger cities. Typical examples of this policy follow.

Company 13, manufacturer of high-grade men's shoes, granted exclusive sales rights to one retailer per city, except in 10 leading metropolitan areas.³ For example, in Chicago the company had 20 dealers; in New York City, 30.

Company 5 manufactured mechanical refrigerators. In cities of 25,000 population and less the company gave one dealer an exclusive franchise to hold and protect as long as he was able to provide a fair percentage of the total available busi-

¹This statement is based upon a study of the questionnaire and case evidence on distribution policies and practices which is summarized in the Appendix.

²From the Burkhardt Company case, on file at the Harvard Graduate School of Business Administration.

³Data secured by questionnaire.

ness.⁴ In cities of more than 25,000 population selected dealers were appointed. The company used a formula of one retail outlet per 25,000 population as a rough guide for dealer coverage. In Chicago the company had 160 dealers; in New York City, 300.

Company 64 manufactured medium-price automobiles which were sold through dealers, some having exclusive rights, others nonexclusive or co-extensive rights.⁴ In cities of 10,000 population the company had an average of one dealer; in cities with 1,000,000 population from 5 to 10 dealers; in Chicago proper 25 dealers; and in New York City (including the Bronx, but not Brooklyn) 15 dealers.

RESTRICTION OF DISTRIBUTION

Now that the policy of selected distribution has been defined and discussed the next step is to present evidence indicating the extent to which distribution is restricted in the application of such a policy. Data on this point were secured, along with other material, by questionnaire, personal interview, and correspondence. Manufacturers were asked to indicate how many retail outlets were used in distributing their products, on the average, in communities with a population of 10,000, 100,000, and 1,000,000, as well as in Chicago and New York City.

From the complete tabulation of replies, companies with a relatively large number of dealers in New York City were selected, as well as companies with a relatively small number of dealers in New York City. In addition to these companies, others were chosen whose practice in restricting outlets in New York City fell between the two extremes. The distribution organizations of these companies are described in Exhibit 1, on the following page.

These data indicate that as the size of the city increases there is a tendency for a given company to use a larger number of retail outlets. Thus, on the average, Company 17, manufacturing automobile tires, had 5 retailers in cities of 100,000; 12 retailers in cities of 1,000,000; 25 in Chicago; and 35 in New York City. Likewise, on the average,

⁴*Ibid.*

**Exhibit 1. Number of Retail Outlets through Which Products Were Sold
by 19 Manufacturers Using Selected Distribution: 1938**

Classified by Size of City

| Company Code | Product | Average Number of Retail Outlets Used in Cities with Populations of | | | Chicago | New York City |
|--------------|--------------------------|---|-----------|-----------|---------|---------------|
| | | 10,000 | 100,000 | 1,000,000 | | |
| 27 | Ladies' Silk Hosiery | 1 | 1 | 1 | 1 | 1 |
| 42 | Pianos | 1 | 1 | 1 | 1 | 1 |
| 14 | Pianos | 1 | 1 | - | 2 | 3 |
| 6 | Space Heaters | 1 to 2 | 2 or more | - | 6 | 6 |
| 58 | Men's Suits | 1 | 1 to 3 | 5 | 5 | 10 |
| 64 | Cars and Trucks | 1 | 1 or more | 5 to 10 | 25 | 15 |
| 50 | Cars and Trucks | 1 | 1 | 9 | 15 | 23 |
| 31 | Women's Shoes | 1 | 2 | 4 or 5 | 3 | 25 |
| 13 | Men's Shoes | 1 | 1 | - | 20 | 30 |
| 17 | Tires and Tubes | 1 | 5 | 12 | 25 | 35 |
| 8 | Gas Ranges | 1 | 3 | 25 | 35 | 50 |
| 22 | Men's Suits | 1 | 5 | 15 | 60 | 75 |
| 33 | Washing Machines | - | - | - | 80 | 120 |
| 101 | Men's Shoes | * | * | * | 125 | 200 |
| 23 | Sportwear | 3 | 7 | 25 | 300 | 250 |
| 5 | Mechanical Refrigerators | 1 | 4 | 40 | 160 | 300 |
| 59 | Radios | 2 | 25 | 250 | 400 | 600 |
| 15 | Shoes | 2 | 25 | 150 | 300 | 700 |
| Reber | Ladies' Silk Hosiery | 1 | 3 | - | 60 | 1,500 |

*The company reported one outlet used in a medium-size city.

Source: Mail questionnaires, personal interviews, case studies.

Company 15, manufacturing men's, women's, and children's shoes, had 2 retailers in cities of 10,000; 25 retailers in cities of 100,000; 150 retailers in cities of 1,000,000; 300 in Chicago; and 700 in New York City.

Also, the number of retail outlets through which products were distributed in New York City varied from 1 to 1,500. In connection with the Reber Silk Hosiery Company, with 1,500 retail outlets in New York City, the question might well be raised to what extent this organization had actually restricted the number of dealers appointed.¹ A similar

¹In the Reber Silk Hosiery Company (A) case, written by the author, it was stated: "The company followed the policy of restricting distribution, adjusting the number of outlets in a

question might be raised in connection with Company 15 (shoes), with 700 outlets in New York City; Company 59 (radios), with 600 outlets; and Company 5 (mechanical refrigerators), with 300 outlets.

given city to the size of the market." Inasmuch as the company sold through 1,500 outlets in New York City, further information was requested by correspondence with respect to the practice followed in this market. A company official replied that the company restricted the number of retail outlets in New York City to less than the number which would have been willing to sell the brand. The basis upon which the number of outlets was restricted is indicated in the following quotation:

"Our policy with regard to restricting our outlets in New York City depends on several factors. If a dealer is doing what we consider a good business with us, we will protect him within a certain area. By that I mean we will

**Exhibit 2. Degree to Which Six Companies Manufacturing Different Products
Restricted Distribution in New York City**

| Company Code | Product | Number of Retailers in New York City | | Percentage of Possible Outlets Used by the Company ² (3) |
|--------------|--------------------------|--------------------------------------|--|--|
| | | Selling the Company's Brand (1) | Commonly Selling the Product ¹ (2) | |
| Reber | Ladies' Silk Hosiery | 1,500 | 10,587 | 14.2% |
| 15 | Shoes | 700 | 10,993 | 6.4 |
| 59 | Radios | 600 | 5,774 | 10.4 |
| 5 | Mechanical Refrigerators | 300 | 7,699 | 3.9 |
| 22 | Men's Suits | 75 | 1,370 | 5.5 |
| 17 | Tires and Tubes | 35 | 5,213 | 0.7 |

¹ Estimate based on: (1) data on Sales by Commodities published by the United States Bureau of the Census (Fifteenth Census of the United States: 1930; Distribution, Vol. I, Retail Distribution, Part III, Table 15), and (2) data on Kinds of Business, by Areas, published by the United States Bureau of the Census (Census of Business: 1935, Retail Distribution, Vol. III, Table 1-A, page 70).

² Figures in column 1 divided by figures in column 2.

In order to answer these questions, the data in Exhibit 2 are presented. The next to the last column in this exhibit indicates the number of retailers that commonly sold the type of product manufactured by each of six companies considered in the tabulation. The figures in this column are based upon information presented in the Census of Retail Distribution and can probably be accepted as only an approximation of the desired data. By dividing the number of retailers selling the company's brand by the number of retailers that might possibly have sold the brand a rough indication is obtained of the degree to which distribution has been restricted.

On this basis, it appears that the 1,500 retailers through which Reber hosiery was sold in New York City constituted only 14% of the number of stores that commonly sold silk hosiery. The company's statement that the policy of selected distribution was followed in New York City, as well

as in other communities, is therefore verified. Likewise, the 700 retail outlets handling the shoes of Company 15 amounted to only 6% of the number of stores that commonly sold shoes in New York City. Similarly, the 600 retail outlets selling the radios of Company 59 constituted only 10% of the number of stores that normally sold radios in New York City.

In short, those companies selling through the largest number of retail outlets in New York City in 1938 had actually restricted their distribution to between 6% and 14% of the number of retailers which commonly sold such merchandise. These figures are in marked contrast to the percentages cited on page 5 for 19 dentifrice firms following a policy of nonselected distribution. For these firms, it will be recalled, the percentage of retail drug stores surveyed which carried the several brands varied from 51% to 98%.

**ADVANTAGES AND DISADVANTAGES OF
SELECTED DISTRIBUTION**

After having defined and described selected distribution, it is next desirable to indicate briefly the nature of the advantages and disadvantages ex-

not sell another store within a certain number of blocks.

"The size of this protected area is decided individually in each case and varies, depending on the volume of retail business and, therefore, the potential Blue Seal business in the district."

perienced by manufacturers making use of this type of distribution.¹

Advantages

First, this policy secures more aggressive retail selling and advertising than can normally be expected under the policy of nonselected distribution.² By restricting the number of retailers appointed in a given community, competition between outlets is minimized, if not eliminated. To a varying degree, depending upon the extent to which distribution is restricted, the individual retailer is in a position to reap the benefit of his own aggressive selling effort without benefitting his competitors. In consequence he is willing to put forth more aggressive sales efforts than otherwise would be the case.³

Secondly, for products such as shoes and paint, retailers are required to make a large investment in order to provide an adequate stock of the manufacturer's product. Because of the large investment required, a given retailer cannot be expected to carry a complete stock of many brands. Moreover, if this retailer's competitors are selling a given brand, the available sales volume may be too small to justify the investment necessary to provide an adequate stock of the same brand. Thus the retailer may carry incomplete stocks, with the result that sales will suffer. On the other hand, even though a large investment is required, the retailer will carry an adequate stock of the brand provided distribution is restricted sufficiently to give an adequate return on his investment.⁴

¹Although the following discussion is based primarily upon the individual cases cited below, helpful material was found in the following sources. (1) "The Use of Exclusive Retail Agencies," *Harvard Business Review*, Vol. III, No. 4, pp. 485-497. (2) New York University, Bureau of Business Research, *The Exclusive Agency* (New York, New York University, 1923), passim. (3) Maynard, H. H., Weidler, W. C., and Beckman, T. N., *Principles of Marketing* (Rev. ed., New York, Ronald Press Company, 1932), p. 688.

²Copeland, *op. cit.*, p. 118.

³The Chocollink Beverage Company secured aggressive sales support for its product by granting exclusive agencies to retail milk companies. (*Harvard Business Reports*, Vol. 3, pp. 83-90.)

⁴See the case of the Imperial Paint Company, Learned, *Problems in Marketing*, pp. 211-212. The size of the investment necessary for an adequate stock was one of the factors which led Frazier

Thirdly, there are other products, usually mechanical in nature, that require service on various occasions throughout their period of usage if they are to operate satisfactorily. Automobiles provide a good example of such a product. To maintain a properly equipped service department with an adequately trained personnel, however, involves the dealer in considerable expense. If the manufacturer sells his product to as many dealers in a given community as will stock the product, and still expects them to provide the necessary service facilities, the result is almost certain to be an inferior grade of service or no service at all. By restricting distribution, the manufacturer may make it worth while for the dealer to provide the desired quality of service.

Fourthly, unit selling costs often tend to be lower under selected distribution than under nonselected distribution.⁵ When sales are restricted to retailers buying in large quantities, salesmen make fewer calls and take larger orders than when the policy of nonselected distribution is followed. Moreover, sales expenses are reduced by establishing continuous relations with a smaller number of retailers than would be called upon under a policy of nonselected distribution.⁶

Fifthly, for certain products the policy of selected distribution tends to develop a more en-

Company (electric ranges) to adopt a policy of selected distribution. (Frazier Company, case on file at the Harvard Graduate School of Business Administration, p. 7.)

⁵A tire manufacturer who had adopted selected distribution found that sales expenses were reduced under the plan. (Smith, Guy C., "Selective Selling as a Means of Reducing Marketing Costs," American Management Association, *Marketing Executives' Series*; No. 55, pp. 5-6.)

In the case of Land O'Lakes Creameries, Inc., the policy of restricting sales of butter to the better class of stores was adopted. Apparently the basic factor in selecting retail outlets was their volume of sales. Inasmuch as this organization sold a relatively narrow line direct to retailers, the cost of selling would have been very high under dense distribution. By restricting sales to retailers buying in large quantities, however, it was possible to keep the cost of selling down to a relatively low figure. (Land O'Lakes Creameries, Inc., Learned, *op. cit.*, p. 169.)

⁶In the case of the Delcourt Shoe Company, exclusive agencies tended to cut down sales cost by making it possible for the company to establish continuous relations with the same group of dealers. (*Harvard Business Review*, Vol. III, No. 4, p. 490.)

thusiastic and successful dealer organization than would result from a policy of nonselected distribution. The characteristics of expensiveness, high unit price, or infrequent purchase tend to limit the potential sales volume for products such as high-grade silk hosiery and pianos to a relatively small amount per 1,000 population. When this is true, the policy of nonselected distribution tends to make the line unprofitable for the retailer; in contrast, the policy of selected distribution tends to make the line profitable.¹ Also, for products such as high-grade men's suits and high-grade men's hats, retailers tend to prefer exclusive agencies if they are to handle a given manufacturer's line.² Under such circumstances, the policy of selected distribution has made it possible for manufacturers to build up a strong dealer organization when the policy of nonselected distribution would not have succeeded in attaining the same result.

Sixthly, in instances when the policy of nonselected distribution is followed, competition between a number of retailers in the same community tends to result in price cutting. Price cutting tends to make the brand an unprofitable item for the retailers who handle it, with the result that desirable types of retailers refuse to stock the line. Also, some manufacturers believe that price cutting damages the reputation of their brand. On the other hand, the policy of exclusive agency distribution eliminates competition between retailers in the same community and tends to prevent price cutting.³

¹Reber Silk Hosiery Company, manufacturing high-grade ladies' hosiery, followed the policy of selected distribution in part because of the desire to make the Reber line profitable to the retail store. According to a company official, "We feel that any policy which would not result in a profitable operation for the store would most certainly react against us in the long run." (Quoted from a letter written to the author by an official of, Reber Silk Hosiery Company.)

²In the case of Nugent Hat Company the primary reason advanced by the company for using exclusive agency distribution was the preference of retailers for exclusive rights to the Nugent brand in their communities. (Nugent Hat Company, case on file at the Harvard Graduate School of Business Administration, p. 3.)

³In the case of Carpenter Company it is reported that it was not uncommon for several retailers in a single shopping area to carry the same brand of sheets. In several instances this fact had caused price cutting among retailers; a

Disadvantages

First, some manufacturers following this policy may be forced to limit the number of dealers appointed per community to a number so small that large city markets are not satisfactorily developed. In this respect, selected distribution has been found to be a serious handicap by manufacturers of men's clothing.⁴

In the second place, manufacturers following the policy of selected distribution face an advertising problem that is not encountered when nonselected distribution is used successfully. Because the number of outlets appointed per community is limited under the policy of selected distribution, it is necessary for the manufacturer to make certain that the local source of supply is identified through signs, window displays, and advertising over the retailer's name. Unless this identification is made, the demand created by the manufacturer's general advertising may be dissipated because of the consumers' lack of knowledge of where to go in order to buy the product.⁵ This problem is peculiar to products with restricted distribution, whether this type of distribution is chosen or imposed by circumstances. Failure to recognize the importance of this problem may result in ineffective advertising.

Thirdly, selected distribution may tend to promote substitution. Dealers who cannot get the agency for a given brand may double their efforts to take business away from that brand by offering substitutes. The seriousness of this problem will depend upon the strength of the brand preference which the manufacturer can create.

WISDOM OF POLICY OF SELECTED DISTRIBUTION FOR PRODUCTS STUDIED

Analysis suggests that the promotional problems for products wisely marketed under the policy of selected distribution may vary considerably

few mills therefore had adopted an exclusive agency plan of distribution in order to overcome price cutting. (Carpenter Company, Learned, *op. cit.*, p. 172.)

⁴Officials of Chadborn Company, manufacturer of men's clothing, believed that the existing policy of exclusive agency distribution resulted in inadequate representation in the larger cities. (Chadborn Company, case on file at the Harvard School of Business Administration, p. 3.)

⁵This point is made in Lockley, *Vertical Co-operative Advertising*, pp. 139-140. See also Excelsior Tire Company, Borden, 3d ed., pp. 331-337.

from the promotional problems for products unwisely marketed under this policy. Consequently, before proceeding to an analysis and interpretation of the data collected in this investigation, it is desirable to make a brief appraisal of the wisdom of selected distribution for the products to be studied. Exhaustive consideration of every product upon which data were collected is not the object; instead, the purpose is simply to cover those products upon which enough data were secured to justify separate study.

Passenger Automobiles

Data were collected on the distribution policies of eight manufacturers of passenger automobiles. Of this number, six reported that they followed the policy of selected distribution; two did not indicate what policy was followed.

Several considerations testify to the wisdom of the policy of selected distribution in the marketing of passenger automobiles. In the first place, because the high unit price of an automobile creates sales resistance, and since its long life leads owners to postpone replacement of an old car, aggressive retail selling and sales promotion are essential to a successful sales program. The policy of selected distribution stimulates more aggressive support than does the policy of nonselected distribution.

Secondly, the purchase is so important to the consumer that he may be expected in many instances to seek out selected dealers.

In the third place, expensive service facilities must be provided by the dealers in order to repair and maintain the cars sold. Under such circumstances, the policy of selected distribution is necessary in order to encourage the dealers to provide the desired quality of service.

Fourthly, the high unit price of the automobile, plus the already extensive ownership of cars, tends to restrict the potential annual sales per 1,000 population to a relatively small amount. If dealerships are to be made profitable, then the manufacturer must restrict distribution to the extent necessary to provide a satisfactory volume of business for each dealer over the long run.

Household Appliances of High Unit Price

Information was secured covering the distribution policies of six manufacturers of mechanical refrigerators, seven manufacturers of domestic

ranges, and three manufacturers of electric washers. Except for one manufacturer of domestic ranges who combined selected and nonselected distribution, all the foregoing companies followed the policy of selected distribution in the marketing of their products.

Here again the policy of selected distribution appears to have been a wise choice. The high unit price and long life of household appliances of this type makes aggressive retail support essential for the product; the desired degree of support is more likely to be forthcoming under selected distribution than under nonselected distribution.

Likewise, selected distribution is desirable in order to get retailers to invest in the assortment of models needed in order to demonstrate and to sell the product effectively. Consumers are likely to shop around. Selected distribution is also essential in order to get dealers to provide service facilities of the desired quality. Service is frequently necessary for mechanical products of this type.

Finally, the relatively limited annual market for household appliances of high unit price makes restricted distribution essential if a successful and enthusiastic dealer organization is to be developed.

Medium-Price and High-Price Men's Clothing

Eight manufacturers of medium-price and high-price men's clothing (suits, topcoats, and overcoats) who reported followed the policy of selected distribution. Seven of this number used the exclusive agency plan; one used the joint agency method.

A serious disadvantage of exclusive agency distribution, common among the manufacturers studied, is the fact that such distribution provides inadequate coverage of large metropolitan markets. In spite of this difficulty, however, there are a number of factors that justify the established policy of selected distribution.

First, retailers handling high-grade men's clothing prefer to sell a line that is not stocked by any other store in the community.¹ The presence of this attitude is a strong argument in favor of the policy of exclusive agency distribution for high-grade men's clothing.

¹The presence of this attitude was reported by an official of the Burkhardt Company.

Furthermore, exclusive agency distribution tends to eliminate the threat of price cutting. This is an important consideration in the sale of high-grade men's clothing. Again, the policy of selected distribution is essential in order to get retailers to make the sizable investment in men's clothing required to present an adequate stock of different styles, sizes, and colors to consumers. Finally, aggressive retail selling and advertising is highly desirable in the marketing of men's clothing. The desired support is more likely to be secured under a policy of selected distribution than under a policy of nonselected distribution.

Shoes

Data were secured on the distribution policies of 7 manufacturers of women's shoes, 6 manufacturers of men's shoes, and 4 manufacturers of combination lines of men's, women's, and children's shoes. These 17 manufacturers all reported that they followed the policy of selected distribution.

There are two important considerations indicating that the policy of selected distribution is to be preferred to any policy in the marketing of shoes. In the first place, a large retailer investment is necessary in order to provide an adequate range of styles, sizes, and widths in a given brand of shoes. Shoe retailers will not make the necessary investment unless distribution is restricted. In the second place, aggressive retail support for the manufacturer's brand is highly desirable in the sale of shoes. The policy of selected distribution is more likely to get that support than any other policy.

Ladies' High-Grade Silk Hosiery

Eight manufacturers of ladies' high-grade silk hosiery reported. Of this number, seven followed the policy of selected distribution; one followed the policy of nonselected distribution.

Analysis indicates that the policy of selected distribution is a wise choice in the marketing of ladies' high-grade silk hosiery. This decision is based upon two considerations. First, it was estimated by an official of the Reber Silk Hosiery Company that high-grade silk hosiery, retailing from 79 cents to \$1.65 per pair, accounted for only 20% of the total volume of hosiery business in 1938. In other words, the potential volume of business in high-grade silk hosiery is relatively limited per 1,000 population. Because of this fact, it is necessary for the manufacturer to restrict distribution in order to make his brand profitable for the retailer to carry.

Secondly, active retail display, promotion, and selling is desirable in the marketing of high-grade silk hosiery. The desired degree of support is encouraged by the policy of selected distribution.

Conclusions

In the preceding pages, brief analyses have been made dealing with the wisdom of the policy of selected distribution for passenger automobiles, mechanical refrigerators, domestic ranges, electric washers, medium-price and high-price men's clothing, shoes, and ladies' high-grade silk hosiery. Review of these analyses indicates that the policy of selected retail distribution was found to have been a wise choice in the marketing of each of these products.

This conclusion has a significant bearing on the scope of the generalizations which are developed in the following chapters. These generalizations are based upon case studies and questionnaire data dealing with the products listed above. Accordingly, they relate to products in the marketing of which the policy of selected distribution is a wise choice. Therefore, the generalizations which are developed in this study can safely be applied only to the solution of the promotional problems of products wisely marketed under the policy of selected distribution.

CHAPTER III

CLASSIFICATION OF DIFFERENT KINDS OF ADVERTISING

Advertising has been defined as follows by the Committee on Definitions of the National Association of Marketing Teachers:

ADVERTISING - Any paid form of nonpersonal presentation of goods, services, or ideas to a group - such presentation being openly sponsored by the advertiser.

It involves the use of such media as the following: Magazines and newspaper space, radio, motion pictures, outdoor media (posters, skywriting, signs, etc.), cards (car, bus, etc.), catalogues,

direct mail, directories and references, store signs, programs and menus, novelties (calendars, blotters, etc.), circulars.¹

Advertising may be divided into two major classifications, depending upon the audience for which it is intended. The first classification includes advertising directed to consumers; the second classification, advertising directed to wholesalers and retailers (or advertising directed to the trade).

ADVERTISING DIRECTED TO CONSUMERS

Advertising directed to consumers is taken to include not only space or time advertising which is clearly directed to consumers but also dealer sales helps, a classification which includes, among other things, direct-mail material, window and store displays, signs, sales literature, slide films and movies, and advertising aids. Dealer sales helps are included on the grounds that they are provided by the manufacturer to be used by the retailer in advertising directed to consumers. Consequently they constitute a type of advertising which is directed to consumers through the medium of retailers.

Under the heading "advertising directed to consumers" three distinct types of advertising may be differentiated: (1) general advertising, (2) advertising over the retailer's name, and (3) dealer sales helps.

GENERAL ADVERTISING

Definition

The term "general advertising" is used to describe advertising placed by a manufacturer over his own signature. This classification includes

the advertising of products and does not include the advertising of retailers.² The general advertiser is the manufacturer who sells his products through retail outlets that he does not own or control.³

Identification of Dealers

Typically, general advertising does not identify the local dealer, although occasionally a man-

¹"Definitions of Marketing Terms," *op. cit.*, p. 149.

²This definition is based upon the classification adopted by Media Records, Inc., which is described as follows:

"Under the classification 'Retail' is included the advertising of retail merchants. Under the classification 'General' is included the advertising of products. The retail advertiser is the merchant whose customers are the consumers. The general advertiser is the manufacturer, who distributes to these merchants. Thus a distinction is made between the merchant who sells many products in one store or one store organization and the manufacturer who sells one product through many stores. (Media Records, *Newspapers and Newspaper Advertisers*, First Quarter, 1939, [New York, Media Records, Inc., 1939], p. 6.)

³Duffy, *op. cit.*, p. 58.

manufacturer may place over his own signature the names and addresses of dealers in the locality covered.

Out of the 49 manufacturers covered by this study who used general advertising, the advertisements of 41 manufacturers did not identify local dealers. In contrast, some of the advertisements placed by 8 manufacturers over their company signatures also listed the names and addresses of dealers.

When magazines with national circulation are used for general advertising, dealer identification is usually not feasible. Most companies have so many dealers that just to list them in magazine advertising would use up all the space.¹ On the other hand, when the general advertiser uses newspapers, radio, outdoor, and other types of media with local circulation, dealer identification is possible. Thus, out of the 8 manufacturers who identified their dealers in part of their general advertising, 7 did so in advertisements placed in newspapers, while one did so in an advertisement placed in a magazine.

In this study it is desirable to distinguish between general advertising that identifies the local dealer and general advertising that does not. Therefore, general advertising that identifies the local dealer will be termed "localizing-general advertising." General advertising that does not identify the local dealer will be referred to without any qualifying term; that is, the unqualified term "general advertising" will be used only with reference to that part of a manufacturer's advertising which does not identify local dealers.

Response Expected

Usually the manufacturer with selected distribution does not expect an immediate response from a large proportion of the people who read his general advertising. Thus, out of 18 manufacturers supplying evidence on the nature of the

¹The magazine advertising of Burwind Shoe Company, 1936-1937 fall and winter campaign, provides an exception to this statement. This campaign was based upon a contest promotion which was announced by a two-page spread appearing in *Esquire*. The advertisement listed the names and addresses of 150 leading large-city stores out of a total of 1,399 retail dealers. From the Burwind Shoe Company (B) case on file at the Harvard Graduate School of Business Administration.

response expected from general advertising, only 3 undertook to secure immediate response from a large proportion of readers. In contrast, the remaining 15 manufacturers did not expect immediate results from a large proportion of readers but expected indirect action.²

²The terms "direct action" and "indirect action" are defined as follows by Gundlach:

"... we find that advertising seeks its goal by two distinct methods:

- (1) Action directly aroused.
- (2) Action indirectly aroused.

By 'direct action' I mean an inquiry or an order in response to the message. ... By 'indirect action' I mean an inquiry and sometimes an order resulting from some stimulus other than the advertising; an act, however, which would not have taken place except for that advertising. That other stimulus may be such as a counter display, a salesman's talk, a friend's recommendation, or a later advertisement." (Gundlach, E. T., *Facts and Fetishes in Advertising* [Chicago: Consolidated Book Publishers, Inc., 1931], pp. 165-166.)

In a *Printers' Ink* article in 1936 Gundlach elaborated upon the foregoing definitions. In order that advertising be worth-while, he said, it must produce directly or indirectly worth-while consumer action. A worth-while act, for nearly all advertised propositions, means a profit-bringing purchase. To quote:

"That act may be:

1. Direct action locally - an act of any kind other than one by mail, caused directly by the advertising message. Takes place usually, but not always, soon after the reading of the message; a visit or a phone call or a remark to a dealer or to a friend creating then or later, directly or indirectly, other action directed toward a worth-while act. This category includes, as quite distinct, true consumer demand (ordering the goods) and consumer inquiry (making investigation as the result of the advertisement among friends or asking the dealer's, the doctor's, any other expert's opinion).
2. Direct action by mail - an order, or more commonly an inquiry with the order to follow by mail; or through a direct salesman; or through a dealer; or indirectly in many other ways.
3. Indirect action - any action indirectly caused by an advertising message. This means the creation of a conscious or subconscious state of mind which becomes one of the forces absolutely required in order to make the later stimulus effective. That later stimulus may be a salesman's call, the view of the goods at a store, or a dealer's recommendation." (Gundlach, E. T., "Coupons in Advertising," *Printers' Ink*, Vol. 177, No. 8, November 19, 1936, pp. 25-28.)

Typical examples indicating the type of response expected from general advertising by manufacturers using selected distribution follow:¹

Durbin Corporation (electric refrigerators): General advertising "built up in the mind of the buying public a recognition of the quality of the product and the stability of the manufacturer. This type of advertising was not necessarily productive of immediate sales."

Kirby Company (electric washers): "... such advertising could be used only to build up a favorable impression for the brand name in the hope that at some future date the readers would be influenced to favor the Kirby brand."

Nugent Hat Company (men's hats): "... national magazine advertising could not be expected to bring immediate results."

Although the general advertiser usually expects indirect action, the advertisements may carry special inducements which tend to bring immediate results. Out of the 18 manufacturers supplying information, three used advertisements designed to bring immediate results. Thus, the Burwind Shoe Company, in the fall and winter campaign of 1936-1937, used the contest appeal in order to create a reason why men should want to visit their local dealers and see the new style shoes which were then being featured by the company. The contest consisted of writing a slogan of 15 words or less for Burwind Feature Shoes. As first prize, the company offered a \$1,000 wardrobe. Readers were urged to increase their chances of winning by inspecting the new Burwind Feature Shoes at their local dealers' stores. The manufacturer's sales of the types of shoes featured in the contest increased 54% during the period of the contest.

Kenniston Company (paints, varnishes, and enamels) provides a second example of a manufacturer who expected immediate results from general advertising. In the past, Kenniston general advertising, which had appeared in newspapers, had been indirect in character. In order to get better cooperation from its retailers in the sale of Kensco paints, the company decided to include in its general newspaper advertisements a coupon worth 20 cents in cash toward the purchase of a

¹These cases are on file at the Harvard Graduate School of Business Administration.

half-pint can or larger can of Kensco varnish, enamel, or stain. The company believed that such a coupon would stimulate many prospective buyers of paint to immediate action and thus result in increased sales by retailers.²

Armstrong Cork Company (linoleum) illustrates a different method of stimulating immediate results from general advertising. Quoting from the case:

Until 1925, the newspaper advertising was primarily educational in nature. . . . 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 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.

.....
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.³

As with general advertising, the manufacturer may expect either indirect action or direct action from his localizing-general advertising. During the period February, 1938, through August, 1940, the author clipped, at random, ten localizing-general advertisements from four different metropolitan newspapers. As shown below, in only one case out of the ten was the advertisement designed to stimulate direct action.

| Product | Number of Advertisements | | Total |
|-------------------------|--------------------------|---------------|-------|
| | Indirect Action | Direct Action | |
| Mechanical refrigerator | 2 | 1 | 3 |
| Medium-price car | 2 | 0 | 2 |
| Radio | 2 | 0 | 2 |
| Low-price car | 1 | 0 | 1 |
| Medium-price car | 1 | 0 | 1 |
| Radio | 1 | 0 | 1 |
| Total | 9 | 1 | 10 |

²Borden, 2d ed., p. 339.

³Borden, 3d ed. pp. 293-294. Although Armstrong Cork Company did not follow the policy of selected distribution, it is a fair inference that the selected type of distribution was imposed upon the company.

It is recognized that this evidence is too limited to justify any generalization regarding the response most generally expected from localizing-general advertisements by manufacturers using selected distribution. It does indicate, however, that either indirect action or direct action may be sought in such advertisements.

Media Used

The media in which general advertising is commonly placed include magazines, newspapers, radio, outdoor, car cards, and others. Forty-eight manufacturers covered by this study placed their general advertising in types of media as follows:

- 20 used magazines only
- 10 used magazines and newspapers
- 4 used newspapers only
- 4 used magazines, newspapers, radio, and outdoor¹
- 2 used magazines and radio
- 2 used magazines, newspapers, and outdoor²
- 2 used magazines and outdoor and car cards
- 1 used newspapers and radio
- 1 used newspapers and outdoor
- 1 used magazines, radio, and outdoor and car cards
- 1 used magazines, newspapers, and radio

A summary of the practices of these 48 manufacturers by individual types of media is as follows:

- 42 used magazines
- 23 used newspapers
- 10 used outdoor
- 9 used radio

Advertising campaigns including magazines clearly predominate; those including newspapers stand in second place. Outdoor and radio are used much less frequently.

Territory Covered

Typically, the general advertising of manufacturers with national distribution attempts to secure extensive coverage throughout the nation, several states, or in one or more sections of the country.³

¹Three used outdoor and car cards; one used outdoor only.

²One company used outdoor and car cards; one company used outdoor only.

³Hence, such advertising is often termed "national advertising." As Edwards and Howard point out,

Thus, as the previous section indicated, 42 out of 48 manufacturers used magazines with national circulation for their general advertising.

On the other hand, coverage of a national market may also be secured through the use of media with predominantly local circulation. Media of this type include newspapers, individual radio stations, billboards, and car cards on local rapid transit systems.

ADVERTISING OVER THE RETAILER'S NAME

Definition

"Advertising over the retailer's name" is the second major type of consumer advertising. Advertising over the retailer's name is space or time advertising which either appears over the retailer's signature or is sponsored by him.

The term "advertising over the retailer's name" is therefore broader than the term "retail advertising." Retail advertising covers advertisements placed by the retailer but not advertisements placed over the retailer's name by the manufacturer. Advertising over the retailer's name covers both.

It is also important to note that advertising over the retailer's name does not include advertisements placed by the manufacturer over his own signature which list the names and addresses of the local dealers. Such advertisements have been classified under the heading "localizing-general advertising." From the standpoint of the reader, such advertisements are clearly advertisements of the manufacturer and not of the retailer. In contrast, the advertisements placed by the manufacturer over a single dealer's name appear to the reader to be the advertisements of the retailer and not of the manufacturer.

As indicated in the preceding paragraphs, there are two classifications of advertising over the retailer's name: advertising done by the manufacturer over the retailer's name; and advertising done by the retailer.

however, the term "national advertising" is misleading in the sense that the advertising often covers a small section of the country only. It was because this term appeared to be misleading in certain cases that the term "general advertising" was adopted for this study. (See Edwards, Charles M., Jr., and Howard, William H., *Retail Advertising and Sales Promotion* [New York, Prentice-Hall, Inc., 1938], p. 24.)

Advertising by the Manufacturer over the Retailer's Name

Advertising done by the manufacturer over the retailer's name is advertising over which the manufacturer has absolute control. His advertising department (or advertising agency) prepares the copy, chooses the media, and makes up the schedule. When newspapers are used, such advertising may be placed by the manufacturer at the national rate, or the manufacturer may have it placed by the retailer in order to get the local rate.¹

The cost of advertising done by the manufacturer over the retailer's name may be shared by the manufacturer and the dealer, or absorbed by the manufacturer alone.

In this study, advertising done by the manufacturer, with costs shared by the manufacturer and the dealer, was encountered in only 2 cases out of 62. It is noteworthy that these two cases were in the automobile industry.²

The Report on Motor Vehicle Industry, made by the Federal Trade Commission in 1939, provides evidence on the extent of this practice among automobile manufacturers. Out of seven companies discussed separately, the dealer agreements of five required dealers to pay to the manufacturer a cooperative advertising charge. The agreements of the remaining two manufacturers imposed no such requirement.³

The most common procedure for handling advertising done by the manufacturer, the cost of which is shared by the manufacturer and the dealer, includes the following points. The cost of the

¹Newspapers usually charge different rates to general advertisers and retail advertisers. In the majority of cases the general advertising rate greatly exceeds the retail advertising rate. Thus, in 1938 the cost of one line in 518 newspapers at the 20,000-line rate for retail advertising was \$77.67; for general advertising, \$117.56. On the average, the general advertiser thus paid \$39.89 more than the retailer advertiser per line; the differential was 51.36% of the retail rate. (Association of National Advertisers, Inc., *Local-National Rate Differentials* [1939 Edition; New York, Association of National Advertisers, Inc., 1938], p. 41.)

²In 1930 Lockley reported that such advertising appeared in his investigation only in fields in which manufacturers used specialized, exclusive, or selected retailers and that it had been most conspicuous in the automobile field. (Lockley, *op. cit.*, p. 30.)

³Federal Trade Commission, *op. cit.*, *passim*.

advertising placed over the retailer's name is met out of a cooperative advertising fund.⁴ This fund is created by assessing each dealer either a specified amount per car or an amount set by the manufacturer from time to time. To this amount the manufacturer adds his own contribution. The resultant cooperative advertising fund is used to defray the cost of dealer-identifying advertising or general advertising run in such places and in such ways as seem to be most advantageous to the manufacturer. Dealers are required to participate in the plan.⁵

The newspaper advertising done by the manufacturer over the dealer's name may be placed in either of two ways. The manufacturer may place such advertising himself at the national rate, or the manufacturer may have the dealer place such advertising in order to get the local rate. Even when the dealer places the advertising, control remains in the manufacturer's hands.

The procedure followed by the Oldsmobile division of General Motors Corporation in order to secure local rates is described as follows by Duffy:

Local rates are used where they can be obtained. In the case of local rate advertisements, the mat and a special insertion order is sent directly to the dealers. The dealer has no right to cancel the advertisement. He pays for it and obtains a refund from Oldsmobile on their receipt of a tear page and receipted invoice.⁶

The dealer cooperative advertising plan of General Motors Corporation illustrates the type of advertising under discussion.

Contribution to advertising fund. - The dealer cooperative advertising fund for local advertising is made up of contributions from the dealers and

⁴Not only is the cost of advertising placed over the dealer's name met out of this fund, but also the cost of localizing-general advertising as well as general advertising.

⁵The type of advertising discussed in this section would be included under Lockley's definition of "vertical cooperative advertising" which follows: "Narrowly, it may be regarded as any kind of advertising - publication, radio, car card, outdoor, or other - the cost of which is shared between a manufacturer and his retailers - or occasionally his wholesalers and his retailers - or wholesalers and both his retailers and wholesalers - by means of the contribution of money, credit, services, or merchandise." (Lockley, *op. cit.*, p. 4.)

⁶Duffy, *op. cit.*, pp. 283-284.

from the divisions on the basis of definite amounts per new car or per new truck sold to the dealers by the divisions. The amounts of the dealer contribution per car or truck and the amounts of the divisions' contribution per car or truck, are specified in the dealers' selling agreements, and are as follows:

| | Dealer contribution per car | Division contribution per car |
|-------------|-----------------------------------|-------------------------------------|
| Chevrolet | \$ 6.00 | \$2.50 |
| Pontiac: | | |
| 6-cylinder | 7.50 | 3.75 |
| 8-cylinder | 10.00 | 5.00 |
| Oldsmobile: | | |
| 6-cylinder | 7.50 | 3.75 |
| 8-cylinder | 10.00 | 5.00 |
| Buick: | | |
| 40 Series | 10.00 | 4.00 |
| Others | 14.00 | 6.00 |
| Cadillac: | | |
| LaSalle | 17.00 | 8.50 |
| Cadillac | 23.00 | 11.50 |

The division is under obligation to use dealer's contribution only for local advertising in the dealer's own territory, and to identify the dealer (or dealers in case of a metropolitan area) with the program; and where it is not practical to list the names of all the dealers in the case of a metropolitan area, a suitable dealer reference is used such as "See your local Chevrolet dealer."

Administration of advertising fund. - The total cooperative fund is considered as being in the nature of a trust fund, and is administered by the car divisions of General Motors. The portion of the fund contributed by General Motors was used for advertising purposes for the dealers in accordance with the decisions of the divisions. The divisions maintained the dealer portion of the cooperative advertising fund separate from the divisions portion in their accounting, and a separate ledger account was maintained for each individual dealer. . . .

Cooperative advertising. - At the beginning of each year, a questionnaire is sent to each dealer, asking him how he would like to have his cooperative advertising money spent; that is, the proportion between newspapers, outdoor, screen advertising, etc. The dealer may also specify the name of the newspaper in which he desires to advertise. These questionnaires are filed with the dealer's account cards and when expenditures are made for advertising, the officials stated that all possible consideration is given to the dealer's preferences.¹

In addition to the plan of dealer assessment, Duffy describes a second method used in this type

¹Federal Trade Commission, *op. cit.*, pp. 539-541.

of advertising. Under this plan the manufacturer places advertising over the retailer's name, pays for the advertising, and bills the dealer for a share of the cost.² This method was not encountered in my field investigation.

Out of 62 manufacturers reporting, three undertook advertising over the retailer's name and absorbed the entire cost of such advertising.

This practice differs from localizing-general advertising in one significant respect. The advertisements are placed over the name of a single retailer; thus readers would tend to think of them as dealer advertisements and not as advertisements of the manufacturer. Localizing-general advertising appears over the signature of the manufacturer and lists the names and addresses of local dealers. Readers would thus tend to think of such advertisements as manufacturers' advertising.

Advertising that appears over the retailer's name, but is paid for entirely by the manufacturer, may be placed either at the local rate or at the national rate. Even when such advertising is placed at the local rate, the manufacturer retains absolute control over such advertising.

Advertising placed over the retailer's name, but paid for 100% by the manufacturer, occupied an important place in the advertising program of Holburn Shoe Company in 1937. In that year, 18% of the \$242,000 advertising expenditure was allocated to newspaper advertising in key cities. The Holburn Shoe Company paid the entire cost of such advertising, although it was placed through the dealers in these key cities and appeared over an individual dealer's name. By having the dealers place the advertisements the company secured local rates which averaged 40% lower than the national rates which would have been charged had the advertisements been placed by the manufacturer.³

The contrasting policy of placing advertising over the dealer's name at national rates is illustrated by the experience of Chadborn Company, manufacturer of men's suits, during the period 1930 to 1936. During this period the company ran four half-page newspaper advertisements each

²Duffy, *op. cit.*, p. 280.

³Holburn Shoe Company (B), case on file at the Harvard Graduate School of Business Administration, pp. 5-6.

season in 40 large cities in the United States. Although these advertisements appeared over an individual dealer's name, they were placed at national rates and their entire cost was borne by the Chadborn Company. Each advertisement was scheduled to run simultaneously in the 40 cities and featured identical merchandise.¹

Advertising Done by the Retailer

The term "advertising done by the retailer" refers to advertising above the retailer's name over which the manufacturer has only partial or no control. Although the manufacturer may establish regulations which restrict the retailer's freedom of action somewhat, still the retailer is primarily responsible for writing the copy, selecting the media, and preparing the schedule for such advertising.

The cost of this type of advertising is either borne 100% by the retailer or shared by the dealer and the manufacturer.

In the first case, that of the retailer bearing the entire cost, the manufacturer has no direct control over the retail advertising. If the retailer runs copy which tends to injure the reputation of the brand, the manufacturer may enter a protest with the retailer. If the retailer persists in running such copy, the manufacturer may come to classify the retailer as an unsatisfactory agent and may seek to replace him. Although such action may be effective, it is only indirect in nature. Direct control cannot be exercised over such advertising. This type of advertising is outside the scope of this study. It is retail advertising, the cost of which is shared by the manufacturer and the dealer, with which we are concerned at this point.

When the manufacturer offers to share the cost of advertising done by the retailer,² participation by the dealers is generally placed on a voluntary basis. In this investigation, 19 manufacturers supplied information on this point. All 19 followed the practice of making dealer participation voluntary. This practice is in contrast with the plan generally followed in the automobile industry, in which dealer participation in advertising done by

¹See page 72.

²Advertising done by the retailer, the cost of which is shared by the manufacturer, would also be included under Lockley's definition of vertical cooperative advertising. (See footnote 5, p. 22.)

the manufacturer is an important requirement of the dealer agreement.

In this study, the overwhelming majority of manufacturers paid 50% of the space cost of retail advertising featuring the company's brand. There were exceptions to this practice, however. One company paid 33-1/3% of the space cost; another paid 66-2/3%; a third paid 75%; two others fixed the percentage to fit individual circumstances. The share of the space cost paid by the 57 manufacturers reporting is given below:

| <u>Proportion of Space Cost</u> | <u>Number of Manufacturers</u> |
|-------------------------------------|------------------------------------|
| 50% | 52 |
| 33-1/3% | 1 |
| 66-2/3% | 1 |
| 75% | 1 |
| Not specified | 2 |

The newspaper advertisements included under this classification are placed at the local rate, inasmuch as the space is purchased by the retailer and the advertisements appear over his signature.

The outstanding difference between cooperative advertising done by retailers and cooperative advertising done by manufacturers lies in the degree of control exercised over such advertising by the manufacturer. As previously indicated, the manufacturer has absolute control over the cooperative advertising which he does. In contrast, the manufacturer usually exercises only partial control or no control at all over advertising done by the retailer.

The following questions will be considered in discussing the degree of control exercised by the manufacturer over cooperative advertising done by the retailer. Does the manufacturer limit the size of the expenditure for such advertising? Who selects the media? Who prepares the schedule? Who prepares the copy?

With respect to the degree of control exercised over the size of the expenditure for cooperative advertising done by retailers, 45 manufacturers supplied information. Out of this number only three set no limit on the expenditures that might be made by the dealers. The remaining 42 set a definite limit on the extent of the company's participation in cooperative advertising done by the retailer.

When a definite limit was set, it was expressed as a percentage of the dealer's purchases or sales, as a specified number of dollars per unit purchased, or a specific appropriation was made to cover each

dealer's activity. The extent to which these different methods were used is indicated below:

24 companies set a definite percentage of dealer's sales.

10 companies set a definite percentage of dealer's purchases.

7 companies set a specific number of dollars per unit purchased.

1 company considered each dealer's request individually.

Generally speaking, the companies reporting indicated that the selection of specific media was left in the hands of the dealers. On the other hand, these manufacturers usually followed the practice of specifying the general types of media in which cooperative advertising could be placed. When a dealer wished to place cooperative advertising in media not acceptable to the manufacturer, special approval had to be secured in advance if the manufacturer were to participate in the cost. Thus, 47 manufacturers reported on the types of media eligible for cooperative advertising. Of this total, 46 specified the general types of media acceptable (e.g., newspapers, radio, outdoor, car cards, and so on). One company made no restriction on the general types of media which could be used but required dealers to get the company's approval on the media chosen before placing the advertising.

In checking on the extent to which the use of different general types of media was restricted, the following question was asked: Which of the following kinds of media are eligible for cooperative advertising: newspapers, outdoor, radio, car cards, local magazines? Replies from 46 manufacturers are summarized in Exhibit 3.

These data indicate that most of the manufacturers covered restricted considerably the type of media which could be used by dealers for cooperative advertising. Only four companies allowed their dealers to use all five types of media listed. The remainder of the companies excluded certain types of media. Thus, 19 companies excluded all media except newspapers; 8 excluded all media except newspapers and radio; and 8 excluded all media except newspapers, outdoor, and radio.¹

Although most of the manufacturers restricted

¹In discussing cooperative advertising done by retailers, Lockley reported that in 1930, in most instances, the retailer chose the medium in which the advertising was to appear. (Lockley, *op. cit.*, p. 29.)

the general type of media which could be used, the retailers were permitted to select the specific medium in which to place the advertising. Thus a substantial measure of control over the selection of media for cooperative advertising was left in the dealers' hands.

Exhibit 3. Eligibility of Media for Cooperative Advertising

| Number of Companies Reporting | Eligible Media | Ineligible Media |
|-------------------------------|--|--|
| 19 | Newspapers | Local magazines Car cards Radio Outdoor |
| 8 | Newspapers Radio | Local magazines Car cards Outdoor |
| 8 | Newspapers Outdoor Radio | Local magazines Car cards |
| 4 | Newspapers Outdoor Radio Car cards | Local magazines |
| 4 | Newspapers Outdoor Radio Car cards Local magazines | None |
| 1 | Newspapers Local magazines | Car cards Radio Outdoor |
| 1 | Newspapers Radio Local magazines | Outdoor Car cards |
| 1 | Newspapers Outdoor Local magazines | Radio Car cards |

But little first-hand evidence is available on the question of who prepares the schedule. This question was not included in the questionnaire; however, three manufacturers supplied such information in personal interviews granted in connection with case studies. In each of the three cases the dealer prepared the schedule. In one instance, dealers were required to get the manufacturer's approval of the schedule.

Lockley's investigation supplies evidence to supplement that presented in the preceding paragraph. Speaking of cooperative advertising done by dealers, Lockley reported that in 1930, in most instances, the dealer prepared the schedule.²

²*Loc. cit.*

Turning to the question of who prepares the copy, first-hand evidence is again limited. Eight of the cases included in this study provide information on this point. Three of these companies allowed the dealer to prepare his own copy and did not require him to secure the manufacturer's approval before placing it. One company allowed the dealer to prepare his own copy, but required him to get the manufacturer's approval before insertion. Two companies urged dealers to use copy prepared by the manufacturer (or his advertising agent), but permitted dealers to prepare their own copy if they preferred to do so. The dealer's copy had to be approved by the manufacturer before insertion under this plan. Finally, one company required the dealers to use only advertisements furnished by the manufacturer.

With reference to this point, Duffy states: "The requirement that dealers use only factory-approved copy is a usual one."¹ With reference to 1930 Lockley reported:

Some manufacturers required the opportunity to pass on all advertising copy, and numerous others requested the use of advertising material prepared by their own advertising departments or advertising agencies. Probably, however, the most customary method of control was through a number of blanket restrictions. The most frequent restrictions were that the manufacturer's branded product must not be advertised at a reduced or cut price in any advertising the manufacturer paid for, and that directly competing merchandise must not be advertised contiguously or simultaneously. Many manufacturers specified that the brand name of the product must be set in as large type as was used in the advertisement.²

In short, the manufacturer exercises substantially less control over cooperative advertising done by the retailer than he does over cooperative advertising done by the manufacturer. Out of eight companies reporting, only one required dealers to use factory-prepared copy. On the other hand, the evidence secured in this investigation, as well as that cited from Duffy and Lockley, tends to indicate that the requirement that only factory-approved copy be used is common.

A third procedure that might be adopted by the manufacturer would be to make an outright advertising allowance of so much per unit or a certain

¹Duffy, *op. cit.*, p. 282.

²Lockley, *op. cit.*, pp. 29-30.

percentage of purchases to retailers, without requiring them to match the company's expenditure.

According to Lockley, when such allowances have been made, the manufacturer has had very little control over the disposition of funds by the retailer.³ Duffy likewise states that in many cases the dealer withheld or spent the allowance for advertising as he saw fit.⁴

The use of outright advertising allowances was not encountered in the course of this investigation. Moreover, by definition, advertising allowances not used for advertising are excluded from the scope of this study. Accordingly, the possibility of making use of outright advertising allowances is recognized at this point, but such allowances will receive no further consideration.

Identification of Dealers

The outstanding characteristic of advertising over the retailer's name is that it identifies the dealer with the manufacturer's brand. Advertising done by the manufacturer over the retailer's name appears over the retailer's signature. The same applies to advertising done by the retailer. In this respect advertising over the retailer's name is in contrast with general advertising, which appears over the manufacturer's signature and which does not identify dealers. Advertising over the retailer's name differs from localizing-general advertising in that it appears over the retailer's signature, while localizing-general advertising appears over the manufacturer's signature and includes a list of dealers' names and addresses.

Response Expected

With respect to advertising done by the manufacturer over the retailer's name, only fragmentary evidence is available regarding the response expected. The information available suggests that the manufacturer may expect either immediate results from such advertisements or he may expect indirect action.

With respect to seasonal and style products, such as women's shoes and men's suits, advertisements featuring the fashion-rightness and the timely qualities of the product, at the regular price, may tend to bring immediate sales results.

³Lockley, *op. cit.*, p. 24.

⁴Duffy, *op. cit.*, p. 281.

For example, Holburn Shoe Company expected immediate sales results from newspaper advertisements placed over the retailer's name featuring Diana shoes at regular prices. According to the case:

In contrast with the magazine advertising, Diana newspaper advertising produced immediate and direct results. Studies made by the Holburn Shoe Company proved that a regular newspaper advertisement run on a given day, as compared with sales made on a similar day when an advertisement was not run, resulted in an increase in sales volume of from 20% to 25%.¹

On the other hand, advertisements over the retailer's name featuring high-price household appliances at regular prices usually do not bring immediate sales results. Evidence on this point is supplied by Edward M. Haines, salesman for a specialty jobber handling electric refrigerators, electric ranges, electric washers, radios, and other household appliances.² In a recent year an electric range manufacturer supplied Haines' employer with advertisements prepared by an advertising agency for use in a newspaper advertising campaign over the retailer's name in a large city. A typical advertisement supplied by the advertising agency is included in Haines' scrapbook. This advertisement emphasized the cleanliness of electric cooking, together with the individualizing features of the brand. According to Haines, this advertisement had beautiful art work and was probably very scientifically laid out to get attention. He goes on to say, however, that the difficulty with this type of advertisement from the standpoint of the retailer is that it does not bring immediate sales results.

Haines cites another illuminating example. The electric refrigerator sold by the jobber had a

¹Holburn Shoe Company (A), case on file at the Harvard Graduate School of Business Administration, p. 14.

²For some time prior to April, 1940, Haines kept a scrapbook in which he recorded the results secured from different kinds of retail promotions and advertisements used by the retailers to whom he sold. Included in his reports on these promotions are the advertisements used, a discussion of the procedure followed, a description of the background conditions, a record of the results secured, and his own general conclusions on the effectiveness of the effort. A large number of such reports are included in his scrapbook.

feature which gave it an unusual advantage over competitive brands. The jobber decided to test the effectiveness of a copy theme emphasizing this unusual advantage in newspaper advertisements. Two regular price advertisements using this theme were run by dealers in the towns and cities throughout the jobber's territory. After the advertisements had appeared a check-up was made. The check-up indicated that the two advertisements had not made a strong enough impression upon prospective buyers to bring them into the dealers' showrooms.

With respect to household appliances of high unit price, the foregoing examples and other evidence contained in Haines' scrapbook tend to show that regular price line advertisements featuring the superior qualities of the product do not bring an immediate response in the form of purchases or visits to the dealer's showroom.

If the manufacturers of such products are to stimulate an immediate response from the advertisements placed over the retailer's name, therefore, it is usually necessary to resort to "bargain type" advertising.³ Manufacturers tend to question the long-term value of such advertising; moreover, they generally fear that such advertising will damage the reputation of the product. Hence, it is not likely that many manufacturers of household appliances would place bargain type advertisements over the retailer's name.

In summary, with respect to advertising done by the manufacturer over the retailer's name, either immediate response or indirect action may be expected. The nature of the response expected depends upon the character of the product and the nature of the appeals which the manufacturers are willing to use.

Turning to advertising done by the retailer, somewhat more evidence is available. According to Edwards and Howard, the retail advertiser ordinarily counts on more immediate response than does the general advertiser.

The manufacturer of Philco radios does not expect people who read his advertising to rush out to stores to buy Philco sets. Instead, he attempts through advertising to show the superior features of Philco radios so that people will specify his brand when they are ready to buy from dealers. Although the manufacturer encourages readers to visit retailers promptly, he actually expects

³"Bargain type" advertising is discussed more fully on p. 28.

people to defer their purchases until the time when his product is needed or wanted. He endeavors chiefly to stimulate long-time results and to foster a continuous, habitual demand for his product. When the retailer advertises radios, furniture, dresses, men's shirts, or any other articles, he seeks prompt response, usually in the form of next-day sales. To assure immediate sales he selects for advertising, as far as possible, the merchandise that is in greatest demand at a given time.¹

Inasmuch as the dealer seeks prompt response from his advertising, when he is in charge of the preparation of advertisements featuring the manufacturer's brand he usually designs the material to bring immediate action. When regular price line advertisements will bring the desired results they will be used. This type of advertisement makes its appeal partly on the basis of price and partly on the basis of quality. It stresses construction, workmanship, style features, various points of superiority over competitors' products, and the wide assortments always on hand. Price, though important, is subordinate to fashion-rightness, utility value, or other characteristics of the product.²

On the other hand, when regular price line advertisements do not bring prompt response the retailer has a tendency to use "bargain" advertisements that offer the reader a special inducement in order to stimulate immediate action. The case of Durbin Corporation, manufacturer of electric refrigerators, illustrates this point. Company officials stated that the object of advertisements prepared by retailers was to secure immediate sales results. In order to get the desired response, retailers used bargain-type advertisements emphasizing price reductions, or some other direct action appeal.³

To supplement this testimony, officials of Durbin Corporation were requested to supply some typical examples of dealer-prepared advertisements. In reply, six advertisements were supplied from among those placed under the cooperative advertising program in the fall and winter of 1938. All these advertisements used strong direct action appeals.⁴

¹Edwards and Howard, *op. cit.*, p. 27.

²*Ibid.*, pp. 174-176, 197, and 220.

³Case on file at the Harvard Graduate School of Business Administration.

⁴These advertisements are in the author's files.

Another example is supplied by The Maytag Company case. With reference to dealer cooperative advertising, the company reported that most dealers refused to use the selling type of copy provided by the manufacturer and written by his advertising agency because it did not emphasize price. Instead, the dealers prepared advertisements bearing almost entirely on "how cheap."⁵ From this information it may be inferred that the copy prepared by the advertising agency did not bring immediate results and hence the retailers resorted to bargain-type advertising in order to get the desired response.

This point is also verified by the reports contained in Haines' scrapbook.⁶ Throughout the scrapbook Haines emphasizes the fact that retailers selling household appliances want to see immediate sales results every time they run an advertisement. He states that retailers do not like to spend \$25 to advertise a product, even when the manufacturer is matching this expenditure, unless the advertisement promises to stimulate sales the next day. Since regular price line advertisements for household appliances usually do not bring a prompt response, the retailers use bargain advertisements in order to stimulate immediate sales.

In short, when the retailer prepares the advertisements, they are designed to bring prompt response. In some cases the desired results can be secured from regular price line advertisements. In other instances bargain-type advertisements offering special inducements must be used in order to stimulate immediate response.

The nature of the response to be expected from advertising done by the retailer cannot be determined solely from an examination of dealer-prepared advertisements. Some manufacturers require their dealers to use factory-prepared advertisements. Other manufacturers urge dealers to use factory-prepared advertisements but allow them to prepare their own copy if they insist. In any event, it is a reasonable assumption that some

⁵The Maytag Company, case on file at the Harvard Graduate School of Business Administration, pp. 3 and 5. This case is based upon an article by Roy A. Bradt, Vice President, The Maytag Company, entitled, "Why Maytag Insists on Paying National Advertising Rate to 600 Newspapers," *Printers' Ink*, October 13, 1939, pp. 15-18; also upon information secured by correspondence with company officials.

⁶*Op. cit.*

factory-prepared advertisements are used in advertising done by retailers. It is therefore desirable to give brief consideration to the response that may be expected from the factory-prepared advertisements.

Advertisements prepared by the manufacturer (or his advertising agent) for dealer use can be grouped into three classifications: (1) indirect action advertisements similar to those used in the manufacturer's general advertising; (2) retail-type advertisements featuring the product at the regular price; (3) bargain-type advertisements.

Analysis of the mat books of Chadborn Company (men's suits), Nugent Hat Company (men's hats), and Holburn Shoe Company (women's shoes) indicates that most of the advertisements provided were retail-type advertisements featuring the product at the regular price.¹ Each of these products is a seasonal item. Fashion-rightness is an important element in the sale of each. Consequently, properly timed and skillfully prepared regular price line advertisements featuring new styles, fashion-rightness, or points of superiority in the product would tend to bring a prompt response.

On the other hand, in each of the three mat books there were one or two indirect action advertisements similar to those commonly used in general advertising. For example, the Holburn Shoe Company supplied four advertisements to its dealers featuring the Diana trade mark. In a typical example the copy reads:

THE EMBLEM OF YOUTH AND SMARTNESS

You find it on the sole of every Diana shoe. It is your assurance of a shoe that will bring youth to your step, beauty to your feet. Your assurance of classic style, perfect fit and superlative quality. Superlative value, too. Diana Shoes are now only \$6.50.

DIANA SHOES
(Store Signature)

Such advertisements cannot be expected to bring immediate sales results.

Turning to household appliances, considerable variation was found to exist in the nature of the advertisements prepared for dealer use by different companies. Thus, Company 112, manufacturer of mechanical refrigerators, prepared 29 newspaper advertisements for dealer use in 1939. The

¹These mat books are in the author's files.

entire 29 were indirect action advertisements similar to those used by the company in its general advertising. The use of these advertisements by dealers was voluntary.²

Durbin Corporation, manufacturer of mechanical refrigerators, urged dealers to use factory-prepared advertisements but allowed them to prepare their own advertisements if they insisted on doing so. Upon request, the company supplied the author with factory-prepared advertisements provided for dealer use in both 1938 and 1939. Three factory-prepared advertisements were supplied from the 1938 campaign; all three were retail-type advertisements featuring the product at the regular price. Seven factory-prepared advertisements were supplied from the 1939 campaign; four were retail-type advertisements featuring the product at the regular price; three were indirect action advertisements similar to those used in the company's general advertising.³

Frazier Company, manufacturer of electric ranges, allowed its dealers to place either factory-prepared advertisements or advertisements written by the dealer. Four different kinds of advertisements were prepared for dealer use: (1) indirect action advertisements designed to tie in with the manufacturer's general advertising; (2) retail-type advertisements featuring Frazier advantages; (3) bargain advertisements featuring trade-in allowances, 30-day free trial, clearance of floor samples, and free installation.⁴

Both regular price advertisements emphasizing product advantages and bargain advertisements were supplied to dealers by Easy Washing Machine Corporation, Kirby Company, and Henshaw Gas Stove Company.⁵

In the promotion of the foregoing household appliances, the indirect action advertisements and the retail-type advertisements featuring product advantages could not be expected to bring immediate response. On the other hand, the bargain-type advertisements furnished by some of the man-

²Evidence taken from material supplied by company in the course of a personal interview.

³This material is in the author's files.

⁴*Ibid.*

⁵Cases for these firms are on file at the Harvard Graduate School of Business Administration.

ufacturers would tend to stimulate immediate sales.¹

In summary, examination of advertisements prepared by the manufacturer for dealer use indicates that they may be designed to bring either an immediate response or indirect action. To the extent that such advertisements are used by dealers these two types of response may be expected from advertising done by the retailer.

With respect to the response expected from advertising over the retailer's name, the following points have been made in this discussion. First, either immediate response or indirect action may be expected from advertising done by the manufacturer over the retailer's name.

Secondly, the response which may be expected from advertising done by the retailer depends upon who prepares the advertisements used.

When the retailer prepares the advertisements, he designs them to bring prompt response. In some cases the desired results can be secured with regular price line advertisements; in other instances bargain-type advertisements must be used.

When the manufacturer (or his advertising agent) prepares the advertisements, they may be designed to bring either an immediate response or indirect action.

Media Used

Evidence has already been presented indicating the types of media which 46 manufacturers allow their dealers to use for cooperative advertising.² A summary of the practice of these 46 manufacturers, by individual types of media available for use in cooperative advertising, shows the following results:

- 46 allowed newspapers
- 25 allowed radio
- 17 allowed outdoor
- 8 allowed car cards
- 7 allowed local magazines

¹It is apparent that the advertisements prepared by Company 112 and Durbin Corporation failed entirely to meet the desire of retailers for bargain-type advertisements which would bring prompt response. In my opinion, failure to meet the desire of retailers for advertisements containing a strong direct action stimulus constitutes a serious weakness of manufacturers' advertising aids.

²*Cf. ante*, p. 25.

Territory Covered

Almost without exception, the territory covered by the circulation of the media in which dealers are permitted to do cooperative advertising is primarily local.³ Similarly, advertising done by the manufacturer over the retailer's name is generally placed in media which circulate in the area from which the retailer draws his trade. In this respect advertising over the retailer's name is strikingly different from the general advertising of manufacturers with national distribution, which usually aims at extensive coverage throughout the entire nation, several states, or one or more sections of the country.

DEALER SALES HELPS

Definition

"Dealer sales helps" constitute the third type of consumer advertising considered in this study. The term "dealer sales helps" covers materials furnished by the manufacturer to his retailers to be used to stimulate their sales. Dealer sales helps include advertising aids (such as mats, electros, and cuts), direct-mail material to be sent to consumers, window and store display materials, store signs, dealer identification signs, and other similar materials.⁴

³Retail advertising . . . is usually confined to a comparatively small territory from which the store draws its trade, such as a city and nearby suburban and rural areas in which local newspapers circulate." (Edwards and Howard, *op. cit.*, p. 24.)

⁴The term "dealer sales helps" was adopted in order to provide a more inclusive classification than is covered by some usages of the term "dealer helps." Thus, Lockley used the term "dealers' helps and advertising materials" to cover the same items included under my definition of dealer sales helps. (Lockley, *op. cit.*, p. 31.)

In its questionnaire requesting a breakdown of expenditures under the heading "dealer helps," for the years 1934 and 1935, the Association of National Advertisers included three classifications: dealer signs, store and window displays, and other dealer helps. Among the items specified by some of the companies reporting, as included under the heading "Other," were merchandising service, demonstrations, mats, and electros. (Association of National Advertisers, Inc., *A Survey of 299 National Advertising Budgets 1934-1935* [New York: 1936], p. 126.)

Justification for the use of the term "dealer sales helps" is found in the practice of certain manufacturers interviewed in the course of the field work and also in the desirability of avoiding confusion in the scope of the terms used in this study.

Proportion of Cost Borne by Manufacturer

Dealer sales helps may be provided free of charge by the manufacturer; they may be sold to the dealer at a price that covers only a portion of the cost to the manufacturer; or they may be sold at a price which covers the entire cost and even returns a profit.

Evidence on this point was secured from 35 manufacturers using selected distribution. The percentage of the total cost of dealer sales helps borne by the manufacturer is indicated by the following summary:

| <u>% of Cost Borne by Manufacturer</u> | <u>Number of Companies</u> |
|--|--------------------------------|
| 100% | 12 |
| 75-99 | 9 |
| 50-74 | 10 |
| 25-49 | 2 |
| 1-24 | 2 |
| 0 | - |

It is significant that not one manufacturer recovered 100% or more of the cost of dealer sales helps from his dealers. In fact, 31 out of 35 manufacturers covered 50% or more of the cost of dealer sales helps. Twelve manufacturers paid the entire cost.

Reason for Separate Classification

Although dealer sales helps might be included under the classification "advertising over the retailer's name," they are treated as a separate category in this study for the following reasons. First, dealer sales helps constitute a type of advertising which differs widely from space or time advertising

over the retailer's name. The latter usually appears in publications or in outside disseminating centers, while the former may appear at the dealer's place of business, may be distributed from the dealer's store, or may merely provide assistance in the preparation of publication, radio, or outdoor advertising.

Secondly, manufacturers interviewed in connection with this investigation treated dealer sales helps as a type of advertising quite separate from space or time advertising.

Different Kinds of Dealer Sales Helps

Dealer sales helps may be divided into two broad types: (1) advertising disseminated by the dealer to the consumer, including direct mail, window and store displays, dealer identification signs, slide films, and moving pictures; and (2) advertising aids, including mats, electros, cuts, material for outdoor posters, "make your own advertisement" service, radio broadcasting records, and other similar material.

Advertising disseminated by the dealer has one outstanding characteristic. It is identified with the dealer by appearing over his name or by being disseminated at the dealer's place of business. In this respect it is similar to advertising over the retailer's name, and it is in contrast with general advertising.

Advertising aids are designed to make it easy for the retailer to prepare or place effective advertisements. These materials are not disseminated to consumers in the form in which they are furnished to dealers. Generally, they are used in the production of advertising.

ADVERTISING TO THE TRADE

The three types of advertising previously discussed are directed at ultimate consumers. For this reason, they differ significantly from advertising to the trade.

The term "advertising to the trade" refers to advertising directed by the manufacturer to his wholesalers, his retailers, or both. Such advertising is aimed at those who buy the manufacturer's product for resale and not at ultimate consumers.

Advertising is generally directed to the trade, among others, through the medium of trade papers,

direct mail, catalogues for wholesalers' or retailers' use, and campaign plans and portfolios.

The objectives of advertising to the trade are illustrated by the following examples. In 1937 Durbin Corporation, manufacturer of electric refrigerators, devoted 12% of its advertising funds to advertising to the trade. The objectives of this advertising were: (1) to hold the dealer acceptance built up since 1931; (2) to stress to all existing and potential Durbin dealers the profit possibilities existing with Durbin; (3) to impress strongly the Durbin name in the minds of potential dealers so

that the strength of all distributors' dealer organizations may be increased by additions and by replacements.

Further evidence is provided by the case of the Henshaw Gas Stove Company. In 1938, when the advertising appropriation was \$44,500, the company devoted 31% of the total to advertising directed to retailers. Such advertising was designed to re-awaken the interest of dealers carrying the Henshaw lines; to regain dealers that had been lost during the depression; and to obtain dealers who had not previously sold Henshaw stoves.¹

The Armstrong Cork Company employed direct-mail advertising to wholesalers and retailers extensively in order to induce retailers to tie up their own advertising and promotional work with the newspaper advertising of Armstrong's lino-

¹Henshaw Gas Stove Company (A), case on file at the Harvard Graduate School of Business Administration, pp. 9, 12, 13.

leum.²

The Weyenberg Shoe Manufacturing Company limited its advertising and promotion for shoes to the trade. In this case advertising to the trade was designed to establish the company's reputation within the trade as a satisfactory source of men's style shoes. The advertising was also used to acquaint dealers and prospective dealers with new styles and to stimulate direct-mail orders from both groups.³

Finally, Frazier Company, manufacturer of electric ranges, devoted 7% of its 1937 advertising funds to advertising directed to the trade. The purpose of this advertising was to acquaint retail dealers with those phases of the manufacturer's selling program which might be of value to them in conducting their business on the Frazier line.⁴

²Borden, 3d ed., p. 290.

³*Ibid.*, pp. 201-209.

⁴Frazier Company, case on file at the Harvard Graduate School of Business Administration, p. 18.

CHAPTER IV

ADVERTISING PROGRAMS USED TO PROMOTE PRODUCTS WITH SELECTED DISTRIBUTION

In the previous chapter four different kinds of advertising were defined and described. The purpose of this chapter is twofold: (1) to indicate the extent to which uniformities exist in the way in which these four kinds of advertising were com-

bined into advertising programs by the 77 manufacturers of 22 different products who supplied data for this study; (2) to illustrate the contrasting types of advertising programs most commonly used by these manufacturers.

METHODS OF CLASSIFYING ADVERTISING PROGRAMS

In order to discover the presence or absence of uniformities in practice for each product studied, it was necessary to develop a method of classification which would group together similar advertising programs and which would separate unlike advertising programs. In order to achieve the desired result, several methods of classification were tested on an experimental basis.

The first approach was to compute for individual manufacturers of different brands of the same product the percentages of the advertising appropriation which were devoted to each of the four kinds of advertising. These percentages were then averaged by product groups. In most instances the percentages for individual firms were found to vary widely from the averages for the product groups in which the firms were classified.¹

The second approach was to classify advertising programs according to the relative proportion of the advertising appropriation devoted to the following major kinds of advertising. First, was a larger proportion of the appropriation devoted to general advertising or to advertising and promotion through dealers? Secondly, was a larger proportion of the appropriation devoted to space advertising or to dealer sales helps? By classifying advertising programs on these bases, interesting differences in advertising practices were brought

to light.² Further study indicated, however, that the use of these very broad classifications was not entirely satisfactory. The classification "advertising and promotion through dealers" grouped together space and time advertising over the dealer's name, on the one hand, and dealer sales helps, on the other. Similarly, the classification "space advertising" grouped together general advertising, on the one hand, and advertising over the retailer's name, on the other. Accordingly, these classifications had the serious disadvantage of obscuring significant differences in advertising strategy. A somewhat more specific method of classification clearly was desirable.

Hence, the third approach was to develop a more detailed method of classification based upon the kinds of advertising upon which were spent the largest, second largest, third largest, and fourth largest percentages of the advertising appropriation. The application of this method of classification resulted in a large number of different types of advertising programs. Analysis indicated that some of the different types of programs so distinguished were not significantly different from each other. Moreover, such a large number of different combinations made the task of explaining variations in practice virtually unmanageable.

As a result, the fourth approach was to modify

¹See Exhibits A and B in the Appendix, pages 107-108, for the averages resulting from this computation.

²See Exhibits C and D in the Appendix, pages 110-111, for the results of this classification.

the preceding method of classification in order to make it somewhat less specific. Under the revised method, advertising programs were classified into broad types depending upon what kind of advertising received the largest percentage of the advertising appropriation and what kind of advertising received the second largest percentage. The emphasis given to other kinds of advertising was disregarded because in most cases the remaining percentages of the appropriations involved were so small that they were relatively unimportant.

Under this method of classification, seven types of advertising programs were found to be in common use among the 77 manufacturers studied. In these programs the largest and the second largest percentages of the advertising appropriation were devoted to the following kinds of advertising:

- Type 1: First, general advertising; second, advertising over the retailer's name, and some provision for dealer sales helps.
- Type 2: First, advertising over the retailer's name; second, dealer sales helps, and little or no general advertising.
- Type 3: First, general advertising; second, dealer sales helps, and little or no advertising over the retailer's name.
- Type 4: First, dealer sales helps; second,

general advertising, and little or no advertising over the retailer's name.

Type 5: First, advertising to the trade; second, dealer sales helps.

Type 6: Dealer sales helps only.

Type 7: First, dealer sales helps; second, advertising to the trade, and little or no general advertising or advertising over the retailer's name.

Experimentation with the foregoing method of classification indicated that it was particularly well designed to meet the requirements of this study. In all important respects the individual advertising programs which were classified into a given category were found to be similar. Also, individual advertising programs which were placed in different categories were found to be significantly different.

Moreover, the number of different types of programs found to be in common use was small enough to make it feasible to develop and to test hypotheses explaining the use of different types of advertising programs among manufacturers of different brands of the same product and among manufacturers of different kinds of products. Accordingly, it was decided to use this method of classification as the basis for the explanation of variations in advertising practice which is the subject of the following chapter.

TYPES OF ADVERTISING PROGRAMS COMMONLY USED

In order to secure information on the types of advertising programs used to promote products with selected distribution, questionnaires were mailed to 343 manufacturers of 23 different products. Fifty-nine manufacturers returned questionnaires completely filled out, indicating, among other things, the product advertised, the extent of the sales area, the number of retail outlets used in cities of various sizes, the size of the advertising appropriation, and the allocation of the appropriation to different types of advertising. In addition, similar data were secured by personal interview from 17 manufacturers, and by correspondence from 1 manufacturer. In total, therefore, data were secured on the advertising programs of 77 manufacturers of 22 different products.

In making classifications to determine uniformities of practice, however, it was decided to analyze only those products upon which five or

more manufacturers reported. There were eight such products, as follows:

| Product | Number of Manufacturers Who Reported |
|------------------------------------|---|
| Women's Shoes | 8 |
| Men's Shoes | 6 |
| Men's Clothing | 8 |
| Ladies' High-Grade Silk Hosiery | 6 |
| Corsets | 5 |
| Gas Ranges | 5 |
| Paint | 5 |
| Mechanical Refrigerators | 5 |

Conclusions about uniformities in practice discovered within these eight different product groups are presented below. The material is organized according to types of advertising programs found to be in common use.

In discussing each type of advertising program, a case digest will first be presented in order to

illustrate the character of the promotional program under consideration.¹ Evidence will then be introduced to show in which product groups this type of advertising program was commonly used. Variations in advertising practice will also be noted.

ADVERTISING PROGRAM TYPE 1

As previously defined, advertising program Type 1 combines the different kinds of advertising in the following order of importance: (1) general advertising; (2) advertising over the retailer's name, and some provision for dealer sales helps.

Among manufacturers following the policy of selected distribution, the expenditure for general advertising is usually devoted to the creation or maintenance of brand preference. Judging from the evidence collected in this investigation, in the promotion of products with selected distribution the use of direct action inducements in general advertising is exceptional.²

In addition to the creation of brand preference, advertising program Type 1 is designed to make certain that the manufacturer's brand is advertised over the retailer's name. Generally this is accomplished by granting dealer cooperative advertising allowances, although some manufacturers may follow the alternative plan of advertising over the retailer's name and paying 100% of the cost of such advertising.

Some provision for dealer sales helps is a third characteristic of advertising program Type 1. However, the dealer sales helps are generally offered merely to facilitate good dealer adver-

tising and promotion and do not bear much of the burden of inducing the dealer to advertise.

The advertising strategy behind advertising program Type 1 is generally to create brand preference through product-reputation general advertising, and then to tell people where to buy the brand through advertising over the retailer's name. In some cases, advertising over the retailer's name is also designed to complement the general advertising by offering special inducements which tend to result in immediate sales.

The nature of advertising program Type 1 is well illustrated by the case of the Durbin Corporation, a manufacturer of electric refrigerators.

Durbin Corporation

Durbin electric refrigerators, which had a patented refrigerating mechanism, were marketed under the policy of selected retail distribution. In 1937 the amount appropriated to promote their sales was divided as follows: 41% for general advertising, 38% for advertising over the retailer's name, 12% for advertising to the trade, and 9% for dealer sales helps.

The budget for general advertising covered expenditures for advertisements appearing over the company's name in the magazine sections of Sunday newspapers, in daily newspapers, in national magazines, and on outdoor billboards. The objective of the general advertising was to build prestige and acceptance for Durbin refrigerators through impressing upon the public the distinctive features of the product, its quality, and the size and stability of the manufacturer.

The budget for advertising over the retailer's name covered the company's share of the cost of dealer cooperative advertisements promoting the Durbin refrigerator. In 1937 this cost was shared as follows: Durbin Corporation one-third, distributor one-sixth, and dealer one-half. Newspapers were most commonly used for cooperative advertisements, although outdoor billboards and spot radio broadcasts were also utilized. The objective of advertising over the retailer's name was to make immediate sales by capitalizing on the general advertising and by designing the advertisements to create immediate action in the dealer's store.

The budget for advertising to the trade included expenditures for trade paper advertising, direct

¹The limited amount of space available does not permit the reproduction of the original cases; hence, the pertinent facts are summarized. This same procedure will be followed throughout this presentation. The original cases are contained in the unabridged version of this study, which is on file in Baker Library, Harvard Graduate School of Business Administration. Other copies are on file in the Case File, Harvard Graduate School of Business Administration. Unless otherwise noted, all cases summarized or cited were written by the author.

²One manufacturer, covered in this study, the Burwind Shoe Company, however, interrupted his program of product-reputation general advertising for one season and substituted in its place a program of direct action general advertising. See Chapter III p. 20.

mail to dealers, and general promotional activities designed to influence dealers. This campaign had two objectives: first, to stress the profit possibilities of the Durbin line; and secondly, to impress the Durbin name in the minds of potential dealers.

Finally, the budget for dealer helps covered expenditures for dealer signs, store and window displays, and other point-of-purchase advertising material which were furnished to dealers either free of charge or for part of the cost to the Durbin Corporation. Dealer helps were included in the

Exhibit 4. Types of Advertising Programs Used by 8 Manufacturers of Women's Shoes and 5 Manufacturers of Mechanical Refrigerators: 1938*

| Product | Program Type ¹ | Company Code | Percentage of Advertising Appropriation ² Allocated to | | | |
|--------------------------|---------------------------|--------------|---|----------------------------------|--------------------|----------------------|
| | | | General Advertising | Advertising over Retailer's Name | Dealer Sales Helps | Advertising to Trade |
| Women's Shoes | 1 | 12 | 60% | 20% | 20%/ | 20%/ |
| | | Holburn* | 55 | 40 | 5 | 0 |
| | | 31 | 50 | 20 | 15 | 5 |
| | | 103* | 48 | 30 | 15 | 7 |
| | Approaching Type 1 | 106* | 30 | 22 | 19 | 2 |
| | | 39 | 33% | 33% | 20% | 10% |
| | | 104* | 30 | 33 | 33 | 3 |
| 3 | Roycroft* | 49% | 9% | 25% | 1% | |
| Mechanical Refrigerators | 1 | 5 | 51% | 21% | 11% | 3% |
| | | 112 | 44 | 39 | 12 | 3 |
| | | 4 | 33 | 26 | 21 | 2 |
| | Variations from Type 2 | Durbin # | 20% | 59% | 9% | 12% |
| | Type 4 | 29 | 25% | 20% | 40% | 10% |

* Five of the manufacturers of women's shoes reported for the year 1937. From information received, it may be inferred that the three shoe manufacturers reporting for 1938 followed the same type of advertising in 1937.

† Includes both dealer sales helps and advertising to trade.

Breakdown of 1938 figures based on more detailed data submitted for 1937.

¹ The program types were determined by the percentages of the advertising appropriation allocated to the several kinds of advertising. In each of the groups defined below the kinds of advertising are listed in the order of their importance.

Type 1. General advertising, advertising over the retailer's name, some provision for dealer sales helps.

Type 2. Advertising over the retailer's name, dealer sales helps, and little or no general advertising.

Type 3. General advertising, dealer sales helps, little or no advertising over the retailer's name.

Type 4. Dealer sales helps, general advertising, little or no advertising over the retailer's name.

² Provision was made by 9 of the 13 companies for types of advertising not specified in this table. Such miscellaneous advertising amounted to from 1% to 27% of the entire advertising appropriation.

advertising program in order to increase and to make as powerful as possible dealers' promotion of the product at its point of sale.

Products for Which Program Type 1 Commonly Was Chosen

Classification of the data supplied by the manufacturers of the eight different product groups under consideration indicated that advertising program Type 1 was commonly used in the promotion of women's shoes and mechanical refrigerators.

A total of eight manufacturers reported on the advertising programs which they used to promote the sale of women's shoes. These reports covered both medium-price and high-price shoes. Although all companies followed the policy of selected distribution, the number of dealers used varied from 206 to 3,000. The advertising appropriations of the companies reporting covered only two size classifications: \$50,000 to \$99,999 and \$200,000 to \$499,999.

As indicated in Exhibit 4, page 36, five out of eight manufacturers of women's shoes used advertising program Type 1. Two additional companies (No. 39 and No. 104) approximated program Type 1. Roycroft Shoe Company, the remaining manufacturer, used advertising program Type 3.

Data were received describing the advertising programs used by five manufacturers of mechanical refrigerators in 1938. All five of these manufacturers followed the policy of joint agency distribution. The number of dealers used by the different manufacturers ranged from 1,200 to 7,500. Advertising appropriations ranged in size from the \$50,000 to \$99,999 classification to the \$1,000,000 to \$4,999,999 classification.

As shown in Exhibit 4, three out of five manufacturers of mechanical refrigerators used advertising program Type 1 in the promotion of their products. In contrast to the common practice, Company 29 used advertising program Type 4, giving primary emphasis to dealer sales helps and secondary emphasis to general advertising. Also, Durbin Corporation used a variation of advertising program Type 2, in which primary emphasis was given to dealer cooperative advertising.

ADVERTISING PROGRAM TYPE 4

As defined at the beginning of this chapter, advertising program Type 4 combines the different kinds of advertising in the following order of importance: (1) dealer sales helps; (2) general advertising, and little or no advertising over the retailer's name. When this program is used the strategy is usually to encourage dealers to promote the product actively through local advertising. In order to accomplish this purpose the manufacturer places enough general advertising to be able to claim that he is a national advertiser, but generally does not make an expenditure large enough to provide for an effective program of product-reputation advertising. Dealers are informed of the manufacturer's plans for a general advertising campaign and are urged to make tie-ins with this program through the placement of local advertisements and through point-of-sale advertising. The largest portion of the advertising appropriation is devoted to dealer sales helps in order to encourage the dealers to undertake local advertising and promotion. Little or no provision is made for dealer cooperative advertising allowances; instead reliance is placed on dealer sales helps plus general advertising to stimulate dealer tie-ins. A typical example of advertising program Type 4 is found in the case of Burwind Shoe Company, manufacturer of men's high-grade shoes.

Burwind Shoe Company (A)

Burwind Feature Shoes for men, which had three exclusive features, were marketed under a policy of exclusive agency distribution. During 1937 the total expenditures for Burwind Feature Shoe advertising amounted to \$160,083.¹ This expenditure was divided as follows: 37% for dealer sales helps, 34% for general advertising in national magazines, 20% for dealer cooperative advertising, 2% for trade paper advertising, and 7% for other advertising expenditures - a representative Type 4 advertising program.

In planning the advertising campaign for the fall and winter of 1937 the following objectives

¹This figure was secured by multiplying the actual expenditure by a constant in order to disguise the identity of the company.

were set up:

- (1) To perform a part of the selling job by creating consumer goodwill for the product; to convince the consumer not only that Burwind Feature Shoes possess sound features for comfort, but also that they offer outstanding style.
- (2) To convince people that the Burwind Feature Shoe is a correct shoe; that it is best for all people whether their feet are well or ill. . . .
- (3) To attract Feature Shoe wearers from a somewhat lower age level by convincing people that these shoes offer outstanding styles.
- (4) To help get aggressive cooperation on the part of the dealers. National advertising gives the dealers the impression that the company is building up consumer demand. Hence, the advertising provides the company with a means of stimulating the dealers to do a more aggressive selling job, to devote more window space to the display of Burwind shoes, and to place more local advertising.

In the consumer advertising scheduled for the fall campaign two appeals were used: (1) a style appeal to the youth market and to those primarily interested in smart apparel; and (2) a comfort appeal to men who suffered from foot aches and pains and wanted relief and protection from them.

National magazines, local newspapers, and direct mail were selected to carry the advertising message. National magazines were chosen to give the impression that the company was a national advertiser. Also, through the use of magazines it was possible to direct the advertising message to people in the upper income groups. Finally, the national advertising provided a basis for a dealer promotion campaign which was of primary importance from the standpoint of sales strategy.

Newspaper advertising in cooperation with dealers also made up part of the campaign. This type of advertising was included in the program largely to secure the active cooperation and support of dealers for the Burwind line. Also, dealers believed that local advertising was of greater benefit to them than national advertising.

Dealer sales helps furnished by the company included consumer direct mail, campaigns of newspaper advertisements in mat form, store

signs, display cards, and style folders.

In order to coordinate the advertising with other sales efforts, the advertising campaign was carefully explained to all the salesmen. A portfolio containing all the advertising and promotional material was provided for the use of each salesman in explaining the national advertising campaign to the dealers. At the same time it was his job to take orders for dealer helps and to encourage the dealer to undertake local advertising. The object of this work was to get each retailer handling Burwind Feature Shoes to cooperate aggressively with the national advertising campaign by using local tie-in advertisements, window displays, and aggressive sales effort.

The 1937 campaign of advertising and sales promotion, described above, is a typical example of advertising program Type 4. The expenditure for general advertising in magazines was too small to have much consumer influence; its chief function was to serve as a dealer influence. The company relied primarily upon the advertising and promotion of the retailers to sell its product; company efforts were focused upon stimulating retailers to do aggressive advertising and promotion work.

In order to stimulate the desired degree of dealer selling activity, salesmen urged the dealers to make tie-ins with the national advertising by using the dealer helps and advertising aids supplied by the company. Cooperative advertising allowances were granted only when dealers requested them; during the period March, 1936, to March, 1937, the cost of local advertising was shared with between 166 and 176 dealers out of 1,399 active accounts. Quite clearly, the strategy was to persuade the dealers to undertake local tie-in advertising and promotion without financial aid from the company. Apparently, cooperative advertising allowances were granted only when persuasion and free dealer sales helps failed to secure the desired effort.

Products for Which Program Type 4 Commonly Was Chosen

Analysis of the evidence supplied by the manufacturers of the eight different products under discussion revealed that advertising program Type 4 was commonly used in the promotion of men's shoes.

Six manufacturers of men's shoes supplied data. Half of these companies manufactured medium-price shoes; the remainder, high-price shoes. Half of the companies followed the policy of exclusive agency distribution; the other half followed the policy of joint agency distribution. The number of dealers used by the different companies ranged from 160 to 5,000. The advertising appropriations of the companies reporting ranged from the under \$50,000 size classification to the \$1,000,000 to \$4,999,999 size classification.

Classification of the advertising programs used by the six manufacturers of men's shoes indicates that three companies used advertising program Type 4, while one additional company closely approximated it (see Exhibit 5, below). The two remaining companies used other types of programs.

ADVERTISING PROGRAM TYPE 2

According to definition, advertising program Type 2 combines the different kinds of advertising in the following order of importance: (1) advertising over the retailer's name; (2) dealer sales helps and little or no general advertising. In contrast with advertising program Type 1, advertising program Type 2 includes little or no general advertising. When product-reputation advertising is used, it generally appears over the retailer's name. Also, advertising program Type 2 makes use of more direct methods of securing advertising over the retailer's name than are followed under advertising program Type 4. In order to secure such advertising, companies using advertising program Type 2 may rely upon cooperative advertising allowances, may use company-placed advertising over the retailer's name,

Exhibit 5. Types of Advertising Programs Used by 6 Manufacturers of Men's Shoes: 1938*

| Program Type ¹ | Company Code | Percentage of Advertising Appropriation ² Allocated to | | | |
|---------------------------|--------------|--|----------------------------------|--------------------|----------------------|
| | | General Advertising | Advertising over Retailer's Name | Dealer Sales Helps | Advertising to Trade |
| 4 | 101/ | 25% | None | 75%# | --- |
| | 40 | 18 | 15% | 44 | 16% |
| | Burwind/ | 34 | 20 | 37 | 2 |
| Approaching Type 4 | 13 | 38% | 9% | 36% | 10% |
| Other | 102/ | 10% | 35% | 43% | 0% |
| | 20 | 20 | 60 | 10 | 1 |

* Unless otherwise indicated.

Report for the year 1937.

Includes dealer sales helps and other advertising.

¹ The program Types were determined by the percentages of the advertising appropriation allocated to the several kinds of advertising. In Program Type 4, the most important advertising was dealer sales helps. Some general advertising was employed, but little or no advertising was done over the retailer's name.

² Provision was made by 5 of the 6 companies for types of advertising not specified in this table. In the majority of the cases, such miscellaneous advertising expense amounted to less than 10% of the entire advertising appropriation.

or may combine the two approaches.

A typical example of advertising program Type 2 is found in the case of Burkhardt Company, manufacturer of men's clothing.

Burkhardt Company

The Burkhardt Company, located in Chicago, manufactured men's suits and overcoats, which in 1938 retailed at from \$40 to \$125. Burkhardt suits and overcoats were sold direct to 1,000 retail dealers by 20 company salesmen. In general the company followed the policy of granting an exclusive agency for Burkhardt clothing to one retailer in each community.

Expenditures for advertising in 1938 were concentrated primarily upon dealer cooperative advertising, while dealer helps held the position of secondary importance. No provision was made for general advertising.

When the company first adopted dealer cooperative advertising in 1923, two important advantages of such advertising were emphasized. First, dealer cooperative advertising could be placed in the local newspapers in cities where the company had dealers. Hence the company would not be paying for circulation going to towns and cities in which no Burkhardt dealers were located, as was true when space was taken in national magazines.

Secondly, inasmuch as dealer cooperative advertising would be placed by retailers over their own names, it would serve to tell people where to go in order to buy Burkhardt clothes in their local markets. This was an important function inasmuch as Burkhardt clothes were sold by only one retailer in each city. General advertising in national magazines could not perform this function.

Later, in 1938, the advertising manager gave the following reasons for placing primary emphasis upon dealer cooperative advertising. First, the buying habits of men made it important to associate the Burkhardt brand with the name of the local retailer in each market. Secondly, the seasonal characteristics of men's clothing favored advertising on a local basis.

The president, in commenting upon the 1938 program, emphasized the advantage of dealer cooperative advertising as a means of securing active advertising, promotion, and selling upon the part of retailers. Dealer cooperative advertising, the president believed, had not only increased the

retailer's loyalty to the product, but also had stimulated him in all divisions of his selling to the mutual advantage of both the manufacturer and the retailer.

Under the 1938 dealer cooperative advertising plan the Burkhardt Company paid one-half the cost of newspaper advertising placed by dealers up to a given percentage of their purchases. Although participation in the dealer cooperative advertising plan was voluntary, stores that failed to use the plan and that did not promote Burkhardt merchandise were rated as unsatisfactory dealers.

In order to secure cooperative advertising allowances dealers were required to run advertisements prepared by the Advertising Department of the Burkhardt Company. No alterations were permitted in the text or illustration of advertisements furnished, nor could additional text be inserted. However, dealers were furnished with a large number of advertisements from which to choose.

Before advertising allowances were granted, dealers were required to submit proof of publication in the form of copies of the actual advertisements printed, as well as receipted bills from newspapers covering the actual cost of space.

In 1938 approximately one-half the company's dealers placed newspaper advertising under the cooperative advertising plan. These dealers accounted for approximately 85% of the company's business. The remaining one-half that did not participate were largely located in towns so small that they did not do any advertising.

In addition to dealer cooperative advertising, the 1938 advertising program included dealer helps. Dealer helps were used to stimulate local advertising and promotion. The company furnished these aids in order to make it easy for the dealers to advertise successfully. Included among the dealer helps provided in 1938 were electros of newspaper advertisements; assistance with direct-mail, radio, and outdoor advertising; signs; window and store displays. Part of these materials were furnished free; others were sold at a price that covered only a part of the cost.

The advertising program used by Burkhardt Company, which has been classified as Type 2, differs from those previously described in two significant ways. In the first place, Burkhardt Company relied primarily upon dealer cooperative advertising allowances to stimulate active advertising, promotion, and selling on the part of dealers.

This is in direct contrast with the strategy employed by the Burwind Shoe Company under its Type 4 advertising program. The Burwind Shoe Company relied primarily upon a small program of national advertising, plus a substantial amount of dealer sales helps and persuasion to get the dealers to provide the desired local advertising and promotion at their own expense. Inasmuch as only 12% to 13% of the Burwind dealers received advertising allowances, it is evident that financial aid played but a minor part in stimulating active dealer advertising and promotion.

In the second place, the entire expenditure of the Burkhardt Company for consumer advertising and promotion was placed through the dealers. In this respect the Type 2 advertising program of the Burkhardt Company differs from the Type 1 advertising program of the Durbin Corporation. Durbin Corporation spent 41% of its appropriation for general advertising, in addition to the 38% devoted to advertising over the retailer's name.

When the entire expenditure for consumer advertising is placed through dealers, as in the Burkhardt case, the manufacturer faces the problem of making certain that an adequate amount of product-reputation advertising is placed along with the direct action retail type advertising usually favored by the dealers. In the Burkhardt case, this problem was met by requiring the dealer to place only company-prepared advertisements. To insure cooperation, a large variety of advertisements was provided from which the dealer could select his campaign.

Products for Which Program Type 2 Commonly Was Chosen

Classification of the reports supplied by the manufacturers of the eight different products un-

der discussion revealed that advertising program Type 2 was commonly used in the promotion of men's clothing and ladies' high-grade silk hosiery.

Eight manufacturers of men's clothing reported on their advertising programs for the year 1938. Of this number, five reported specifically upon men's suits, while three reported upon a complete line including suits, topcoats, and overcoats. The retail prices of the different brands varied from \$15 to \$125. Seven of the companies had exclusive agency distribution; one had joint agency distribution. The number of dealers varied from 300 to 3,500. The advertising appropriations ranged between the \$50,000 to \$99,999 and \$500,000 to \$999,999 size groups.

Classification of the individual reports indicates that five out of eight manufacturers of men's clothing used advertising program Type 2 (see Exhibit 6, page 42).

Six manufacturers of ladies' full-fashioned silk hosiery reported on their advertising programs; five covering the year 1938, and one the year 1937. All these companies manufactured high-grade silk hosiery priced from 79 cents to \$1.95. Three companies granted one exclusive agency per city; and three followed the policy of joint agency distribution. The number of dealers ranged from 400 to 5,500. Advertising appropriations ranged between the under \$50,000 and \$200,000 to \$499,999 size groups.

As shown in Exhibit 6, three out of six manufacturers of ladies' full-fashioned silk hosiery used advertising program Type 2 in the promotion of their brands. A fourth company, No. 24, approximated this pattern by devoting equal percentages to advertising over the retailer's name and to dealer sales helps. The remaining two companies used a contrasting advertising program, Type 4.

EVIDENCE OF VARIATION IN PRACTICE

Among the foregoing product groups, there was considerable evidence of variation from the type of program most commonly used, even where uniformities in advertising practice were found. Thus, although advertising program Type 1 was the one most commonly used by manufacturers of women's shoes, the Roycroft Shoe Company used advertising program Type 3 (see Exhibit 4). Among the manufacturers of mechanical refrigerators,

advertising program Type 1 was also the one most commonly used; however, Company 29 used advertising program Type 4 while Durbin Corporation used a variation of advertising program Type 2 (see Exhibit 4). With respect to men's shoes, advertising program Type 4 was the one most commonly used; however, two out of the six manufacturers listed used programs other than Type 4 (see Exhibit 5). Likewise, three out of eight manu-

**Exhibit 6. Types of Advertising Programs Used by 8 Manufacturers of Men's Clothing
and 6 Manufacturers of Ladies' Full-Fashioned Hosiery: 1938**

| Product | Program Type ¹ | Company Code | Percentage of Advertising Appropriation ² Allocated to | | | |
|-------------------------------------|---------------------------|--------------|--|----------------------------------|--------------------|----------------------|
| | | | General Advertising | Advertising over Retailer's Name | Dealer Sales Helps | Advertising to Trade |
| Men's Clothing | 2 | Burkhardt | 0% | Over 50% | Under 50% | 0% |
| | | 55 | 0 | 90 | 10 | 0 |
| | | 30 | 0 | 75 | 12 | 3 |
| | | 11 | 7 | 68 | 10 | 5 |
| | | 58 | 0 | 50 | 30 | 10 |
| | 1 | Chadborn | 43% | 30% | 18% | 8% |
| | 7 | 44 | 2% | 3% | 50% | 40% |
| Unclassified | 22 | 30% | 55% | 15% | 0% | |
| Ladies' Full-Fashioned Silk Hosiery | 2 | 43 | 0% | 90% | 10% | 0% |
| | | Reber* | 4.5 | 44.5 | 33 | 7 |
| | | 27 | 14 | 38 | 28 | 8 |
| | Approaching Type 2 | 24 | 0% | 40% | 40% | 2% |
| | 4 | 9 | 30% | 0% | 45% | 0% |
| | | 28 | 30 | 10 | 40 | 10 |

⁰ This company reported on the 1937 advertising program.

¹ The program types were determined by the percentages of the advertising appropriation allocated to the several kinds of advertising. In each of the groups defined below the kinds of advertising are listed in the order of their importance.

Type 1. General advertising, advertising over the retailer's name, some provision for dealer sales helps.

Type 2. Advertising over the retailer's name, dealer sales helps, little or no general advertising.

Type 4. Dealer sales helps, general advertising, little or no advertising over the retailer's name.

Type 7. Dealer sales helps, advertising to trade, little or no general advertising or advertising over the retailer's name.

² Provision was made by 10 of the 14 companies for types of advertising not specified in this table. In the case of the men's clothing manufacturers, such miscellaneous expense never amounted to more than 10% of the entire advertising appropriation. In the case of ladies' full-fashioned hosiery, this advertising expense was more substantial, the highest percentage being 25%.

facturers of men's clothing used advertising programs other than the type most commonly chosen (see Exhibit 6). Similarly, three out of six manufacturers of ladies' full-fashioned silk hosiery reported variations from the common practice (see Exhibit 6).

Turning to the remaining three product groups under discussion - corsets, gas ranges, and paint - variation in advertising practice was the outstanding characteristic of the reports studied. Among the manufacturers in each of these three product groups no uniformity in practice was discernible.

Five manufacturers of corsets and foundation garments furnished data on the nature of their advertising programs for the year 1938. Three of these companies reported on corsets, one on girdles, and one on all types of foundation garments. These different products were grouped under the general heading "corsets" for convenience in analysis.

Three of the companies reported that they followed the policy of selling through selected retailers in each community. Two reported that they sold through all retailers who would stock their products in a given community. In spite of this policy, these two companies had no more dealers per community than did the companies that followed the policy of selected distribution. Consequently it was concluded that the advertising programs of these five companies might safely be analyzed together.

The number of dealers used by the manufacturers of corsets varied from 150 to 5,000. The size of advertising appropriation varied from the under \$50,000 to the \$100,000 to \$199,999 classification.

Classification of the individual advertising programs indicates that there was little uniformity in the types of advertising programs used by the five manufacturers of corsets who reported. Two of the manufacturers used advertising pro-

gram Type 1; the remaining three each used a contrasting type of program (see Exhibit 7, page 44).

Reports were received describing the advertising programs used to promote the products of four different manufacturers of domestic gas ranges. All of these companies followed the policy of selected retail distribution; the number of dealers appointed varied from 200 to 3,000. The advertising appropriations ranged from the classification under \$50,000 to the classification \$100,000 to \$199,999.

Analysis of the advertising programs used to promote gas ranges provides little indication of standard practice. Advertising program Type 5 was used by two of the manufacturers; advertising programs Type 2 and Type 7 were each used by only one manufacturer (see Exhibit 7). On the other hand it is interesting to note that the advertising programs used by three out of four manufacturers of domestic gas ranges gave primary emphasis either to dealer sales helps or to advertising to the trade.

Five manufacturers supplied data on the advertising of paint. Three of these companies followed the policy of exclusive agency retail distribution; the remaining two followed the policy of selected retail distribution. Only three companies reported on the number of dealers through which their products were sold; the number ranged from 2,500 to 6,500. The advertising appropriations of the same three companies varied between the size groups, \$50,000 to \$99,999 and \$1,000,000 to \$4,999,999.

Classification of the advertising programs used by the five paint manufacturers revealed even wider variation in practice than in the case of gas ranges. Each of these five companies used a different type of advertising program (see Exhibit 7). However, it is noteworthy that three out of five paint manufacturers devoted the largest percentage of the advertising appropriation to dealer sales helps.

SUMMARY

To facilitate analysis, advertising programs are classified, in this chapter, according to the kinds of advertising upon which were spent the largest and second largest percentages of the advertising appropriation.

With respect to products upon which five or more manufacturers reported, analysis of the ad-

vertising programs, by product groups, led to the following conclusions:

(1) Not one product was found for which all the companies reporting used the same type of advertising program.

(2) On the other hand, significant uniformities in practice were found to exist in the advertising

Exhibit 7. Variation in Types of Advertising Programs Used by 5 Manufacturers of Corsets, 4 Manufacturers of Gas Ranges, and 5 Manufacturers of Paint: 1938

| Product | Program Type ¹ | Company Code | Percentage of Advertising Appropriation ² Allocated to | | | |
|------------|---------------------------|--------------|--|----------------------------------|--------------------|----------------------|
| | | | General Advertising | Advertising over Retailer's Name | Dealer Sales Helps | Advertising to Trade |
| Corsets | 1 | 25 | 60% | 40% | 0% | 0% |
| | | 19 | 45 | 25 | 15 | 10 |
| | Unclassified | 46 | 40% | 50% | 10% | 0% |
| | | 32 | 15% | 20% | 30% | 5% |
| | | 47 | 0 | 50 | 10 | 40 |
| Gas Ranges | 5 | 8 | 5% | 5% | 37% | 45% |
| | | Henshaw | 15% | 10% | 30% | 31% |
| | 7 | 53 | 0% | 0% | 65% | 25% |
| | 2 | 65 | 0% | 70% | 20% | 2% |
| Paint | 1 | 7 | 54% | 30% | 15% | 1% |
| | | 60 | 0% | # | # | -- |
| | 4 | 45 | 26% | 5% | 48% | 3% |
| | 6 | Bradbury | 0% | 0% | 100% | 0% |
| | 7 | 21 | 0% | 5% | 55% | 20% |

¹In addition, "Other Advertising", including cost of demonstrators, accounted for 30% of the advertising appropriation.

²This firm reported that the cooperative newspaper advertising and dealer sales helps were used, but did not provide exact percentage figures.

¹The program types were determined by the percentages of the advertising appropriation allocated to the several kinds of advertising. In each of the groups defined below the kinds of advertising are listed in the order of their importance.

- Type 1. General advertising, advertising over the retailer's name, some provision for dealer sales helps.
- Type 2. Advertising over the retailer's name, dealer sales helps, little or no general advertising.
- Type 4. Dealer sales helps, general advertising, little or no advertising over the retailer's name.
- Type 5. Advertising to the trade, dealer's sales helps.
- Type 6. Dealer sales helps only.
- Type 7. Dealer sales helps, advertising to trade, little or no general advertising or advertising over the retailer's name.

²Provision was made by 8 of the 14 companies for types of advertising not specified in this table. Such miscellaneous advertising amounted to from 5% to 30% of the entire advertising appropriation.

of five different products. Thus, five out of eight manufacturers of women's shoes used advertising program Type 1. Advertising program Type 1 was also used by three out of five manufacturers of mechanical refrigerators.

In contrast, three out of six manufacturers of men's shoes used advertising program Type 4.

Still another type of program was used by five

out of eight manufacturers of men's clothing. Type 2 was their choice. Advertising program Type 2 was also used by three out of six manufacturers of ladies' full-fashioned silk hosiery.

(3) There was no evidence of standard practice when different brands of corsets, gas ranges, and paints were classified according to the types of advertising programs used.

CHAPTER V

FACTORS THAT EXPLAIN BROAD VARIATIONS IN ADVERTISING PRACTICE

It is the object of this chapter to explain what factors were responsible for the wide variations in advertising practice among manufacturers following the policy of selected distribution, discussed previously. By so doing, the groundwork will be laid for the following chapter, which suggests an approach to the problems encountered in building effective advertising programs for products marketed under the policy of selected distribution.

In arriving at the conclusions stated in this chapter, four steps were taken. First, cases were studied in which a manufacturer had changed from one type of advertising program to another. These cases contain evidence indicating why the original advertising program was believed to be ineffective; they explain why the management decided to adopt a different type of advertising program; and in some instances they present evidence bearing on the success of the change. By an analysis of the background conditions in each case, inferences were developed which tend to explain what factors made the change necessary in order to achieve an effective advertising program.

Secondly, cases were studied in which manufacturers selling the same type of product used contrasting types of advertising programs. Inferences were then developed explaining the conditions responsible for these differences.

Thirdly, cases were analyzed describing the advertising practice of companies manufacturing different kinds of products. Out of these contrasts inferences were drawn with regard to the factors which made it desirable to use different types of advertising programs to promote different products. Thus, through the process of analysis, comparison, and contrast hypotheses were developed about the factors which tend to make variations in advertising practice desirable in the promotion of

products with selected distribution. Before considering the conclusions resulting from this analysis, it is desirable to call attention to the weakness of the method followed. This weakness grows out of the complexity of the problem of judging the effectiveness of different types of advertising programs and also out of the nature of the evidence which businessmen were able to supply.

In order to arrive at conclusions regarding the factors responsible for variations in advertising practice, it was necessary, in analyzing each case, to judge the relative effectiveness of the two or more types of advertising programs under consideration by the management. Ideally, a judgment of the relative effectiveness of different advertising programs should be based upon a comparison of the amount of profit resulting from the use of each program, making due allowance for the influence of variables other than advertising. Thus, a rough index of the relative profitability of two advertising programs might be secured by subtracting the cost of each program from the dollar sales which it produced.

Actually, data indicating the amount of dollar sales produced by different types of advertising programs were not available. Such evidence could not be furnished by the businessmen interviewed. The impossibility of securing mathematical demonstration of the relative sales productiveness of alternative sales programs used to promote products with selected distribution grows out of two conditions. In the first place, the character of the advertising program is usually only one element among many which may have an influence upon the dollar sales of a product of this type. Secondly, there is no reliable method which can be used either to hold these other factors constant or to measure the effect of these other factors upon sales volume in order to make allowance for their influence.

Therefore, judgments of the relative effectiveness of different types of advertising programs had to be based upon less satisfactory evidence, such as: (1) conclusions of executives based upon analyses of changes in sales volume and differences in promotional costs; (2) results of consumer surveys undertaken to discover the effectiveness with which given promotional tasks had been performed; (3) general evidence of profitable results; (4) comparisons of the relative costs of performing specific promotional tasks through the use of different kinds of advertising.

Because of the difficulty of securing conclusive evidence of the effectiveness of different advertising programs used to promote the sales of a given product, the conclusions stated in this chapter should be regarded merely as hypotheses subject to further test and verification before they can be accepted with any assurance.

In the pages to follow, seven factors are discussed which tend to explain broad differences in practice with respect to the type of advertising program used by the different manufacturers in-

cluded in this study. These include: (1) the size of the advertising appropriation; (2) whether a strong brand preference can be created; (3) whether indirect action objectives or direct action objectives are emphasized; (4) use of other methods of stimulating dealer advertising; (5) choice of other ways of building brand preference; (6) selection of other ways of stimulating direct sales results from the advertising program; (7) use of effective versus ineffective types of advertising programs.

In this presentation the influence of each of these points will be stated in the form of a hypothesis. Evidence to test each hypothesis will be drawn from cases and commentaries, as well as from the questionnaire data. Wherever possible, one case and commentary will be presented in which the factor under discussion exerted an important influence upon the action taken by or recommended for the company. The hypothesis will be tested further by brief references to other case material. Questionnaire evidence will also be cited where it applies.¹

SIZE OF THE ADVERTISING APPROPRIATION

The size of the advertising appropriation tends to explain the use of different types of advertising programs by manufacturers of different brands of the same product. This factor also tends to explain why the type of program most commonly used to promote one product may differ from that most commonly used to promote another product.

Analysis of both cases and questionnaires suggests that even when all other considerations are favorable to the use of advertising programs Type 1 and Type 3, there is a minimum advertising appropriation below which these programs cannot be used so effectively as some other type of program.

The foregoing hypothesis is based upon the observed fact that both advertising programs Type 1 and Type 3 require relatively large expenditures if they are to be used effectively. In contrast, advertising programs Type 2, Type 4, Type 5, Type 6, and Type 7 can be used effectively even when advertising expenditures are relatively small.

There are several reasons why advertising programs Type 1 and Type 3 require relatively large expenditures if they are to be used more effectively than possible alternatives. In the first place, both these types of advertising programs

are characterized by the fact that the largest percentage of the advertising appropriation is devoted to general advertising. Based on the evidence presented in Chapter III,² it may be inferred that among manufacturers using selected distribution general advertising is most frequently placed in magazines with national circulation. In those cases in which magazines are not used, general advertising is usually placed in newspapers. Other media, such as radio, window posters, and car cards, are frequently used to supplement magazines and newspapers, but, in most cases, these supplementary media are not used alone.

When general advertising is placed in magazines of national circulation, a relatively large expenditure is required in order to make possible an effective campaign for the following reasons: (1) magazines with national circulation have high

¹Restrictions imposed by the limited amount of space available make it impossible to present, in its original form, all the evidence upon which the hypotheses are based. This material is included in the original, unabridged version of this study which is on file in Baker Library, Harvard Graduate School of Business Administration, Soldiers Field, Boston, Massachusetts.

²*Vide supra*, p. 30.

advertising rates because of their large circulation; (2) if magazine advertising is to be used effectively, the advertiser must purchase space large enough to gain the attention of the reader, and he must schedule enough insertions to create and maintain a strong impression on the consumer in competition both with other brands of the same product and with other products which compete for a share of the consumer's dollar. As a result of these requirements, the typical manufacturer will probably need approximately \$100,000 in order to make possible an effective campaign of general advertising in national magazines. In exceptional cases as little as \$45,000 may be adequate. On the other hand, some manufacturers may find that as much as \$250,000 is required to finance an effective campaign of general advertising.

Even when general advertising is placed in newspapers, manufacturers with a relatively small appropriation may find that the sum available makes advertising programs Type 1 and Type 3 less effective than possible alternatives. Thus, the manufacturer who places general advertising in newspapers must pay the national rate. In contrast, the manufacturer who has his retail dealers place the newspaper advertising over their own names can secure the local rate, which tends to be substantially less than the national rate. The amount of saving that results from the use of advertising over the retailer's name varies depending upon the amount of space used as well as upon the individual newspapers selected. Some indication of the magnitude of the possible savings is provided by the following data. In 1940 the local rate charged by 494 newspapers located in cities of 50,000 population and over averaged 70.24% of the national rate for 5,000-line contracts, 67.75% of the national rate for 10,000-line contracts, 65.50% of the national rate for 20,000-line contracts, and 62.31% of the national rate for 50,000-line contracts.¹

Then too, manufacturers using general advertising typically pay the entire cost of such advertising. On the other hand, the cost of advertising over the retailer's name, which is the kind of advertising emphasized in advertising program Type 2, is frequently shared by the manufacturer and his retailers. To illustrate, assume that a man-

ufacturer uses advertising over the retailer's name and thereby secures a local rate, for a 50,000-line contract, which is 62% of the national rate. If the cost of this advertising is shared by the manufacturer and his retail dealers on a 50-50 basis, the campaign will cost the manufacturer only 31% of the expenditure which he would have to make in order to run a corresponding campaign of general advertising. In short, the same number of lines of newspaper advertising placed over the retailer's name may cost the manufacturer substantially less than a comparable campaign of general advertising.

In contrast, a small advertising appropriation does not prevent the effective use of the five remaining types of advertising programs.

Advertising program Type 2 involves the use of advertising over the retailer's name and dealer sales helps. Newspaper advertising over the retailer's name is less expensive than general advertising in newspapers for two reasons: first, it may be placed at local rates; secondly, its cost may be shared by the retailers. Hence, advertising over the retailer's name lends itself particularly well to situations in which there is a small advertising expenditure.

An effective program of dealer sales helps probably depends more upon understanding the point of view of the retailer and upon skillful preparation than upon the quantity of helps provided. Moreover, a proportion or all of the cost of dealer sales helps may be recovered from the dealers. Here again a small advertising appropriation does not prevent the effective use of dealer sales helps. In short, advertising appropriations which are too small to make possible an effective Type 1 program may be ample to provide for an effective Type 2 program.

With respect to advertising program Type 4, the emphasis is placed upon dealer sales helps. General advertising is included merely for its dealer influence. Consequently, as little as one advertisement may be placed in a magazine in order to allow the manufacturer to claim that he is a national advertiser. Hence, a small appropriation does not prevent the effective use of such a program.

Turning to advertising program Type 5, the emphasis is placed upon advertising to the trade, with a supplementary campaign of dealer sale helps. Advertising to the trade may take the form

¹Association of National Advertisers, Inc., *Local-National Rate Differentials*, p. 41.

of space in trade papers, direct mail advertisements, catalogues, and campaign plans and portfolios. Advertising in trade papers is relatively inexpensive; direct mail advertisements, catalogues, and campaign plans and portfolios are not costly. A small appropriation does not prevent the effective use of this kind of advertising.

Reasons already stated explain why advertising program Type 7, giving primary emphasis to dealer sales helps and secondary emphasis to advertising to the trade, may be used effectively with a small appropriation.

USE OF PROGRAM TYPE 1 LIMITED BY SIZE OF APPROPRIATION: ILLUSTRATIONS

The experience of Holburn Shoe Company tends to substantiate the hypothesis that even when all other considerations are favorable to the use of advertising program Type 1, there is a minimum advertising appropriation below which this program cannot be used so effectively as some other type of program. The plan adopted by this shoe company is presented below, followed by a commentary on the program.

Holburn Shoe Company (A); Manufacturer of Women's Medium-Price Shoes: Case Summary

In December, 1931, a new management acquired control of the Holburn Shoe Company, manufacturer of a well-known brand of high-grade women's shoes which had been advertised extensively in women's magazines since 1905.

The first action of the new management was to reduce the suggested retail price of Diana shoes from \$10 to \$6, the quality of the product remaining unchanged. The second step was to inaugurate an aggressive campaign to increase the number of dealers from the 1931 level of 450 exclusive agents. As a result of this campaign, the number of dealers was increased to 1,200 by 1934 and to 1,500 by 1938. Except in 15 of the larger cities, where more than one dealer was appointed in order to secure more satisfactory market coverage, this increase was accomplished by appointing exclusive agents in cities not previously covered.

When the new management assumed control of the Holburn Shoe Company in December, 1931, it also adopted the policy of expecting direct and discernible results from all advertising expenditures.

In line with this policy, the 1932 advertising appropriation of \$48,800 was divided as follows between different types of advertising: newspaper advertising over the retailer's name 88%, magazine advertising 7%, and dealer helps 5%. In the preparation of copy the objective was to create advertising which would pay for itself by securing immediate results.

The foregoing division of expenditures allocated approximately \$43,000 to newspaper advertising placed over the dealer's name. Although the company paid the whole cost of the advertisement, newspaper advertising was placed over dealers' names because through this procedure the company could secure an average reduction of 40% in newspaper rates. In the spring of 1932 such advertising was run in 34 key cities where dealers were located; in the fall of 1932 the campaign was increased to cover 63 key cities.

The Holburn Shoe Company did not undertake dealer cooperative advertising of any kind in 1932 or in subsequent years.

Although the old management had devoted \$117,000 to magazine advertising in 1929, in 1932 the new management allocated only \$3,451 for such advertising. This amount was sufficient to allow only one full-page advertisement in Harper's Bazaar and Vogue in the fall of 1932.

In addition, in 1932 the company devoted \$2,439 to dealer sales helps. Such ~~material~~ was provided as a part of the sales ~~promotional~~ program which was designed to stimulate dealers to sell and promote Diana shoes aggressively.

Between 1932 and 1937 sales of Diana shoes increased from \$3,038,235 to \$11,775,812; during the same period advertising expenditures increased from \$48,783 to \$242,470, a net increase of \$193,687. Changes in the division of funds among different kinds of advertising, during the period 1932 to 1937, are shown in Exhibits 8 and 9, pages 50 and 51.

The 1937 advertising expenditure of \$242,470 was divided as follows: general advertising 55%, localizing-general advertisements in Sunday newspapers 22%, newspaper advertisements over the retailer's name 18%, and dealer sales helps 5%.

Magazine advertising, which accounted for 55% of the total 1937 expenditure, appeared in Harper's Bazaar, Ladies' Home Journal, McCall's, Vogue, and Woman's Home Companion. One-half page and

full-page advertisements were scheduled to appear during March, April, and May, and during August, September, October, and November.

Magazine advertising was used for the following reasons: (1) such advertising was used to maintain and to build a brand preference in favor of Diana shoes; (2) it was believed that magazine advertising placed a stamp of approval upon the product in the minds of those who read the advertisements - a woman who sees a product advertised subconsciously believes that the product is good; (3) the experience of the company indicated that magazine advertising directed toward the same readers and placed continuously was of great value. Investigations made by salesmen and by the

executives of the company indicated that thousands of women requested Diana shoes by name because of having seen them advertised in magazines.

In 1937, 18% of the total expenditure was allocated to newspaper advertising over the dealer's name. During the spring of 1937 such advertising was placed in 68 cities, while during the fall of 1937 this advertising appeared in 61 cities. As in 1932, no dealer cooperative advertising was done.

Newspaper advertising over the dealer's name was used in order to localize the demand created through national magazine advertising. Such advertising provided a tie-in with the national campaign and told prospective buyers where they

Exhibit 8. Allocation of Increases in the Advertising Appropriation of Holburn Shoe Company to Different Kinds of Advertising: 1932-1937

| Kinds of Advertising | 1932 | 1933 | 1934 | 1935 | 1936 | 1937 |
|--|----------|----------|-----------|-----------|-----------|-----------|
| Advertising over Retailer's Name (Daily Newspapers): | | | | | | |
| Amount in Dollars | \$42,893 | \$40,757 | \$ 49,472 | \$58,723 | \$53,466 | \$43,911 |
| Net Change over Preceding Year | -- | -2,136 | +8,715 | +9,251 | -5,257 | -9,555 |
| Localizing - General Advertising (Sunday Newspapers): | | | | | | |
| Amount in Dollars | 0 | 0 | 0 | \$20,327 | \$46,971 | \$53,833 |
| Net Change over Preceding Year | -- | -- | -- | +20,327 | +26,644 | +6,862 |
| General Advertising (Magazines): | | | | | | |
| Amount in Dollars | \$3,451 | \$43,801 | \$69,542 | \$116,090 | \$125,140 | \$132,603 |
| Net Change over Preceding Year | -- | +40,350 | +25,741 | +46,548 | +9,050 | +7,463 |
| Dealer Sales Helps: | | | | | | |
| Amount in Dollars | \$2,439 | \$4,450 | \$6,264 | \$10,271 | \$11,872 | \$12,123 |
| Net Change over Preceding Year | -- | +2,011 | +1,814 | +4,007 | +1,601 | +251 |
| Total: | | | | | | |
| Amount in Dollars | \$48,783 | \$89,008 | \$125,278 | \$205,411 | \$237,449 | \$242,470 |
| Net Change over Preceding Year | -- | +40,225 | +36,270 | +80,133 | +32,038 | +5,021 |

might purchase Diana shoes. In addition, the company had found key city advertising to be economical because it was placed through dealers at local rates.

In addition to this campaign, the company spent 22% of the appropriation on advertising over its own name placed in the rotogravure sections of Sunday newspapers. During 1937 such advertising was run in the rotogravure sections of 13 Sunday newspapers, covering practically every major city. Because the Sunday newspapers chosen circulated beyond the cities in which they were published, the company looked upon this advertising as sectional in character. In these advertisements were listed the names and addresses of Diana dealers located in the market covered by the newspaper.

In addition to consumer advertising, the company allocated 5% of its 1937 expenditure to dealer sales helps. The company provided free of charge a newspaper advertising service, window and counter displays, and price tickets. Other sales helps, sold at prices which covered only part of their cost, included a rotogravure newspaper, envelope enclosures, post cards, neon signs, and reminder matches.

Sales promotion efforts played an important part in the selling program of the Holburn Shoe Company. These activities had the following ob-

jectives: (1) to get dealers to make tie-ins with magazine and rotogravure advertising; (2) to get dealers to advertise Diana shoes aggressively in their local markets; (3) to get dealers to display the product; (4) to get dealers to run special promotions in order to stimulate Diana sales.

As an indication of the extent of dealer advertising and promotion, the president stated that in 1937 Diana dealers spent more than four times as much on local advertising of Diana shoes as the company spent on its key city advertising.

Holburn Shoe Company (A): Commentary

Experience of the Holburn Shoe Company is interesting because it provides an opportunity to trace the influence of the size of the advertising appropriation upon the possibility of making effective use of advertising program Type 1. This will be done by appraising and contrasting the 1932 and the 1937 advertising programs used to promote Diana shoes.

In 1932, with only \$48,800 to spend, the Holburn Shoe Company relied almost exclusively upon a campaign of advertising over the retailer's name in 63 key cities to create a brand preference and to localize the demand for Diana shoes. The task of stimulating aggressive retail advertising and selling was left largely in the hands of company

Exhibit 9. Division of Advertising Expenditures of Holburn Shoe Company
by Kinds of Advertising: 1932-1937
(Total Advertising Expenses = 100%)

| Kinds of Advertising | 1932 | 1933 | 1934 | 1935 | 1936 | 1937 |
|--|--------|--------|--------|--------|--------|--------|
| Advertising over Retailer's Name (Daily Newspapers) | 87.9% | 45.8% | 39.5% | 28.6% | 22.5% | 18.1% |
| Localizing - General Advertising (Sunday Newspapers) | 0 | 0 | 0 | 9.9 | 19.8 | 22.2 |
| General Advertising (Magazines) | 7.1 | 49.2 | 55.5 | 56.5 | 52.7 | 54.7 |
| Dealer Sales Helps | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

salesmen, although some assistance was provided by a limited program of dealer sales helps and a \$3,451 expenditure in national magazines.

Although this advertising program has some shortcomings, it represents a commendable use of a limited appropriation.

Analysis indicates that the 1932 advertising program made provision for the performance, at least in part, of the necessary promotional tasks. First, by placing newspaper advertising over the retailer's name provision was made for identifying the local source of supply in 63 key cities. Secondly, newspaper advertising over the retailer's name was well adapted for effective direct action copy. It may be inferred that at least a part of the key city advertising was direct in action, in view of the 1932 objective of preparing copy which would pay for itself through immediate results. Thirdly, inasmuch as the newspaper advertising was paid for and placed by the Holburn Shoe Company, provision could be made for enough indirect action copy at least to maintain brand preference in the 63 key cities. Whether indirect action copy was actually placed is not indicated in the case. The success of the price reduction plan, however, depended upon convincing consumers that the quality of the Diana shoe was being maintained at the \$10 level, even though the price had been cut to \$6. Therefore, it seems fair to assume that at least a portion of the newspaper copy attempted to maintain the Diana reputation for quality.

Fourthly, some provision was made for stimulating aggressive retail advertising and promotion by furnishing dealer helps. The expenditure on magazine advertising was too small to have much influence upon either dealers or consumers. Efforts of Holburn salesmen probably constituted an important part of the program to get aggressive retail support for the brand. Then, too, the story that \$10 quality Diana shoes could be bought for \$6 was dramatic enough to stimulate considerable retail promotion.

Had the Holburn Shoe Company in 1932 attempted to use a Type 1 program comprising 55% magazine advertising and 40% advertising over the retailer's name, the result would have been much less effective than the program actually used. Such a program would have required a shift of 48% of the appropriation from advertising over the retailer's name to magazine advertising.

Even this shift would increase magazine ex-

penditures to only \$27,000, a sum quite inadequate to finance a satisfactory campaign of indirect action advertising in national magazines. In order to do an adequate job of general advertising it would appear to be necessary to run one-half page and full-page advertisements during March, April, and May, as well as during August, September, October, and November. Such a schedule in Harper's Bazaar, Ladies' Home Journal, McCall's, Vogue, and Woman's Home Companion cost the Holburn Shoe Company \$132,000 in 1937.

Then, too, such a shift would have meant a reduction of about 50% in the amount of advertising placed to identify the local source of supply, and to stimulate direct action. The result would have been inadequate performance of these extremely important promotional tasks.

Not only did the key city advertising tend to perform more adequately the necessary promotional tasks, but also it was substantially more economical than magazine advertising. Early in 1932 the company had distribution in only 450 cities. Substantial waste circulation was involved in magazine advertising; no waste circulation was encountered in key city newspaper advertising. Again, local rates were secured by placing newspaper advertising through dealers. These rates represented an average saving of 40% from national rates which otherwise would have been paid. Quite clearly, newspaper advertising placed over the dealer's name was less wasteful and more economical than magazine advertising in 1932. In view of the limited 1932 advertising appropriation, these two considerations were extremely important.

In short, with only \$48,800 to spend, the 1932 division of the appropriation by kinds of advertising appears to have been a commendable use of a limited fund. An appropriation of this size would have made relatively ineffective a Type 1 advertising program similar to that of 1937.

In spite of the advantages of the 1932 advertising program, it had some serious weaknesses. Thus, advertising over the dealer's name was placed in only 63 cities, while the company had distribution in 450 or more. Hence there were a large number of markets in which the company made inadequate provision for building brand preference and for localizing demand.

Furthermore it appears that inadequate provision was made for stimulating aggressive retail

Exhibit 10. Magazine Advertising Space Used by the Holburn Shoe Company in 1937

| Month | Magazines | | | | |
|-----------|-----------------|----------------------|-----------|--------|------------------------|
| | Harper's Bazaar | Ladies' Home Journal | McCall's | Vogue | Woman's Home Companion |
| March | 1 page | 2 columns | 1 page | -- | 2 columns |
| April | -- | 2 columns | 2 columns | 1 page | 1 page |
| May | -- | 1 page | 2 columns | -- | 2 columns |
| August | -- | -- | 2 columns | 1 page | -- |
| September | 1 page | 2 columns | 2 columns | -- | 1 page* |
| October | -- | 2 columns | 1 page | -- | 2 columns |
| November | -- | 1 page | -- | -- | 2 columns |

*In color.

advertising, promotion, and selling. It is doubtful whether the key city advertising would stimulate the dealers over whose names the advertising appeared to spend their own money on advertising and promotion. On the contrary, they might tend to rely too much upon the manufacturer to do the local advertising job. No provision was made for dealer cooperative advertising; such plans were commonly offered by competitors in 1932. The expenditure for dealer sales helps was relatively small; with no dealer cooperative advertising program a larger expenditure would appear to be necessary.

It is recognized that these weaknesses grew out of the necessity for compromising between the ideal advertising program and what the company could afford to do on the limited appropriation available. Nevertheless, they constituted points that would need attention when increased advertising expenditures were possible.

With the foregoing analysis as background, it is interesting to examine the changes made in the advertising program as the advertising appropriation was increased from year to year (see Exhibits 8 and 9, pages 50 and 51). In 1932, with an appropriation of \$48,783, 88% of the total was allocated to advertising over the retailer's name and 7% to magazine advertising. The increase in advertising funds to \$89,008 in 1933 made it possible for the company to add to the magazine campaign until the division of funds was: magazines 49%, advertising over the retailer's name 46%, dealer sales helps 5% (see Exhibit 9, page 51). In this year, therefore, the company adopted advertising program Type 1, commonly used by manufacturers of medium-price shoes in 1937 and 1938.¹

¹See Chapter IV, Exhibit 4, p. 36.

ing expenditures to \$125,278 in 1934 made it possible for the company to add still more funds to the magazine appropriation. In this year the company first established the combination of types of advertising adhered to fairly closely in subsequent years: 56% for magazine advertising; 40% for localizing advertisements in newspapers (key city plus rotogravure).

As the advertising appropriation increased in 1933, 1934, and 1935, the major part of the additional funds made available was allocated to magazine advertising. In both 1936 and 1937 further increases were made in magazine expenditures. The net increase in such advertising between 1932 and 1937 amounted to \$129,152. Did the company follow a sound policy in building up the percentage of the appropriation devoted to magazine advertising from 7% in 1932 to 55% in 1937?

As the preceding analysis indicates, the 1932 advertising program made inadequate provision both for building brand preference and for localizing demand, inasmuch as it was confined to only 63 cities. By increasing magazine expenditures the company took steps to make more satisfactory provision for building brand preference. Such action would tend to make the advertising program more effective.

Although the same result could have been achieved by adding more cities to the key city newspaper advertising program, the use of magazines offered the Holburn Shoe Company more economical coverage of the markets in which it had distribution in 1937. Thus the 1937 magazine expenditure of \$132,603 made possible the schedule of advertising indicated in Exhibit 10, above. The magazines used had a combined circulation of approximately 7,858,000 on December 31,

1939.¹ They provided coverage in all cities in which Diana shoes were sold. In view of the seasonal nature of the demand for women's shoes, this schedule would appear to represent a reasonably adequate campaign of indirect action advertising.

Assuming that the company used an equivalent schedule in its key city newspaper advertising (22,391 agate lines), and that provision was made for key city newspaper advertising in the largest cities first, then the 1937 newspaper appropriation of \$43,911 would provide for a 22,391-line campaign placed at local rates in the New York News, the Chicago Tribune, and the Philadelphia Bulletin.²

If the increase of \$129,152 in magazine advertising expenditures between 1932 and 1937 had been added to the key city newspaper campaign, 22,391-line schedules could have been placed in one newspaper in each of 24 additional cities.³ In short,

¹Standard Rate & Data Service; *Magazines, Farm Publications, Religious Papers, Transportation Advertising*; (April, 1940, ed., Chicago: Standard Rate & Data Service, Inc., 1940), passim.

²If the magazine schedule were duplicated page for page with a newspaper campaign, it would require approximately 44,831 agate lines (assuming 2,352 agate lines to a newspaper page). However, a manufacturer who uses a full page in a magazine tends to use from 1/4 to 5/8 of a page in a newspaper, since this amount of space, skillfully used, can dominate a newspaper page. (Lockley, *Vertical Cooperative Advertising*, p. 123.) Hence it is assumed that a full page in a magazine may be compared with a half page in a newspaper. On this basis, if the magazine schedule were duplicated by a schedule of newspaper advertisements one-half as large, a campaign of 22,391 agate lines would be required.

Assuming that the company extends its key city newspaper campaign by adding cities in the order of their size, and only uses one newspaper in one city, the 1937 newspaper appropriation of \$43,911 would provide for a campaign of 22,391 lines in the following papers:

| | Rate Per Line (20,000-line local rate) |
|-----------------------|---|
| New York News | \$1.05 |
| Chicago Tribune | 0.74 |
| Philadelphia Bulletin | 0.466 |
| Total | \$2.256 |

\$2.256 per line times 22,391 lines equals \$50,514. Hence the 1937 appropriation of \$43,911 would be almost enough to provide for 22,391-line campaigns in the three largest cities.

(Local rates taken from *Local-National Rate Differentials*, 1938 edition, Association of National Advertisers, Inc., passim.)

³The addition of \$129,152 to the 1937 newspaper budget of \$43,911 would provide for campaigns in 24 additional cities, as follows:

the expenditure of \$43,911 plus \$129,152, or \$176,514, in key city newspaper advertising would have made provision for campaigns in a total of 27 cities. The 27 newspapers that might have been used had a combined circulation of 6,349,848 as of September 30, 1939.⁴

It is estimated that the company had distribution in approximately 1,100 cities in 1934 and 1,400 cities in 1937.⁵ Hence the addition of \$129,000 to the appropriation for newspaper advertising would have provided coverage in only 2.4% of the cities where Diana shoes were sold in 1934, and in only 1.9% of the cities where Diana shoes were sold in 1937.

| | Rate Per Line (20,000-line local rate) |
|-------------------------------|---|
| Covered by \$43,911: | |
| New York News | \$1.05 |
| Chicago Tribune | 0.74 |
| Philadelphia Bulletin | 0.466 |
| | \$2.256 |
| Covered by \$129,152: | |
| Boston Traveler | \$0.30 |
| Detroit News | 0.373 |
| Los Angeles Herald & Express | 0.286 |
| St. Louis Post-Dispatch | 0.36 |
| Cleveland Press | 0.305 |
| Pittsburgh Press | 0.269 |
| Newark News | 0.22 |
| Baltimore News-Post | 0.20 |
| Cincinnati Times-Star | 0.25 |
| Milwaukee Journal | 0.24 |
| San Francisco Examiner | 0.265 |
| Hoboken Jersey Observer | 0.12 |
| Jersey City Jersey Journal | 0.12 |
| Jamaica Long Island Press | 0.24 |
| Buffalo News | 0.26 |
| Kansas City Star | 0.45 |
| Long Island City Star Journal | 0.16 |
| Washington, D.C. Times-Herald | 0.16 |
| Minneapolis Star-Journal | 0.181 |
| New Orleans Times-Picayune | 0.13 |
| Oakland Tribune | 0.19 |
| Indianapolis News | 0.19 |
| Seattle Times | 0.179 |
| Birmingham News | 0.162 |
| | \$5.610 |
| Grand Total | \$7.866 |

\$7.866 times 22,391 lines equals \$176,128. The appropriation which might be made available would be \$43,911 plus \$129,152, or a total of \$176,514.

⁴Standard Rate & Data Service, *Newspaper Section*, April, 1940, edition, passim.

⁵This estimate is based upon three factors: (1) the statement in the case that except in 15 of the larger cities the company appointed only one dealer per city; (2) data on the number of dealers appointed per community in the larger cities by competitors following similar distribution policies; (3) data from the 1930 census on number of cities by size groups.

In short, the advertising appropriation of the Holburn Shoe Company, even in 1937, was not large enough to permit the use of newspaper advertising over the retailer's name in all markets where Diana shoes were sold. On the other hand, with the funds available it was possible to secure reasonably adequate coverage of the 1,400 markets through the use of women's magazines.

Although the extension of newspaper advertising to 27 cities would have involved less geographical waste circulation than the use of national magazines, still the amount of such waste had been reduced substantially by the extension of distribution from 450 cities in 1931 to 1,400 cities in 1937.

The waste circulation involved in magazines is probably offset by waste circulation of a different sort encountered in the use of newspapers. Thus, the market for Diana shoes was restricted to women. Yet newspapers circulate among both men and women, so that some newspaper circulation goes to people who are not possible buyers. In contrast, the use of women's magazines eliminates the purchase of circulation among men, which is waste circulation for Diana shoes.

Again, the potential market for Diana shoes would appear to lie among families with incomes of \$1,500 to \$5,000. According to the AAAA analysis of magazine circulations by income groups, in 1930 approximately 75.8% of the Ladies' Home Journal circulation, and 79% of the Woman's Home Companion circulation went to this group.¹ In the very large cities, where there are four or five newspapers, it is likewise possible to select newspapers which will have an equally satisfactory percentage of circulation in the desired income

¹Because of the way the income groups were defined in the AAAA study, data were not available for the group \$1,500 to \$2,000. Instead the group \$1,000 to \$1,999 had to be used. The following is the detailed information upon which the statement in the text is based:

| Income Groups | % of Circulation in Each Income Class | |
|-----------------|---------------------------------------|------------------------|
| | Ladies' Home Journal | Woman's Home Companion |
| \$1,000-\$1,999 | 19.2% | 22.3% |
| \$2,000-\$2,999 | 28.7 | 31.0 |
| \$3,000-\$4,999 | <u>27.9</u> | <u>25.7</u> |
| | 75.8% | 79.0% |

(American Association of Advertising Agencies, *Magazine Circulations - Qualitative Analysis by Income of Readers*, passim.)

classes.² However, outside of New York, Los Angeles, Chicago, Boston, Philadelphia, and Detroit, few, if any, cities in the country have more than two morning and two afternoon newspapers.³ Thus, in a large proportion of the cities the company would be forced to use newspapers which would tend to reach all income classes. From the standpoint of reaching the desired income classes, therefore, magazines would appear to have an advantage over newspapers.

To summarize, from the standpoint of economical coverage of the market for Diana shoes and ability to reach women in the desired income groups, the company was wise in adding \$129,000 to the appropriation for women's magazines instead of that for newspapers.

A second important change in the advertising program, made possible by the increased appropriation, was the addition of a campaign in rotogravure sections of Sunday newspapers in 1935 and the subsequent increases in the appropriation for such advertising (see Exhibit 7, page 44). Between 1934 and 1937 the net increase in expenditures for rotogravure advertising was \$53,833.

Rotogravure advertising was placed in the major cities of the United States; cities where the company probably had several dealers. The fact that several dealers share a market would tend to discourage any one dealer from advertising the Diana brand for fear that the results might benefit other Diana dealers as well as himself. Rotogravure advertising, listing the names and addresses of all dealers in the metropolitan district, was added in order to stimulate dealers to run tie-in advertisements. Such advertising would tend to eliminate an important weakness in the advertising program which developed when the company appointed more than one dealer in some of the larger cities.

As a result of the changes between 1932 and 1937 the company was able to build a more effective advertising campaign. In order to build a brand preference for Diana shoes the company

²The data presented in the AAAA study covering newspapers in the larger cities tend to bear out this statement. (American Association of Advertising Agencies, *Chart Presentation of Income Data from Newspaper Reader Surveys*, passim.)

³Agnew, Hugh E., and Dygert, Warren B., *Advertising Media* (New York, McGraw-Hill Book Company, Inc., 1938), pp. 247 and 248.

depended primarily upon advertising in women's magazines. The magazine campaign was supplemented by Sunday newspaper advertising in 13 large cities and key city newspaper advertising in 68 cities. The newspaper campaign provided more intensive coverage of important markets for Diana shoes, markets which could produce a large proportion of the total business in medium-price women's shoes.¹ These three types of advertising, taken together, would appear to make adequate provision for building a brand preference for Diana shoes.

In order to identify the local source of supply, the company relied primarily upon retailers to advertise Diana shoes at their own expense. Dealers spent four times as much money advertising Diana shoes as the company spent on its key city advertising campaign.

Provision for identifying the local source of supply was also made through the expenditure for rotogravure advertising in large metropolitan markets. These advertisements listed dealers' names and addresses; moreover, dealers ran tie-in advertisements beside the company's advertisement. Then, too, advertising over the retailer's name in 68 key cities supplemented the foregoing efforts in important markets. All things considered, it would appear that adequate provision was made for identifying the local source of supply.

In conclusion, the 1937 advertising program appears to have been much more effective than that of 1932. This increase in effectiveness was made possible by the ability of the company to appropriate \$242,470 for advertising in 1937 as compared with the meager appropriation of \$48,783 in 1932.

Evidence from Other Cases and Commentaries

A further test of the hypothesis under consideration is provided by evidence found in other cases and commentaries which form a part of this study. In order to conserve space, the original cases and

¹ . . . ninety-three metropolitan markets. . . , while they comprise only 4.2 per cent of the area of the United States, contain 47.9 per cent of the total population, over eighteen years of age. And this 47.9 per cent is responsible for 61.1 per cent of the total retail sales! (Duffy, *op. cit.*, p. 30.)

commentaries will not be inserted at this point. Instead, brief citations will be made from this supporting material.

Prior to 1935 the advertising program of the Easy Washing Machine Corporation included general advertising, dealer cooperative advertising, dealer sales helps, and advertising to the trade. Primary emphasis had been placed upon general advertising in national magazines. In 1935 it became necessary for the company to reduce advertising expenditures. Company officials were faced with the problem of deciding what combination of different kinds of advertising would be most effective with the smaller appropriation. The possibility of retaining a Type 1 advertising program, by duplicating the division of expenditures previously followed, was not even considered by company officials. Such a program would not have made adequate provision for either dealer advertising or general advertising.

The alternatives considered by company officials were: (1) to allocate \$100,000 to general advertising and cut expenditures for dealer cooperative advertising and dealer sales helps drastically; (2) to eliminate general advertising and concentrate funds upon dealer cooperative advertising and dealer sales helps.

According to the advertising manager, the minimum cost of an adequate campaign of general advertising in national magazines was \$100,000. The advertising appropriation for 1935 was inadequate to cover such a campaign unless expenditures for dealer cooperative advertising and dealer sales helps were drastically reduced. In the opinion of the advertising manager, an adequate program of local advertising and promotion was more vital than a campaign of general advertising. Consequently, it was decided to eliminate general advertising and to concentrate funds upon dealer cooperative advertising and dealer sales helps.

From the facts in this case it may be inferred that the 1935 advertising appropriation was in the neighborhood of \$150,000. This amount was too small to make it possible for the company to use advertising program Type 1 as effectively as advertising program Type 2.

The case of the Kirby Company illustrates a situation where a company with \$200,000 to spend for advertising used advertising program Type 2 because company officials believed it to be more effective than advertising program Type 1 would

have been. The Kirby Company manufactured electric washers priced from \$49.50 to \$119.50. The 1937 advertising appropriation of approximately \$200,000 was divided as follows: 75% for dealer cooperative advertising, 15% for dealer sales helps, 5% for advertising to the trade, and 5% for miscellaneous items. No general advertising was done. Because the advertising appropriation was limited to about \$200,000, the company could not afford to do an adequate job of dealer cooperative advertising and at the same time undertake a campaign of general advertising in national magazines. Because dealer cooperative advertising was believed to be the more important of the two, expenditures were concentrated on such advertising and no general advertising was undertaken.

The case of the Burkhardt Company also supports the hypothesis under discussion. From the facts in the case it is inferred that the 1924 advertising appropriation was approximately \$200,000. In 1924 the Burkhardt Company used advertising program Type 1 to promote its high-grade men's suits and overcoats, spending approximately \$110,500 on general advertising in national magazines. Between 1924 and 1930 there was a reversal in the relative emphasis placed upon general advertising and dealer cooperative advertising. Thus, expenditures for general advertising were reduced from \$110,500 in 1924 to \$42,500 in 1930, while expenditures for dealer cooperative advertising were gradually increased. By 1930 dealer cooperative advertising occupied a position of primary importance in the advertising program, while general advertising stood in a secondary position and was used chiefly for its dealer influence.

The increasing importance of dealer cooperative advertising between 1924 and 1930 was partly the result of the necessity for making the Burkhardt cooperative advertising plan as attractive as that offered by competitors to their dealers. Since the size of the advertising appropriation did not increase during this period, the necessity for spending a larger amount on dealer cooperative advertising made it necessary to reduce the expenditure on general advertising.

In 1931 the Burkhardt Company found it necessary to reduce the size of its advertising appropriation. With the smaller appropriation, company officials decided to eliminate all expenditures for general advertising and to concentrate

expenditures on dealer cooperative advertising and dealer sales helps. This program was believed to be more effective than other programs that might have been used.

The Burkhardt case illustrated two points: (1) the larger the amount which must be spent in order to secure a satisfactory program of dealer advertising, the larger must be the advertising appropriation in order to permit the effective use of advertising program Type 1; (2) even if other considerations are favorable, a small appropriation does not permit the effective use of advertising program Type 1. From facts in the case it is inferred that the 1931 advertising appropriation was not over \$100,000.

In summary, the foregoing cases provide examples which tend to substantiate the hypothesis that even when all other considerations are favorable to the use of advertising program Type 1 there is a minimum advertising appropriation below which this program cannot be used so effectively as some other type of program. In each of these cases the company found that the size of the advertising appropriation prevented the effective use of advertising program Type 1; in each case another type of program was found to be more effective in view of the limited advertising appropriation available. The size of the appropriation which prevented the effective use of advertising program Type 1 varied from \$48,000 in the case of Holburn Shoe Company up to \$150,000 in the case of the Easy Washing Machine Corporation and \$200,000 in the case of the Kirby Company.

Evidence from Questionnaire Data

In addition to the case evidence already cited, the questionnaire data provide some interesting evidence which tends to support the hypothesis under discussion (see Exhibit 11, page 58). Classification of the reports, first by size of advertising appropriation and secondly by type of advertising program within each size group, produces the following results:

| Advertising Appropriation (in thousands) | Total No. of Companies | Companies Using Program Type 1 | |
|---|------------------------------|-----------------------------------|------------|
| | | Number | Percentage |
| Less than \$50 | 11 | 1* | 9% |
| \$50 - \$99 | 14 | 2 | 14 |
| \$100 - \$199 | 19 | 4 | 21 |
| \$200 - \$499 | 15 | 9* | 60 |

*One manufacturer approximated advertising program Type 1.

**Exhibit 11. Types of Advertising Programs Used by 72* Manufacturers
Classified by Size of Advertising Appropriation**

| Advertising Appropriation | Program Type | Product | Percentage of Advertising Appropriation Allocated to | | | |
|---------------------------|---------------------|---|--|----------------------------------|--------------------|----------------------|
| | | | General Advertising | Advertising over Retailer's Name | Dealer Sales Helps | Advertising to Trade |
| Under \$50,000 | 1 | Girdles | 40% | 50% | 10% | 0% |
| | 3 | Pianos | 70 | 0 | 15 | 12 |
| | | Pianos | 40 | 0 | 30 | 30 |
| | 2 | Coal Stokers | 80 | 0 | 5 | 10 |
| | | Ladies' Hosiery | 0 | 90 | 10 | 0 |
| | | Gas Ranges | 0 | 70 | 20 | 2 |
| | | Men's Shoes | 20 | 60 | 10 | 1 |
| | 5 | Corsets | 0 | 50 | 10 | 40 |
| | | Pianos | 5 | 0 | 45 | 50 |
| | Unclassified | Gas Ranges | 15 | 10 | 30 | 31 |
| Men's Shoes | | 10 | 35 | 43 | 0 | |
| \$50,000-\$99,999 | 1 | Corsets | 60% | 40% | 0% | 0% |
| | 3 | Women's Shoes | 60 | 20 | 20 | -- |
| | | Men's Hats | 66 | 0 | 22 | 8 |
| | 2 | Women's Shoes | 49 | 9 | 25 | 1 |
| | | Ice Refrigerators | 30 | 0 | 10 | 10 |
| | 6 | Men's Suits | 0 | 50 | 30 | 10 |
| | | Men's Suits | 0 | 100 | -- | -- |
| | 4 | Gas Ranges | 0 | 0 | 65 | 25 |
| | | Paint | 0 | 5 | 55 | 20 |
| | | Men's Clothing | 2 | 3 | 50 | 40 |
| | | Ladies' Hosiery | 30 | 0 | 45 | 0 |
| | Unclassified | Ladies' Hosiery | 30 | 10 | 40 | 10 |
| | | Mechanical Refrigerators | 25 | 20 | 40 | 10 |
| | | Men's Shoes | 34 | 20 | 37 | 2 |
| | \$100,000-\$199,999 | 1 | Women's Shoes | 48% | 30% | 15% |
| 3 | | Foundation Garments | 45 | 25 | 15 | 10 |
| | | Men's and Women's Shoes | 40 | 30 | 20 | 3 |
| 2 | | Sportwear | 35 | 35 | 18 | 5 |
| | | Men's Shoes | 38 | 9 | 36 | 10 |
| 4 | | Electric Washers | 0 | 75 | 15 | 5 |
| | | Men's Clothing | 0 | 75 | 12 | 3 |
| 6 | | Hosiery: Men's, Women's, and Children's | 12 | 69 | 17 | 0 |
| | | Men's Suits | 7 | 68 | 10 | 5 |
| 5 | | Electric Washers | 0 | 46 | 37 | 0 |
| | | Ladies' Hosiery | 0 | 40 | 40 | 2 |
| Unclassified | | Ladies' Hosiery | 14 | 38 | 28 | 8 |
| | | Paints | 26 | 5 | 48 | 3 |
| 5 | | Electric Ranges | 0 | 5 | 60 | 25 |
| | | Shoes: Men's, Women's, and Children's | 4 | 1 | 47 | 38 |
| Unclassified | | Gas Ranges | 5 | 5 | 37 | 45 |
| | | Shoes: Men's, Women's, and Children's | 0 | 0 | 20 | 40 |
| Unclassified | | Tires and Tubes | 2.5 | 35 | 37 | 14.5 |
| | | Corsets | 15 | 20 | 30 | 5 |

All footnotes for this exhibit appear on page 59.

**Exhibit 11. Types of Advertising Programs Used by 72* Manufacturers
Classified by Size of Advertising Appropriation (Continued)**

| Advertising Appropriation | Program Type | Product | Percentage of Advertising Appropriation Allocated to | | | |
|-----------------------------|---|---------------------------------------|--|----------------------------------|--------------------|----------------------|
| | | | General Advertising | Advertising over Retailer's Name | Dealer Sales Helps | Advertising to Trade |
| \$200,000- \$499,999 | 1 | Women's Shoes | 55% | 40% | 5% | 0% |
| | | Men's Hats | 55 | 40 | 5 | 0 |
| | | Women's Shoes | 50 | 20 | 15 | 5 |
| | | Space Heaters | 46 | 23 | 16 | 7 |
| | | Men's Suits | 43 | 30 | 18 | 8 |
| | | Women's Shoes | 33 | 33 | 20 | 10 |
| | | Tires | 32 | 32 | 32 | 4 |
| | | Shoes: Women's and Children's | 30 | 22 | 19 | 2 |
| | | Women's Shoes | 30 | 33 | 33 | 3 |
| | | Men's Clothing | 0 | 90 | 10 | 0 |
| | | Electric Washers | 50 | 15 | 27 | 3 |
| | | Radios | 10 | 60 | 5 | 10 |
| | | Ladies' Hosiery | 4.5 | 44.5 | 33 | 7 |
| | | Men's Shoes | 18 | 15 | 44 | 16 |
| Electric Ranges | 34 ¹ | 23 | 35 | 7 | | |
| \$500,000- \$999,999 | 3 Unclassified | Electric Washers | 65% | 0% | 21% | 5% |
| | | Men's Suits | 30 | 55 | 15 | 0 |
| | | | | | | |
| \$1,000,000- \$4,999,999 | 1 4 3 Unclassified | Radios | 67% | 33% | -- | -- |
| | | Mechanical Refrigerators | 51 | 21 | 11% | 3% |
| | | Automobiles | 47 | 23 | 10 | 2 |
| | | Mechanical Refrigerators | 44 | 39 | 12 | 3 |
| | | Paints | 54 | 30 | 15 | 1 |
| | | Mechanical Refrigerators | 33 | 26 | 21 | 2 |
| | | Men's Shoes | 25 | 0 | 75 ² | |
| | | Automobiles | 90 | 0 | 5 | 0 |
| | | Automobiles | 30 | 60 | 4 | 3 |
| | | Mechanical Refrigerators ² | 20 | 59 | 9 | 12 |
| | | Radios | 32 | 48 | 17 | 0.5 |

* Five of the 77 manufacturing companies could not be classified by the amount of the advertising appropriation.

¹ Includes advertising to the trade.

² Includes dealer sales helps.

³ 3% was for localizing-general advertising.

⁴ Includes other advertising expenditures.

² Ratios for dealer sales helps and advertising to the trade estimated on the basis of exact figures reported for 1937.

Note: The material in the table for the most part covered the year 1938. In some instances, however, the information was reported for 1937 or 1939.

From these data it may be inferred that in most cases a company with an advertising appropriation of from \$200,000 to \$499,999 is not prevented from making effective use of advertising program Type 1 by the size of the appropriation. On the other hand, in a substantial proportion of the cases an advertising appropriation of less than \$200,000 tends to make advertising program Type 1 less effective than possible alternatives. Moreover, the smaller the advertising appropriation grows, the greater the likelihood that some other type of advertising program will prove to be more effective than advertising program Type 1.

USE OF PROGRAM TYPE 3 LIMITED BY SIZE OF APPROPRIATION: ILLUSTRATIONS

Under advertising program Type 3, the different kinds of advertising are combined in the following order of importance: first, general advertising; secondly, dealer sales helps, and little or no advertising over the dealer's name. Inasmuch as advertising program Type 3 emphasizes general advertising, there is a minimum advertising appropriation below which this program cannot be used so effectively as some other type of program.

Citations from Cases and Commentaries

The following evidence bears on this hypothesis. In 1932 the Holburn Shoe Company appropriated \$48,800 for advertising. This amount was divided as follows: 88% for advertising done by the manufacturer over the retailer's name, 7% for general advertising, and 5% for dealer sales helps. In my opinion this program was more effective than the following division of expenditures would have been: 75% for general advertising in national magazines; 25% for dealer sales helps, with no advertising over the retailer's name. Under the proposed program the company would have had \$36,600 to spend for general advertising. Assuming that the newspaper advertisements were placed over the retailer's name at local rates, this sum would have purchased far less linage in magazines than in newspapers. The company reported that by placing factory-prepared newspaper advertisements over the retailer's name, rates averaging 40% less than the national rates were secured. It seems to me that a company with only \$48,800 to spend would find a Type 2 program

based upon advertising over the retailer's name more effective than a Type 3 program based upon general advertising in national magazines.

In 1930 the Henshaw Gas Stove Company appropriated \$190,000 for advertising. This fund was divided 33% for dealer sales helps, 29% for magazine advertising, 17% for advertising to the trade, 14% for dealer cooperative advertising, and 7% for other advertising expenditures. In 1931 declining sales and profits forced the company to reduce the advertising appropriation to \$50,000, an amount less than the \$54,835 which the company had spent on magazine advertising in the previous year. This reduction was made by eliminating magazine advertising entirely, by withdrawing the dealer cooperative advertising plan as standard practice, and by reducing expenditures for dealer sales helps and for advertising to retailers. In reducing expenditures the management operated on the theory that dealer sales helps constituted the most essential part of the selling program and that adequate provision should be made for this type of promotional effort. In consequence, the expenditure for dealer sales helps was reduced less than the other budget items. Magazine advertising was eliminated because after provision had been made for dealer sales helps, the amount left was inadequate for a satisfactory magazine campaign.

From the facts in the case it is estimated that the 1931 expenditure for dealer sales helps was approximately \$25,000. Thus, it may be inferred that company officials believed \$25,000 to be inadequate for an effective campaign of magazine advertising.

Under the circumstances, it would have been unwise for the management to have adopted a Type 3 advertising program in 1931. After adequate provision had been made for dealer sales helps, the remainder of the \$50,000 appropriation would not have been large enough to make possible an adequate campaign of general advertising in national magazines. Moreover, other types of advertising programs could have been used which would have been more economical; economy was an important consideration for the Henshaw Company in view of the limited appropriation of 1931. In a few words, the 1931 appropriation of \$50,000 would have made a Type 3 advertising program less effective than other possible programs.

In conclusion, a survey of available evidence tends to support the hypothesis that, even when all

other considerations are favorable to its use, there is a minimum advertising appropriation below which advertising program Type 3 cannot be used so effectively as some alternative type of program.

Evidence from Questionnaire Data

Turning to the questionnaire data, a review of the evidence indicates that it was fairly common practice for manufacturers to use advertising program Type 3 even with relatively small advertising appropriations. Thus, out of a total of 11 manufacturers with advertising appropriations of under \$50,000, 3 companies, or 27% of the total, used advertising program Type 3. Likewise, out of a total of 14 companies with an advertising appropriation of \$50,000 to \$99,999, 3 companies, or 21% of the total, used advertising program Type 3. Again, out of a total of 19 manufacturers with advertising appropriations of \$100,000 to \$199,999, 1 company, or 5% of the total, used advertising program Type 3.

Although the use of advertising program Type 3 is fairly common among manufacturers with small advertising appropriations, there are grounds for believing that another type of program might have been more effective in these instances. For instance, a manufacturer with only \$25,000 to spend for advertising would probably find that this expenditure would not permit him to run enough general advertising to make a strong impression on consumers. In contrast, the expenditure of the same amount of money on advertising program Type 2 would provide for a much more extensive

campaign of advertising. It would seem to be wiser for a manufacturer with an appropriation of only \$25,000 to choose the more economical type of advertising program. As already indicated, advertising program Type 2 is much more economical than advertising program Type 3. For this reason there is a basis for questioning the use of advertising program Type 3 when the advertising appropriation is small.

In a word, the use of advertising program Type 3 by manufacturers with relatively small advertising appropriations is very questionable. Therefore, the existence of this practice does not disprove the hypothesis that there is a minimum advertising appropriation below which advertising program Type 3 cannot be used so effectively as some other type of program.

SUMMARY AND CONCLUSIONS

The size of the advertising appropriation is an extremely important factor in determining what type of advertising program may be used effectively by a given company. The influence of this factor applies primarily to advertising programs Type 1 and Type 3. Except for very small appropriations, it does not prevent the effective use of other types of advertising programs commonly used to promote products with selected distribution.

Even when all other considerations are favorable to the use of either advertising program Type 1 or Type 3, there is a minimum advertising appropriation below which these programs cannot be used so effectively as some alternative type of program.

STRENGTH OF BRAND PREFERENCE

A second important factor that tends to explain the use of different types of advertising programs is the strength of the brand preference that can be created through product-reputation advertising.¹

When the brand preference which can be created is so strong that buyers will seek out a dealer carrying the company's brand, advertising programs giving primary emphasis to general ad-

vertising, localizing-general advertising, and advertising done by the manufacturer over the retailer's name may be used effectively (Types 1, 2, and 3).

Conversely, when the brand preference which can be created is weak, advertising programs giving primary emphasis to general advertising, localizing-general advertising, and advertising done by the manufacturer over the retailer's name, tend to be ineffective. Under such conditions, therefore, the more effective strategy would be to use types of advertising programs which tend to build a pref-

¹Product-reputation advertising is advertising that attempts to build a brand preference through emphasizing the individualizing features or the superior qualities of a given brand.

erence on the part of the trade for the brand, and also which tend to encourage the dealers to promote the product aggressively.

In stating these generalizations, it is assumed that the size of the advertising appropriation and other factors are favorable to the use of advertising programs Types 1, 2, and 3.

In presenting evidence to test the foregoing hypotheses, cases will first be presented in which the brand preference that may be created through product-reputation advertising is weak. After these cases, examples will be discussed in which a strong brand preference may be created.

STRONG BRAND PREFERENCE IMPRACTICABLE: ILLUSTRATIONS

Reber Silk Hosiery Company (A); Manufacturer
- Ladies' High-Grade Silk Hosiery: Case Summary

The Reber Silk Hosiery Company manufactured women's high-grade full-fashioned silk hose. In 1938, 50% of the company's unit production was sold under the nationally known trade-mark, "Blue Seal", which retailed at from 79 cents to \$1.65 per pair. Several styles in each price line were offered with an exclusive patented feature which gave the wearer increased satisfaction in use.

In marketing Blue Seal hosiery the company followed the policy of restricting distribution, adjusting the number of outlets in a given city to the size of the market.

Because Reber officials believed that the retailer did 99% of the selling job, practically all the company's advertising expenditures were either placed through or directed at retailers. In line with this policy the Reber company did not employ consumer advertising over its own name, either in newspapers or in national magazines.

Under the dealer cooperative advertising plan the company offered to share 50% of the cost of newspaper advertising of Reber hosiery retailing at \$1.00 and up, placed by dealers located in 50 large key cities, up to a maximum amount equal to 3% of the dealer's gross sales (at retail) for the previous year. Few restrictions were placed upon dealers eligible to use dealer cooperative advertising. No requirements had been set up as to character of copy, size of space, or frequency of insertion.

In 1937 the company spent \$225,000 on the advertising of Blue Seal hosiery. This amount was divided as follows among different types of media:

| <u>Kinds of Advertising</u> | <u>Percentage of Advertising Expenditure</u> |
|----------------------------------|--|
| Dealer Cooperative Advertising | 37.0% |
| Dealer Sales Helps | 33.1 |
| General Advertising: | |
| Magazines | 0.2% |
| Car Cards (New York City only) | 4.5 |
| Theater Programs (New York City) | <u>7.5</u> 12.2 |
| Advertising to Trade | 7.2 |
| Other Advertising: | |
| General | 4.6% |
| Sundry | <u>5.9</u> <u>10.5</u> |
| | 100.0% |

Dealer helps constituted a second part of the advertising program. The company provided counter and store displays and made suggestions for window displays. Service in planning and writing retail advertisements was provided by the company when requested by its dealers. Each season, the company prepared, in mat form, a group of newspaper advertisements which were made available to retailers free of charge. The company also furnished the dealers with direct-mail material to be sent to consumers before Easter, in the fall, and before Christmas. Finally, the company had prepared a contest for consumers which it encouraged its dealers to run and in the execution of which it was prepared to assist by furnishing the services of a sales promotion representative as well as a series of advertisements and window displays.

Trade paper advertising was used by the company in order to emphasize the profit possibilities of the Reber line. Full page space was taken regularly in Women's Wear Daily, Dry Goods Journal, and Hosiery and Underwear Review.

Because of the belief of company officials that retail salesgirls occupied a key position in influencing consumer choice among different hosiery brands, some of the company's promotional material was directed to them. Such material provided interesting information on new fashions, clothing colors, accessories and their relation to

hosiery, as well as ideas for increasing the sale of hosiery.

As evidence of the success of the selling program followed by the Reber Silk Hosiery Company, one official stated that his organization had built up the largest volume of business in the field of branded full-fashioned hosiery. The competitor with the next largest volume of business in branded full-fashioned hosiery did not have more than one-half the sales volume of the Reber company.

Reber Silk Hosiery Company (A): Commentary

This case is significant because it illustrates a situation where inability to create a strong brand preference would tend to make ineffective advertising program Type 1, emphasizing product-reputation general advertising. The case also shows that advertising program Type 2, giving primary emphasis to dealer cooperative advertising and secondary emphasis to dealer sales helps, can be used effectively under such conditions.

The main point of this case is best developed by considering whether a Type 1 advertising program would be likely to be more effective in consummating sales than the Type 2 advertising program used in 1938.

With respect to this question, analysis indicates that the advertising appropriation was not so small as to make advertising program Type 1 ineffective. Thus, provision could have been made for a campaign of magazine advertising by consolidating the expenditures on the following items in the 1937 budget: magazines 0.2%, car cards 4.5%, theater programs 7.5%, advertising to the trade 7.2%, general items 4.6%, sundry expenditures 6.2%. In total these items accounted for 30.2% of the \$225,000 advertising appropriation. An expenditure of 30% of the appropriation for magazine advertising, 37% for dealer cooperative advertising, and 33% for dealer sales helps would have approximated advertising program Type 1.

By consolidating 30.2% of the appropriation upon magazine advertising, a budget of \$67,950 would have been made available. A reasonably adequate schedule of magazine advertising could be provided for with such an expenditure. Under circumstances where it would be possible to create a strong brand preference through product-reputation advertising the expenditure of \$67,950 on magazine advertising would probably consummate

more sales than the expenditure of a like sum on the six small items included in the Reber advertising budget for 1937.

Although the advertising appropriation was not so small as to prevent the effective use of advertising program Type 1, there were several good reasons for not adding a campaign of general advertising to the existing program of dealer cooperative advertising and dealer sales helps. First, it was not possible to create a brand preference for Blue Seal hosiery which would be strong enough to lead consumers to seek out the selected retailer who stocked the line.

Several styles in each price line of Blue Seal hosiery were offered with an exclusive patented feature which gave the wearer increased satisfaction in use. The importance of this advantage, however, was reduced somewhat by the fact that one competitor attained the same result through the use of a different method. The competitive product was equally as satisfactory from the consumers' point of view as the patented Blue Seal hosiery.

Silk hosiery is purchased in part on the basis of personal selection in the retail store. Qualities such as color and appearance can be judged by the consumer at the time of purchase. Other qualities of importance, however, such as durability and color fastness, cannot be judged by inspection. The consumer must rely upon the brand to guarantee satisfaction in these respects. In speaking of manufacturers' brands, company officials stated that quality within each price class was relatively uniform.¹ These different considerations indicate that there is an opportunity to create some brand preference through product-reputation advertising.

On the other hand, it does not appear likely that a brand preference could be created which would be strong enough to lead the prospective buyer to seek out one of the selected retailers handling Blue Seal hosiery in her community. The prospective buyer might be led to ask for Blue Seal hosiery in her favorite department store, or specialty shop, but if the brand were not sold she would be more likely to accept some other brand than to look for Blue Seal in another store. Since silk hosiery is purchased frequently and because the product does not represent an important pur-

¹Reported in Reber Silk Hosiery Company (B), written by E. K. Cratsley, p. 6. Reber Silk Hosiery Company (A) was written by the author.

chase for most women, the average buyer is not likely to go to the inconvenience of looking for the store that sells Blue Seal.

Secondly, because consumers cannot be expected to insist on getting the Blue Seal brand, the company's policy of restricted distribution would make general advertising to consumers wasteful. If the company had intensive distribution, then the brand preference that could be created would lead to sales. Under the Reber policy, however, Blue Seal hosiery was sold by only a restricted number of retailers in any city. Thus, the interest that might be aroused in the brand through general advertising would tend to be dissipated in those instances where the stores patronized by the prospective buyer did not stock Blue Seal.

Thirdly, failure to make provision for a campaign of magazine advertising would not mean that the task of building a preference for the Blue Seal brand would be neglected entirely. On the contrary, the dealer cooperative advertising would normally carry some selective appeals. Then, too, silk hosiery is a product the quality of which can be judged adequately only through usage. Hence, women who wore Blue Seal hosiery and who found them satisfactory would tend to repeat on the brand.

In short, the inability to create a brand preference strong enough to get prospective buyers to seek out one of the selected retailers carrying the brand in her community would tend to make any campaign of product-reputation advertising in magazines ineffective. Consequently, advertising program Type 1, emphasizing product-reputation general advertising, would be a relatively ineffective type of advertising program for Reber Silk Hosiery Company to use.

Inasmuch as the opportunity to make effective use of product-reputation general advertising was relatively poor, the problem of the company then became one of stimulating dealers to undertake active advertising, promotion, display, and retail selling for the Blue Seal brand. In my opinion, the 1938 program of advertising and promotion was well designed to meet these requirements. Although the dealer cooperative advertising program was confined to retailers located in 50 key cities, where such advertising assistance was provided it served to stimulate retailers to place local newspaper advertising featuring the Blue Seal brand. Retailers who thus spent money on newspaper advertising could be expected to tie-in with

window, store, and counter displays featuring Blue Seal and could also be expected to instruct their salesgirls to suggest the brand.

The dealer sales helps provided also served to stimulate the retailer by making it easier and cheaper for him to do a good job of promoting the Blue Seal line. By suggesting ideas for advertisements, the company made it easier for retailers to advertise Blue Seal hosiery. By suggesting ideas for window displays, as well as materials for store and counter displays, the company made it easy and inexpensive for the stores to perform the important function of display. By developing plans for consumer contest promotions and by providing retailers with assistance in their execution, the company found an especially valuable means of getting a coordinated and intensified program of retail advertising, newspaper publicity, display, and retail selling. Retailers would tend to welcome such promotions because they heighten the consumer interest in the product and the store, and because they tend to bring immediate sales increases. In its program of dealer sales helps the company gave evidence that it had shaped its plan from the retailers' point of view.

The promotional material directed at retail salesgirls was particularly well designed. Such material provided interesting information on new fashions, clothing colors, accessories and their relation to hosiery, as well as ideas for increasing the sale of hosiery. Because this material was planned so that it would tend to make the salesgirls more effective in their selling effort, it would tend to influence them in favor of Blue Seal hosiery. Inasmuch as company officials believed that retail salesgirls occupied a key position in influencing consumer choice between brands, this part of the promotional program was particularly significant.

In short, the program of dealer cooperative advertising, dealer helps, and consumer contest promotions was so planned and executed that it would be likely to stimulate the desired degree of aggressive retail support. In view of the fact that the retailer occupied the key position in the sale of silk hosiery, it is my belief that the company followed sound promotional strategy in placing advertising and promotion through retailers.

The Reber Silk Hosiery Company case is a good example of a situation in which inability to create a strong brand preference would tend to make ineffective advertising programs giving primary

emphasis to general advertising, localizing-general advertising, or advertising done by the manufacturer over the retailer's name. (Such programs would include Type 1, Type 2 - where the manufacturer places advertising over the retailer's name - and Type 3.)

Company 105: Case Citation

The case of Company 105, manufacturer of inexpensive men's, women's, and children's shoes, provides a second example where inability to create a strong brand preference would tend to make it undesirable to use an advertising program emphasizing product-reputation advertising. In 1937 Company 105 appropriated between \$100,000 and \$200,000 for advertising.¹ This fund was divided thus: 47% for dealer sales helps, 38% for advertising to the trade, 4% for general advertising, and 1% for dealer cooperative advertising. The general advertising consisted of an experimental campaign confined to one state only.

In a recent year, Company 105 experimented with an expenditure in national magazines equal to 11% of the advertising appropriation. Half-page advertisements were placed in about eight magazines during the spring and fall seasons. Sales officials ran this campaign in the hope that the results would convince the board of directors that the advertising appropriation should be increased sufficiently to provide for national advertising in addition to the customary program of dealer sales helps and advertising to the trade. A company official reported that the addition of the foregoing magazine advertising to the customary campaign did not stimulate sales and that the experiment was abandoned as a failure. He maintained, however, that the amount spent on the magazine advertising was too small to provide a fair test. It was his opinion that an additional appropriation of \$225,000 over and above the usual advertising expenditure would be necessary to provide for an adequate campaign of national advertising. In his opinion, the expenditure of \$225,000 for a campaign of national advertising, in addition to the usual expenditure for dealer sales helps and advertising to the trade, would stimulate sales volume.

In my opinion, the size of the expenditure for

¹Evidence collected by personal interview.

general advertising was probably one reason for the failure of the experiment. Eleven per cent of a sum between \$100,000 and \$200,000 is not enough to make possible an adequate campaign of magazine advertising.

On the other hand, even with an appropriation of from \$325,000 to \$425,000, advertising program Type 1 would probably not be effective for this company. Company 105 made inexpensive, standardized shoes which offered no outstanding advantages compared with competing brands. Hence, the company could not expect to create, through product-reputation advertising, a brand preference strong enough to lead prospective buyers to seek out the selected dealers selling the brand. For this reason, advertising program Type 1, or any other program emphasizing product-reputation advertising, would tend to be relatively ineffective.

Hence, the company's advertising program, emphasizing dealer sales helps and advertising to the trade, was probably more productive of sales per dollar expended for advertising than the proposed advertising program Type 1 would have been. The company's strategy of encouraging direct action retail advertising and of stimulating the retailer's interest in the brand represents a commendable approach under the circumstances.

In conclusion, the experience of Company 105 indicates that it is not wise for a management to attempt an advertising program emphasizing product-reputation advertising when such a program cannot be expected to create a strong brand preference.

STRONG BRAND PREFERENCE PRACTICABLE

In contrast to the foregoing cases, the Durbin Corporation provides an example where effective use could be made of advertising program Type 1.

Durbin Corporation: Case Citation

The Durbin Corporation manufactured a line of electric refrigerators which were priced in 1938 from \$115 up to \$437. It is estimated that the 1937 advertising appropriation fell in the \$1,000,000 to \$4,999,999 size group. This fund was divided as follows: 41% for general advertising, 38% for dealer cooperative advertising, 9% for dealer sales helps, and 12% for advertising to the trade (advertising program Type 1).

Prior to 1931 the advertising appropriation had been concentrated upon dealer cooperative advertising. In 1931, 25% of the appropriation was allocated to general advertising and 75% to dealer cooperative advertising. Subsequent to 1933 the company adopted the policy of increasing the proportion of the advertising appropriation devoted to general advertising, while the proportion allocated to dealer cooperative advertising was reduced. Advertising program Type 1 was first adopted in 1936, when expenditures were divided into 60% for general advertising and 40% for dealer cooperative advertising. Inasmuch as the adoption of advertising program Type 1 was the result of gradual change and experimentation, it may be inferred that company officials believed this type of program to be effective for the promotion of Durbin refrigerators.

Analysis of the facts in the case indicates that there was good opportunity for the company to make effective use of advertising program Type 1 in 1937. In the first place, the advertising appropriation was large enough to permit the Durbin Corporation to make provision for an effective campaign of dealer advertising and still have enough money left for an adequate campaign of general advertising. In the second place, the Durbin Corporation had an excellent opportunity to build a strong brand preference. The Durbin refrigerator had a new type of electric refrigerating mechanism which was distinctive in design and which had been patented by the company. This design gave the Durbin refrigerator unusual advantages in economy of operation and length of life.

In addition, there was considerable variation among the different brands of electric refrigerators on the market with respect to efficiency in food protection, economy of operation, and length of life. These qualities were of considerable significance to consumers, but they could not be judged readily at the time of purchase. This situation, together with the distinctive advantages of the Durbin refrigerator, provided a sound basis for building a strong brand preference. If this promotional task were performed skillfully, the consumer could be expected to insist on examining the Durbin refrigerator before making a purchase.

Under these conditions advertising program Type 1 could be used more effectively than that variety of advertising program Type 2 in which primary emphasis is placed upon direct action

retail advertising and promotion, with no adequate provision for building product reputation. An adequate program of product-reputation advertising would tend to build up a favorable attitude toward the Durbin refrigerator in the minds of prospective buyers. This background would tend to make the direct action retail advertising more effective.

Briefly, the Durbin case illustrates the point that effective use can be made of advertising program Type 1, emphasizing product-reputation advertising, under conditions in which it is possible to build a strong brand preference for the product and when the advertising appropriation is not too small to prevent the company from undertaking an adequate campaign of general advertising.

Holburn Shoe Company: Case Citation

In the case of the Holburn Shoe Company we have an example of a manufacturer who made effective use of advertising program Type 2, placing emphasis upon advertising done by the manufacturer over the retailer's name. In 1932 the Holburn Shoe Company, manufacturer of Diana shoes for women, which were priced to retail at \$6.50, appropriated \$48,800 for advertising. This fund was divided as follows: 88% for newspaper advertising done by the manufacturer over the retailer's name, 7% for general advertising, and 5% for dealer sales helps. From the facts in the case it may be assumed that at least a part of the newspaper advertising placed over the retailer's name was indirect action product-reputation advertising. Consequently, this variation of advertising program Type 2 differs considerably from the Reber Silk Hosiery Company program, in which the dealers were in charge of placing the newspaper advertising featuring the Blue Seal brand.

As indicated in the commentary on the Holburn case, the 1932 advertising program represented an effective use of a limited advertising appropriation.¹ Although a number of factors were responsible for the effectiveness of this program, the thing that made it possible for the company to use product-reputation advertising successfully was the fact that the company could create a brand preference strong enough to get prospective buyers to seek out the exclusive agent or selected dealer handling the brand.

¹See pages 51-52.

The basis for this strong brand preference was twofold. First, the consumer had to rely upon the manufacturer's brand to guarantee satisfactory fitting and comfort qualities. These qualities could not be judged by the consumer at the time of purchase. Moreover, such qualities varied considerably among the different brands of medium-price women's shoes. Secondly, Diana shoes had an exclusive feature which gave them unusual fitting and comfort qualities in comparison with competitive brands. Investigations by company officials and company salesmen provided evidence that thousands of women went to Diana dealers and asked for Diana shoes by name because of having seen them advertised.

The possibility of building a strong brand preference was also an important factor in making the Type 1 advertising program of 1937 effective. In this year the advertising appropriation of \$242,000 was divided as follows: 55% for general advertising, 22% for localizing-general advertising, 18% for advertising over the retailer's name, and 5% for dealer sales helps.

In short, the effectiveness of both the 1932 advertising program and the 1937 advertising program depended upon the possibility of creating a brand preference strong enough to lead prospective buyers to seek out a Diana dealer. Had it been possible to create only a weak brand preference, neither of these programs would have been successful.

The Maytag Company: Case Citation

The case of The Maytag Company provides additional evidence of considerable significance. This case illustrates the point that the effectiveness of advertising program Type 3 depends even more completely upon the possibility of building a strong brand preference than does the effectiveness of advertising program Type 1.

The Maytag Company,¹ manufacturer of electric washers which retailed at from \$59.95 to \$149.95, appropriated between \$500,000 and \$999,999 for advertising in 1939. This fund was divided into 65% for general advertising, 21% for dealer sales helps, 5% for advertising to the trade, and 9% for other advertising expenditures. The objectives of the company's advertising program

¹The Maytag Company, a case in the author's files.

were: (1) to interest the public in the idea of using a washing machine, and (2) to influence prospective buyers to choose the Maytag brand of washer when they decided to purchase. In line with these objectives, all the company's advertising was of the indirect action product-reputation type, and no provision was made for direct action retail type advertising.

Under these circumstances the program would succeed or fail depending upon the possibility of creating a strong brand preference. Since all funds were devoted to product-reputation advertising, the entire advertising expenditure would be wasted if only a weak brand preference could be created. On the other hand, if a brand preference could be created which would be strong enough to get prospective buyers to seek out the selected Maytag dealers, then the program could be expected to bring satisfactory results in the long run. Unless retailers placed an adequate amount of direct action retail advertising at their own expense, however, it is questionable whether this program would be as effective as would an advertising program making provision for both product-reputation general advertising and direct action retail advertising (advertising program Type 1).

To sum up, when advertising program Type 3 is used, emphasizing product-reputation advertising, it will succeed or fail depending upon the possibility of building a strong brand preference for the company's product. This requirement is even more important than in the case of advertising program Type 1, because program Type 1 often provides for a campaign of direct action retail advertising in addition to the indirect action product-reputation advertising. Hence, if the product-reputation advertising is ineffective, the company still has the direct action retail advertising to bring results. On the other hand, advertising program Type 3, typified by the Maytag program, often makes no provision for direct action retail advertising. Funds are used for indirect action product-reputation advertising and even for indirect action dealer sales helps. Therefore, if there is no possibility of building a strong brand preference, the entire advertising program will be ineffective.

SUMMARY AND CONCLUSION

Assuming that the size of the advertising appropriation and other factors are favorable to the

use of product-reputation advertising, the strength of the brand preference that can be created through such advertising tends to determine the success or failure of advertising programs Type 1, Type 3, and Type 2 (in which the manufacturer places product-reputation advertising over the retailer's name).

It is recognized that in some cases when only a weak brand preference can be created one of the foregoing advertising programs may be used because of the failure of the management to check carefully upon the effectiveness of the advertising or because of the uncertainty of the methods available for the measurement of advertising effectiveness. On the other hand, the more efficient managers will probably study the effectiveness of their advertising programs with enough care to discover the ineffectiveness of these types of programs under conditions in which only a weak brand preference can be created. To the extent that this is true, the weakness of the brand preference that may be created through product-reputation advertising will tend to explain why some companies do not use advertising programs Types 1, 2, and 3.

The relationship of the strength of the brand preference that may be created to the possibility of making effective use of advertising programs emphasizing product-reputation advertising may be expressed in the form of two hypotheses. These hypotheses, stated at the beginning of this section and verified by the case evidence cited, are as follows:

NATURE OF RESPONSE DESIRED FROM ADVERTISING

A third factor which tends to explain variations in the character of the advertising programs used by manufacturers with selected distribution is the nature of the response expected from advertising. The manufacturer who expects immediate sales results from all his advertising expenditures tends to make use of a type of advertising program different from that of the manufacturer who expects indirect action from all his advertising expenditures or the manufacturer who expects indirect action from 50% of his advertising expenditures and immediate response to the remaining 50%.

The experience of the Durbin Corporation provides an interesting example of a situation in which a change from indirect action objectives to direct action objectives led to a major modification in the type of advertising program used.

(1) When it is possible to build a brand preference strong enough to lead prospective buyers to seek out a selected retailer selling the company's brand, advertising programs emphasizing product-reputation advertising can be used effectively. The ability of the manufacturer to create a strong brand preference made possible the successful use of advertising program Type 1 in the case of the Durbin Corporation, advertising program Type 2 in the case of the Holburn Shoe Company, and advertising program Type 3 in the case of The Maytag Company.

(2) When the brand preference which can be created is weak, advertising programs emphasizing product-reputation advertising tend to be ineffective. The lack of an opportunity to build a strong brand preference would have made the use of advertising programs emphasizing product-reputation advertising unsuccessful in the case of the Reber Silk Hosiery Company, as well as in the case of Company 105. Under the circumstances, it was sound for the Reber company to provide for an aggressive program of retail type direct action advertising by sharing the cost of retail advertising done by the dealers, by furnishing dealer sales helps, and by providing ideas for special promotions designed to stimulate immediate sales. Similarly, Company 105's strategy of encouraging direct action retail advertising and of stimulating the retailers' interest in the brand was a commendable approach.

DURBIN CORPORATION (E): MANUFACTURER-ELECTRIC REFRIGERATORS

Case Summary 1

In the fall of 1937 the officials of the Durbin Corporation, a manufacturer of electric refrigerators, were considering a proposal to change the division of advertising expenditures from 70% for general advertising and 30% for dealer cooperative advertising to 75% for dealer cooperative advertising and 25% for general advertising. This proposal was advanced as a method of maintaining sales volume after an abrupt break in retail sales of refrigerators had taken place in June, 1937.

¹Durbin Corporation (E), a case on file at the Harvard Graduate School of Business Administration.

In 1933 company officials had adopted the policy of reducing the proportion of total advertising expenditures allocated to dealer cooperative advertising and of increasing the share devoted to general advertising. This policy divided advertising into two types. The first was prestige advertising, which built up in the mind of the buying public a recognition of the quality of the product and the stability of the manufacturer. This type of advertising was not necessarily productive of immediate sales.

The second type was local or dealer advertising, the object of which was to secure immediate sales through emphasis on price reductions, or through some other direct action appeal. Because of the character of dealer advertising, the officials of the company seriously questioned its long-term value and for that reason they began in 1933 to put less emphasis on that type of advertising.

As a matter of fact, in deciding upon the division of advertising funds for 1937 company officials had considered a proposal to eliminate all expenditures for dealer cooperative advertising and to concentrate funds upon general advertising. Although company officials decided against such drastic action, they did affirm the policy of reducing the proportion of the appropriation allocated to dealer cooperative advertising with the ultimate objective of eliminating such expenditures entirely.¹ The program planned for 1937 divided advertising funds into 70% for general advertising and 30% for dealer cooperative advertising.

The 1937 advertising program was carried out as planned during the spring and summer months of 1937. In the spring of that year, however, a succession of events had occurred which were damaging to business confidence. In February corporate bond prices started to decline; in March United States Government bond prices broke sharply; during the same month the stock market dropped; and in April the commodity boom collapsed. Although the impact of these developments was not reflected immediately in general business activity, in September there occurred one of the most severe slumps in the history of business changes. From a high point of 111.0 in

¹The three foregoing paragraphs were summarized from the case entitled Durbin Corporation (B) which deals with the proposal to eliminate dealer cooperative advertising. This case is on file at the Harvard Graduate School of Business Administration.

August, the Annalist Index of Business Activity declined to 81.3 in December of the same year, a reduction of 26.8%.

These changes had a serious effect upon the electric refrigerator business. In June, 1937, the retail sales of electric refrigerators declined sharply. By fall it became apparent to the officials of the Durbin Corporation that the advertising program planned for 1937 would not maintain volume in the face of changed economic conditions.

To meet this situation it was proposed in the fall of 1937 that the Durbin Corporation double the fund allocated to dealer cooperative advertising so that an aggressive campaign of bargain advertising might be placed over dealers' names in their local newspapers. This fund was to be provided by curtailment of the general advertising; consequently the proposed plan would change the emphasis to be placed on the two types of advertising.

Officials who favored the plan pointed out that the advertising program then in existence, which emphasized the building of prestige and public acceptance, was not effective in the face of changed economic conditions. On the other hand, there was evidence to indicate that special sales featuring refrigerators at reduced prices would, if aggressively advertised, bring immediate sales results which would help to maintain volume.

The advocates of the plan were not in favor of using a bargain appeal in their general advertisements. They recognized that such an approach would be harmful to the reputation which had been built up carefully over a period of years for high-quality merchandise and that people might come to regard the Durbin Corporation as a shyster organization.

On the other hand, these officials argued, the Durbin Corporation could continue a campaign of reasonable size over its own name in order to retain the prestige of Durbin refrigerators in the minds of the public. The bulk of the advertising funds, however, would be placed through dealers on a 50-50 basis, in order that they might undertake aggressive local campaigns to advertise special sales at reduced prices. It was hoped that this procedure would create immediate sales without seriously injuring the prestige of the product.

After giving the matter careful consideration, the company executives decided in the fall of 1937 to adopt the proposed plan. The amount allocated to dealer cooperative advertising was doubled, and

the fund for general advertising was cut. Although primary emphasis was to be on dealer cooperative advertising, company officials retained what they thought was enough general advertising to maintain the prestige of the Durbin name.

Under this plan active steps were taken to induce the dealers to match the funds set aside by the company for local advertising. Special sales were planned, and the dealers advertised that because they were overstocked they were offering high-quality Durbin refrigerators at special reduced prices.

The new advertising plan was continued in 1938, with expenditures divided as follows: dealer cooperative advertising 75%, general advertising 25%. According to the advertising manager, the new plan had created enough sales to prevent a serious decline in sales volume.

Durbin Corporation (E): Commentary

The Durbin case shows that a change from a policy of emphasizing indirect action product-reputation advertising to a policy of seeking immediate sales results tends to require a change in the type of advertising program used. Thus, company officials were perfectly satisfied with the Type 1 advertising program used in 1937 as long as they followed the policy of emphasizing indirect action product-reputation advertising. When company officials decided that they wanted to stimulate immediate sales results from a large proportion of their advertising expenditures, however, the Type 1 program no longer met the requirements. Instead, the company adopted an advertising program approximating Type 2; 75% of the funds were allocated to direct action dealer cooperative advertising and 25% of the funds were devoted to indirect action general advertising.

THE MAYTAG COMPANY: CASE CITATION

The case of The Maytag Company¹ also indicates the influence of the nature of the response expected from advertising upon the character of the advertising program used. During the three or four years prior to 1938 The Maytag Company, manufacturer of electric washers, used an advertising program including general advertising,

¹The Maytag Company, case on file at the Harvard Graduate School of Business Administration.

dealer cooperative advertising, and dealer sales helps (Type 1). The general advertising was designed to interest readers in the idea of using an electric washing machine and to build a brand preference for the Maytag washer. Because of the long life and high unit price of the product, such advertising could be expected to bring only indirect action. On the other hand, the dealer cooperative advertising emphasized bargains and other special inducements in order to stimulate immediate sales.

The company believed that the character of the dealer cooperative advertising was damaging to the reputation of the Maytag brand. For this reason, as well as others, the company decided to eliminate the dealer cooperative advertising and to spend its advertising funds only for product-reputation advertising. In accord with this decision, the 1939 appropriation was divided into 65% for product-reputation general advertising, 21% for dealer sales helps, 5% for advertising to the trade, and 9% for other advertising expenditures (advertising program Type 3). This program was aimed exclusively at creating indirect action; no provision was made for direct action retail advertising.

Another solution to the company's problem would have been to substitute a campaign of product-reputation advertising, placed by the manufacturer over the retailer's name, in the place of the dealer cooperative advertising. Had this been done, the company could have retained its Type 1 advertising program. The company's distribution policy, however, would have made a program of product-reputation advertising over the retailer's name difficult to execute. In towns of 10,000 the company generally had only one dealer; in such communities the proposal would work satisfactorily. In larger cities the company appointed more than one selling representative. Thus, in cities of 1,000,000 there were from 3 to 50 dealers. In these cities the placement of advertising over each individual retailer's name would have been undesirable. If the company attempted to list the dealers' names in the advertisements, such advertisements would no longer appear to be those of the retailer but instead would be regarded as advertisements of the manufacturer. Moreover, to list the names of 50 dealers would require considerable space which might better be used for selling purposes. Hence, the company's decision to substitute a pro-

gram of general advertising in 600 newspapers for the dealer cooperative advertising was sound choice. The identification of local dealers was provided by tie-in advertisements which were placed beside the Maytag advertisement and paid for by the dealers.

In short, the decision to devote all advertising funds to product-reputation advertising and to eliminate all expenditures for direct action dealer advertising made it desirable for the company to abandon the Type 1 advertising program providing for general advertising, dealer cooperative advertising, and dealer sales helps. In its place, a Type 3 advertising program, emphasizing general advertising and dealer sales helps, was substituted. Such a program was better adapted to the attainment of the desired objectives than was the Type 1 program of early 1938.

OTHER METHODS OF STIMULATING DEALER ADVERTISING

In addition to the three factors previously discussed, variations in the types of advertising programs used may grow out of the choice of other methods of stimulating a given amount of dealer advertising.

Generally speaking, an effective advertising program for a product with selected distribution requires the placement of a certain amount of dealer advertising featuring the brand. There are four methods which may be used to get such advertising placed: (1) the manufacturer may advertise over the retailer's name and pay 100% of the cost of such advertising himself; (2) the manufacturer may advertise over the retailer's name and pay the cost out of a cooperative advertising fund created by dealer assessments and contributions by the manufacturer; (3) the manufacturer may pay a portion of the cost (usually one-half) of advertising done by retailers, up to a specified maximum related to dealer purchases or sales; (4) the manufacturer may require the dealers to pay the entire cost of all advertising which they undertake in order to promote the brand. The use of these four different methods tends to explain some of the variations in practice with respect to the types of advertising programs used by different manufacturers.

SUMMARY

In conclusion, the foregoing cases tend to verify the hypothesis stated at the beginning of this section. According to this hypothesis, the manufacturer who expects immediate sales results from all his advertising expenditures tends to make use of a different type of advertising program from the manufacturer who expects indirect action from all his advertising expenditures or the manufacturer who expects indirect action from 50% of his advertising expenditures and immediate response from the remaining 50%. Consequently, the nature of the response desired from advertising tends to explain certain variations in practice with respect to the types of advertising programs used by manufacturers with selected distribution.

METHODS OF STIMULATING DEALER ADVERTISING: ILLUSTRATIONS

Holburn Shoe Company: Case Citation

The first method of getting a brand advertised over the dealer's name is illustrated by the case of the Holburn Shoe Company. In 1937 this company, manufacturer of women's medium-price shoes, spent \$242,470 on advertising.¹ This sum was divided as follows: 55% for general advertising in national magazines, 18% for newspaper advertising over the retailer's name, 22% for advertising over the company's name in the rotogravure sections of Sunday newspapers, and 5% for dealer helps.

Newspaper advertising over the retailer's name was placed in 68 key cities in the spring of 1937 and in 61 key cities in the fall of 1937. The Holburn Shoe Company paid the entire cost of such advertising, although it was placed through the dealers in these key cities and appeared over the dealer's name at local rates.

Newspaper advertising in key cities was used

¹Holburn Shoe Company (B), case on file at the Harvard Graduate School of Business Administration.

in order to localize the demand created through national magazine advertising. Such newspaper advertising provided a tie-in with the national campaign and told prospective buyers where they might purchase Diana shoes.

By placing advertising over the retailer's name and by paying 100% of the cost of such advertising itself, the Holburn Shoe Company made certain that a minimum amount of advertising featuring the Diana brand would appear over the dealer's name in the more important key markets.

General Motors Corporation: Case Citation

The use of advertising done by the manufacturer over the dealer's name on a cooperative basis is illustrated by the program of the General Motors Corporation.¹ Under this plan a cooperative advertising fund was created by dealer assessment and by contributions from the manufacturer. Thus, Chevrolet dealers were assessed \$6.00 per car for cooperative advertising, while the Chevrolet Motor Division contributed \$2.50 per car. The resulting fund was considered as being in the nature of a trust fund, and was administered by the manufacturer.

Under this arrangement the manufacturer was obligated to use the dealer's contribution only for local advertising in the dealer's own territory, and to identify the dealer with the program. The portion of the fund contributed by the manufacturer was used for advertising purposes for the dealers in accordance with the decisions of the manufacturer. In making expenditures from cooperative advertising funds, the division gave all possible consideration to dealers' preference of media and specific publications.

Inasmuch as General Motors Corporation had complete control over advertising done over the retailer's name, it was possible for the corporation to plan and execute an adequate program of advertising to localize demand. In this respect the General Motors case is similar to the Holburn Shoe Company case. The point of difference between these two plans lies in the fact that the cost of advertising over the retailer's name was covered out of a cooperative advertising fund administered by the manufacturer in the General Motors case, while the Holburn Shoe Company paid

¹Federal Trade Commission, *Report on Motor Vehicle Industry*, pp. 539-541.

the entire cost of such advertising out of its own funds.

Chadborn Company; Manufacturer - Men's Clothing: Case Summary

The method of sharing the cost of advertising done by retailers is illustrated by the case of the Chadborn Company. In 1938 this organization followed the practice of sharing 50% of the cost of advertising done by the dealers, up to a specified maximum.

The Chadborn Company manufactured a well-known brand of nationally advertised men's clothing. Prior to 1930 the advertising program included newspaper advertising placed in large cities throughout the United States over the company's name, national magazine advertising, and dealer helps. No dealer cooperative advertising allowances were offered during this period inasmuch as the policy of the company was against such allowances.

From 1930 to 1936, although national magazine advertising was continued, the plan was changed to include newspaper advertisements run over dealers' names but paid for by the company. Under this plan the Chadborn Company placed each season four half-page advertisements over the dealer's name in newspapers located in about 40 large cities. These advertisements were placed at national rates, and the entire cost was borne by the Chadborn Company. Each advertisement was scheduled to run simultaneously in the 40 cities and featured the same merchandise.

The passage of the Robinson-Patman Act in 1936 led company officials to study the plan of advertising placed over dealers' names and paid for 100% by the company, in order to make any revisions necessary to conform with the law. The requirements of the Robinson-Patman Act, as well as lack of flexibility in the schedule of such advertising, the necessity for featuring one style of merchandise in all advertisements, and the lack of relation between the cost of the advertising and the potential market in individual cities, led the advertising manager to propose the substitution of a program of dealer cooperative advertising.

Under the proposed plan, the company was to pay 50% of the cost of local advertising done by all dealers who placed with the company advance orders aggregating not less than 200 units. The company's participation was limited to from 1%

to 2-1/2% of the value of advance orders, depending upon the size of the order. Dealer cooperative advertising allowances were to be for newspaper space only. Although dealers would be permitted to select the newspapers in which they advertised, they would be required to place either company-prepared or company-approved advertisements in order to be eligible to receive the 50% advertising allowance.

After careful consideration, company officials decided to adopt the proposed plan in the fall of 1936.

The dealer cooperative advertising plan was still in operation in 1938, at which time the company appropriated approximately \$300,000 to cover its advertising program. This fund was divided into 43.3% for national magazine advertising, 30% for dealer cooperative advertising, 18.4% for dealer sales helps, and 8.3% for other advertising expenditures.

Chadborn Company: Commentary

In the course of revising the program of company-paid newspaper advertising placed over dealers' names in 1936, it was proposed that the Chadborn Company shift to dealer cooperative newspaper advertising. This proposal involved a choice between alternative methods of localizing demand.

In choosing between the alternatives the criterion should be: "Which type is likely to prove more effective?" In my estimation the more effective type of advertising over retailers' names is that: (1) which is best suited to the characteristics of demand for the product; (2) which best meets buying habits; (3) which is likely to secure the most aggressive retail cooperation; (4) which is least expensive; and (5) which involves the least waste.

From the standpoint of meeting the characteristics of consumer demand, dealer cooperative advertising appears to be the more satisfactory. The demand for men's clothing is seasonal; there are wide differences in seasons between different sections of the country at any given time. Even more important, weather conditions are likely to vary widely in different cities throughout the United States at any given time. Consequently, the lack of flexibility in the scheduling of company-placed and company-controlled newspaper advertising would tend to make such advertising ineffective

in stimulating sales. On the other hand, dealer cooperative advertising could be scheduled by the individual retailers to meet local climatic and weather conditions. Hence, it could be timed to meet the periods of greatest demand in the local market.

From the standpoint of meeting consumers' buying habits, both types of advertising are equally satisfactory. Inasmuch as the retail store plays an important part in influencing men's purchases, it is desirable to associate the Chadborn brand with the names of individual retailers. Both types of advertising meet this requirement.

On the other hand, dealer cooperative advertising has an outstanding advantage in stimulating aggressive advertising and promotion on the part of retailers. Retailers were not required to do anything in order to have company-paid and company-controlled localizing advertisements placed in the local newspaper. As a matter of fact, the amount of money spent in such advertising, the schedule of appearance, the type of merchandise, and the newspaper used were not influenced by the retailers' actions. On the other hand, the dealer cooperative advertising plan required the retailer to share 50% of the cost of all advertising placed under the plan. In order to get the company to spend money in the local market, the retailer had to share 50% of the cost. Thus, the dealer cooperative advertising plan would tend to stimulate the retailer to do a more aggressive advertising job himself in order to get the company's assistance. Moreover, since the retailer had to pay part of the cost, he would be more likely to supplement the newspaper advertising with displays and other types of sales promotion in order to make the advertising as effective as possible. Because aggressive retail advertising and promotion were of primary importance in the successful sale of Chadborn clothing, this advantage is of outstanding significance.

Turning to the question of relative cost, a given amount of linage could be placed much more cheaply under the dealer cooperative advertising plan than under the company-placed and company-controlled plan. Dealer cooperative advertising could be placed by retailers at local rates which were approximately 40% less than the national rates paid by the company. Moreover, under the dealer cooperative advertising plan, the dealers shared one-half of the cost of the advertising. Thus, for

the same dollar expenditure the company could secure nearly four times as much linage under the dealer cooperative advertising plan as under the plan of company-placed advertising.

Up to this point the analysis favors dealer cooperative advertising. On the question of the waste involved in such advertising, the answer will depend upon the type of control set up. For example, under the dealer cooperative advertising plan, retailers were to be responsible for the selection of newspapers. Judging from the experience of The Maytag Company and the Durbin Corporation¹ dealers are not likely to do this job so well as it can be handled by the manufacturer or his advertising agency. By checking on the newspapers used by retailers and by offering advice on media problems in a tactful way, however, the Chadborn Company might be able to avoid any serious waste from poor selection of media. Aside from this one danger, the proposed plan is to be commended for provisions which tend to eliminate waste. Thus, retailers were to be allowed to place only company-prepared or company-approved advertisements. This restriction would tend to eliminate the threat of waste from poor preparation of advertisements. Although poor scheduling sometimes is a cause of waste, in this instance the retailer is likely to do a better job than the manufacturer in view of the necessity for placing advertising in accordance with local climatic and weather conditions. In short, although dealer cooperative advertising is often wasteful because of poor selection of media, poor copy, and poor scheduling, the proposed plan appears to have successfully avoided these pitfalls.

In conclusion, based upon an examination of the two plans of localizing demand from the standpoint of factors which would tend to determine the effectiveness of a given program, it is apparent that the company followed a wise policy in deciding to use dealer cooperative advertising.

Roycroft Shoe Company; Manufacturer - High-Grade Women's Shoes: Case Summary

The plan of requiring the dealers to bear the entire cost of advertising over the retailer's name featuring the manufacturer's brand is illustrated by the case of the Roycroft Shoe Company.

¹See footnotes 1, pages 92 and 93; also note the discussion of this point which appears on these pages.

The Roycroft Shoe Company, manufacturer of high-style women's shoes priced from \$11.75 to \$24.75, distributed its line through 196 exclusive agents located in the larger cities. The company appropriated \$92,264 for advertising during the year 1937-1938. Of this amount, 49% was devoted to general advertising, 25% to dealer sales helps, 9% to dealer cooperative advertising, 1% for trade paper advertising, and 16% for other expenditures. The general advertising included a campaign in fashion magazines as well as a campaign in newspapers located in New York City and other key city markets.

Although the company had only one dealer per city, the job of localizing demand was left in the hands of the retailers. Dealer cooperative advertising allowances were granted only in exceptional instances; in general, the company expected the retailers to pay the cost of local advertising featuring the Roycroft brand.

Although advertising by the dealer was not required, the sales manager expressed the opinion that an aggressive, wide-awake retailer should give constant promotion to the Roycroft line. Moreover, a considerable effort was made to secure such advertising. The dealers were kept fully informed of the plans of the company for national and institutional advertising. When the plans for a national campaign had been developed, the salesforce explained these plans to the dealers and requested their cooperation. Also, when such assistance was desired, the salesmen and advertising manager helped the dealers plan their promotional campaigns from season to season.

In all instances announcements of copy themes and plans for national advertising were sent to dealers far enough in advance so that they could plan local campaigns to tie in with the company's advertising. In getting the dealer to cooperate, the salesman pointed out the benefits that would accrue from local advertising planned to coincide with the national campaign appearing in *Vogue* and *Harper's Bazaar*.

In order to facilitate the advertising job of the dealer, the company set aside \$8,300 for dealer service during 1937. This service included mats of advertisements used by the company in its national campaign and cuts of the shoes which were to be promoted during a given season, as well as photographs and drawings of shoes. In addition, window display material, special booklets for con-

sumers, and direct-mail work for dealers were provided to facilitate dealer advertising and promotion.

In general, the company believed that the methods used for inducing local advertising had been successful. According to the president, the Roycroft dealers spent in the aggregate from four to five times as much on local advertising as did the company. The advertising manager stated that every dealer advertised Roycroft shoes. He said that dealers in key cities probably advertised Roycroft shoes from six to eight times a month. The dealers in smaller cities also advertised the line, but fewer times in the course of a season.

During the six-month period, July through December, 1937, 500,432 lines were placed by dealers in local newspapers for the purpose of advertising the Roycroft line. With few exceptions, all this advertising was paid for by the dealers. The total given did not include linage placed by company-owned retail stores; it was estimated by the advertising manager that this linage amounted to 50,000 lines.

Roycroft Shoe Company: Commentary

Because of the exclusive agency policy of retail distribution followed by the Roycroft Shoe Company, it was equally as important to have the Roycroft brand advertised by dealers as in the Holburn Shoe Company and Chadborn Company cases. The Roycroft Shoe Company, however, followed the general policy of requiring dealers to cover the entire cost of local advertising featuring the Roycroft brand. Did the company follow a sound policy in this respect?

In spite of the fact that the company did not make a general practice of granting dealer cooperative advertising allowances, the case indicates that an adequate amount of local advertising and promotion was done. First, the company had a well-coordinated plan for getting retailers to advertise. Dealers were informed of the Roycroft magazine and newspaper advertising campaigns by Roycroft salesmen and were urged to undertake local tie-in advertising and promotion. Announcements of copy themes and promotional plans were mailed to dealers far enough in advance so that they could plan local tie-in campaigns. Retailers were assisted in planning advertising and promotional campaigns for each season by the sales-

men and the advertising manager, if they requested such help. When the salesmen made their regular calls upon retailers, they reviewed retail selling plans and urged the desirability of local advertising and promotion.

Mats, cuts, drawings, and photographs were provided for dealer use in order to facilitate local advertising. Because retailers preferred to personalize their advertisements, the Roycroft company did not prepare campaigns of special advertisements for retailers. Instead emphasis was placed upon providing photographs, drawings, and cuts that could be utilized by retailers in preparing their own advertisements. The company wisely chose to cooperate with retail advertising managers instead of putting itself in a position of competing with such officials.

Secondly, the company devoted considerable energy to developing promotional themes that retailers could use in their advertising and display. By providing ideas for use in retail promotion the company tended to stimulate more effective retail effort.

Thirdly, because Roycroft shoes had an enviable reputation for style leadership, retailers would be inclined to promote the new styles developed by the company. Such promotion would tend to stimulate immediate results and would enhance the reputation of the retailer for the sale of style merchandise.

In the fourth place, Roycroft shoes were distributed through department stores and shoe stores, types of retailers who normally do a substantial amount of newspaper and other advertising. Such retailers could be expected to place more advertising featuring the Roycroft brand, at their own expense, than could be expected of hardware stores selling the Henshaw gas stove, for example. The fact that Roycroft Shoe Company was working with types of retailers who are normally aggressive advertisers may offer a partial explanation of the success of the Roycroft plan of requiring retailers to pay the entire cost of advertising featuring the manufacturer's brand.

Finally, the company spent \$7,000 on direct-mail campaigns for dealer use which would serve to localize demand as well as did newspaper advertising. By directing such material to college girls and brides, retailers would be reaching new customers. Inasmuch as direct-mail material was aimed at stimulating immediate results, new cus-

tomers would probably be led to visit the retailer in order to buy Roycroft shoes.

Evidence in the case indicates that the company's program for stimulating local advertising was successful. During the period July through December, 1937, approximately 500,000 lines of space were placed in local newspapers by retailers for the purpose of advertising Roycroft shoes. These retailers made 85% of the company's shoe sales. In comparison, Roycroft-owned retail outlets, accounting for 15% of total shoe sales, placed 50,000 lines of newspaper space. It seems fair to infer that company-owned stores would do an adequate job of local advertising. Although dealers' sales were five times the sales of Roycroft-owned stores, dealers' advertising linage was 10 times that placed by Roycroft-owned stores.

The success of the Roycroft company in stimulating local advertising, without making general use of dealer cooperative advertising, can probably be traced to three important conditions: (1) the style qualities of the product would tend to stimulate retailers to feature it in their advertising; (2) the company had worked out a well-coordinated procedure for encouraging local advertising; (3) the company was working with types of retailers who normally do a relatively large amount of advertising at their own expense.

SUMMARY

In summary, the four cases cited illustrate four different methods of getting a manufacturer's brand advertised over the dealer's name. Under appropriate conditions, each of the four methods may be used successfully to accomplish the desired objective. The choice of different methods, however, is likely to result in important variations in types of advertising programs used. This point may be substantiated by referring briefly to the case of the Chadborn Company.

As previously indicated, the 1938 Chadborn advertising appropriation of \$300,000 was divided into 43.3% for general advertising, 30% for dealer cooperative advertising, 18.4% for dealer sales helps, and 8.3% for other advertising expenditures - a typical Type 1 advertising program. The 1938 budget for dealer cooperative advertising was \$90,000, representing one-half the cost of the dealer cooperative advertising placed by the dealers. Had the Chadborn Company followed the policy of

requiring dealers to cover the entire cost of local advertising, this \$90,000 could have been added to the general advertising budget. The resulting division of expenditures would have been \$219,900 for general advertising, \$55,200 for dealer sales helps, and \$24,900 for other advertising expenditures - a characteristic Type 3 advertising program.

Again, if the Chadborn Company had followed the method used by the Holburn Shoe Company of paying 100% of the cost of advertising over the retailer's name, placed at the local rate, still another division of funds would have resulted. Thus, the Chadborn expenditure of \$90,000 for dealer cooperative advertising equaled only one-half the total cost of the advertising placed. The other half was paid by the dealers. If the Chadborn Company had followed the method used by the Holburn Shoe Company, the same amount of linage would have cost Chadborn \$180,000 instead of \$90,000. The Holburn Shoe Company paid 100% of the cost of advertising over the retailer's name, but had dealers place the advertisements at the local rate. Assuming that the extra cost of advertising over the retailer's name was taken out of the general advertising budget, the resulting division of expenditures would be \$180,000 for advertising over the retailer's name, \$55,200 for dealer sales helps, \$39,900 for general advertising, and \$24,900 for other expenditures. This combination would be classified as advertising program Type 2.

Still another division of expenditures would have resulted from the plan of cooperative advertising done by the manufacturer over the retailer's name. Had the Chadborn Company required its dealers to contribute 70% of the cooperative advertising fund, as did the Chevrolet Motor Company, Chadborn would have assessed its dealers \$126,000 for cooperative advertising, and would have contributed \$54,000 of its own funds. Assuming that the Chadborn Company increased its general advertising expenditure by the amount of the saving in its contribution to dealer cooperative advertising (\$90,000 minus \$54,000 equals \$36,000), the following division of advertising expenditures would have resulted: \$165,900 for general advertising, \$55,200 for dealer sales helps, \$54,000 for cooperative advertising, and \$24,900 for other expenditures.

In short, the choice of different methods of getting the Chadborn brand advertised over the

dealer's name might have resulted in a Type 1, a Type 2, or a Type 3 advertising program. Thus it becomes clear that differences in advertising

programs may result from the choice of different methods of getting the manufacturer's brand advertised over the dealer's name.

VARIOUS WAYS OF BUILDING BRAND PREFERENCE

Again, variations in advertising programs may be explained by the choice of different methods of building brand preference. These methods commonly include the following: (1) the company may rely upon cooperative advertising done by the dealer to build brand preference; (2) the company may rely primarily upon general advertising and secondarily upon cooperative advertising done by retailers to build brand preference; (3) the company may use advertising over the retailer's name, paid for 100% by the manufacturer, to build brand preference.

The plan of relying upon cooperative advertising done by the dealer to build brand preference is illustrated by the case of Burkhardt Company, manufacturer of men's suits and overcoats priced from \$40 to \$125.

BURKHARDT COMPANY: MANUFACTURER - MEN'S CLOTHING

Case Summary

In 1938 the advertising expenditures of the Burkhardt Company were concentrated primarily upon dealer cooperative advertising, while dealer sales helps held the position of secondary importance. General advertising in magazines, which had been eliminated from the program in 1931, was not used.

Under the 1938 dealer cooperative advertising plan the Burkhardt Company paid one-half the cost of newspaper advertising placed by dealers up to a given percentage of their purchases. Although participation in the plan was voluntary, stores that failed to use the plan and did not promote Burkhardt merchandise were rated as unsatisfactory dealers to be replaced at the first opportunity.

The dealer cooperative advertising plan was restricted to newspaper space only. In order to secure cooperative advertising allowances dealers were required to run advertisements prepared by the Advertising Department of the Burkhardt Company. No alterations were permitted in the text or illustration of advertisements furnished,

nor could additional text be inserted. However, dealers were furnished with a large number of advertisements from which to choose.

In 1938 approximately one-half the company's dealers placed newspaper advertising under the cooperative advertising plan. These dealers accounted for approximately 85% of the company's business. The remaining one-half that did not participate were located for the most part in towns so small that they did not do any advertising.

In addition to dealer cooperative advertising, the 1938 advertising program included dealer helps. Dealer helps were used to stimulate local advertising and promotion. The company furnished these aids in order to make it easy for the dealers to advertise successfully. Included among the dealer helps provided in 1938 were electros of newspaper advertisements, assistance with direct-mail, radio, and outdoor advertising, signs, and window and store displays. Part of these materials were furnished free; others were sold at a price that covered only a part of the cost.

Commentary

The Burkhardt case illustrates a situation in which successful use was made of the plan of relying upon cooperative advertising done by retailers to maintain brand preference. An adequate volume of dealer advertising was stimulated by offering dealer cooperative advertising allowances and by providing well-designed dealer sales helps. The company made certain that the dealer cooperative advertising would tend to enhance the reputation of the Burkhardt brand by requiring dealers to place advertisements prepared by the Burkhardt advertising department. The likelihood of securing dealer cooperation was enhanced by the fact that Burkhardt clothes were of high quality and were sold by high-grade retailers.

DURBIN CORPORATION: CASE CITATION

The plan of building brand preference by relying primarily upon general advertising and second-

arily upon cooperative advertising done by retailers is illustrated by the case of the Durbin Corporation, manufacturer of electric refrigerators. In 1937 the Durbin Corporation used advertising program Type 1, in which funds were divided as follows: 41% for general advertising, 38% for dealer cooperative advertising, 9% for dealer sales helps, and 12% for advertising to the trade.

Instead of depending exclusively upon dealer cooperative advertising to build brand preference, the Durbin Corporation expected only part of such advertising to perform this function. Instead, a campaign of general advertising was relied upon primarily to perform the desired task. The choice of this method of building brand preference resulted in the use of advertising program Type 1, while the selection of the method followed by the Burkhardt Company involved the use of advertising program Type 2.

COMPANY 55: CASE CITATION

The method of building brand preference by using advertising over the retailer's name, paid for 100% by the manufacturer, is illustrated by the

advertising program of Company 55, manufacturer of men's clothing.¹ In 1938, 90% of Company 55's advertising appropriation was devoted to localizing-general advertisements or advertisements over the retailer's name in the rotogravure sections of Sunday newspapers, and 10% was allocated to dealer sales helps. According to a company official: ". . . in cities where we have only one account . . . we use the retailer's name at the bottom of the ad instead of our own name. In cities where we have more than one account, our name appears at the bottom of the ad. We then devote one column to the names of every other dealer handling our line in the territory covered by that paper." The company paid 100% of the cost of these advertisements and used them to build brand preference. The policy of Company 55 resulted in an advertising program which differed significantly from that followed by the Durbin Corporation and the Burkhardt Company.

To sum up, the foregoing examples indicate that the choice of different methods of building brand preference tends to result in the use of widely varying types of advertising programs.

WAYS OF STIMULATING IMMEDIATE SALES RESULTS

Variations in advertising programs may result from the choice of different methods of stimulating immediate sales results from the advertising program. The following are among the more common methods used: (1) the company may place all funds in direct action dealer advertising and promotion; (2) the company may use direct action general advertising plus direct action dealer advertising; (3) the company may complement indirect action general advertising with direct action dealer advertising.

An example of the practice of placing all funds in direct action dealer advertising and promotion is found in the case of the Kirby Company, which follows.

KIRBY COMPANY: MANUFACTURER - ELECTRIC WASHERS

Case Summary

Late in 1937 Kirby Company, manufacturer of electric washers, was considering various means of securing a larger proportion of the total washing machine business. It was proposed that the

company double the percentage of sales devoted to dealer cooperative advertising during the first six months of 1938 as a means of attaining the foregoing objective. Although the company had shown a loss in 1937, and in spite of the fact that the business outlook was unfavorable for the first six months of 1938, the company decided to adopt the proposal. The possibility of securing an immediate increase in sales was one argument in favor of increasing dealer cooperative advertising allowances. Then, too, it was thought that such action would stimulate more aggressive advertising and sales promotion on the part of dealers.

The results of this action were gratifying. During the first six months of 1938 the percentage of the total washing machine business secured by the company was tripled in comparison with the company's standing for the first six months of 1937.

Commentary

Late in 1937 the Kirby Company faced the problem of devising a method of regaining its com-

¹Evidence collected by questionnaire.

petitive position. From the facts given in the case it is inferred that prior to 1936 the company had secured between 15% and 20% of the total washing machine business. Accordingly, during 1936 and 1937 the company's share of the business must have declined to between 5% and 7% of the total. The company's problem, therefore, was to devise some means of increasing its share of the business up to between 15% and 20% of the total business done by the industry.

The case does not provide adequate information on the reasons for the poor showing in 1936 and 1937. At the company's request, this information was eliminated from the case. Suffice it to say, however, that the basic difficulty had been eliminated by 1937.

Although indirect action magazine advertising might have been used as a means of securing a larger share of the market, this type of advertising had two disadvantages. First, it could not be expected to bring immediate results. Secondly, it would not provide as much of a stimulus to wholesalers and retailers as would dealer cooperative advertising.

On the other hand, immediate sales results could be expected from the dealer cooperative advertising. Such advertising used direct action appeals in order to obtain immediate results. Moreover, by doubling the percentage of sales devoted to dealer cooperative advertising retailers would be stimulated to more aggressive advertising and sales promotional efforts. This result was basic to the success of the plan to increase the company's competitive standing. In view of these considerations, it is my opinion that the company followed a sound plan in deciding to double the percentage of sales devoted to dealer cooperative advertising during the first six months of 1938.

Evidence that the company had hit upon an effective method of increasing its share of the market is provided by the results of the campaign. The company's share of the business tripled. Assuming that the Kirby Company secured between 5% and 7% of the washing machine business in 1937, during the first six months of 1938 its share increased to between 15% and 20%. Thus, the company regained the position which it had held in the industry prior to 1936.

Undoubtedly the added aggressiveness of retailers in local advertising, promotion, and retail

selling, which resulted from doubling cooperative advertising allowances, was equally as important in improving the company's competitive position as was the consumer influence of the added linage placed in local advertising media.

In the Kirby case immediate sales were sought through the expenditure of advertising funds on direct action retail advertising and promotion. When this method is chosen, advertising program Type 2 is generally used. On the other hand, had the company decided to complement indirect action general advertising with direct action dealer advertising and promotion, advertising program Type 1 would probably have been selected.

BURWIND SHOE COMPANY (B): CASE CITATION

In the case of the Burwind Shoe Company (B) we have an example of a manufacturer who followed the practice of seeking immediate response from his advertising program by using both direct action general advertising and direct action dealer advertising and promotion. In the fall and winter campaign of 1936-1937 the Burwind Shoe Company, manufacturer of high-grade men's shoes, decided to change the copy approach from the "aches and pains" formula of the past to the style appeal. The objectives of this campaign were twofold: (1) to convince people that Burwind Feature Shoes offered outstanding styles; (2) to get dealers to stock the new line of style shoes which had been added to the regular line of orthopedic shoes in 1936.

Although in the past, product-reputation advertising had been placed in magazines, in the fall of 1936 the company injected a direct action stimulus into its magazine advertising. The stimulus to direct action was provided by a consumer contest offering a prize of a \$1,000 wardrobe, and consolation prizes of Burwind Feature Shoes to a substantial additional number of contestants, for the best slogan of 15 words or less for Burwind Feature Shoes. In the magazine advertisement announcing the contest, the reader was urged to increase his chances of winning by inspecting the new Burwind style shoes at the store of a Burwind dealer.

In addition to the magazine advertising, the contest promotion also included expenditures for dealer cooperative advertising and dealer sales

helps. The entire program of dealer advertising and promotion was planned to tie in with the magazine advertising and was designed to bring men into the dealers' stores to examine the new style shoes.

During the period from September 1, 1936, to March 1, 1937, \$72,675 was appropriated for advertising. This sum was divided as follows: 35% for direct action general advertising, 20% for dealer cooperative advertising, 36% for dealer sales helps, 3% for advertising to the trade, and 6% for other advertising expenditures.

At the end of the contest promotion, appraisal of the results of the campaign convinced the sales manager that it had been a success; 27,799 men had sent in slogans. During the period covered by the contest, sales of the new style shoes increased 30.5% over the sales of similar shoes during the same period of the previous year. In contrast, the shipments of all styles of Burwind Feature Shoes increased only 6.5% over the same period in the previous year.

The 1936-1937 advertising program of the Burwind Shoe Company provides an interesting contrast with the advertising program of the Kirby Company. Instead of placing all funds in direct action dealer advertising and promotion, as Kirby did, the Burwind Shoe Company used both direct action general advertising and direct action dealer promotion and advertising. For purposes of introducing a new line of style shoes to consumers and getting dealers to stock the new styles, the program used by the Burwind Shoe Company may be commended. The significant point of the case is that a manufacturer who wishes to secure immediate response from all his advertising does not need to confine himself to a program of direct action dealer advertising and promotion but may use direct action general advertising and direct action dealer promotion and advertising.

FRAZIER COMPANY: CASE CITATION

The case of the Frazier Company, manufacturer of electric ranges, illustrates the practice of seeking to stimulate immediate sales by complementing indirect action general advertising with direct action dealer advertising. Thus, in 1938 the advertising appropriation was divided into 34% for general advertising, 23% for dealer cooperative advertising, 36% for dealer sales helps, and 7% for advertising to the trade.

The function of the general advertising was to educate the public to the advantages of electric cookery and to create a preference for Frazier electric ranges as against competitive brands on the market. The function of the dealer cooperative advertising and the dealer sales helps was to identify the local dealer but, even more important, to provide a stimulus which would lead consumers to make an immediate purchase.

The strategy behind the plan of stimulating immediate results used by the Frazier Company was this. Special retail promotions, publicized by direct action dealer advertising, will tend to have a stronger pull if the manufacturer has previously associated the brand with high quality and distinctive advantages over competitive makes than if no such associations have been created. Hence, a combination of product-reputation general advertising and direct action retail promotion and advertising is used in order to increase the sales response stimulated by the advertising program as a whole.

In general, it would appear that the Frazier plan has decided advantages under circumstances in which there is a possibility of creating a strong brand preference and the manufacturer can appropriate a sum large enough to make possible an effective campaign of general advertising.

It should be noted that the choice of different methods of stimulating immediate sales did not result in the use of different types of advertising programs in the Frazier and Burwind cases. Both companies used advertising program Type 4 in which primary emphasis is given to dealer sales helps and secondary emphasis is given to general advertising. The point of contrast lies in the character of the general advertising. The Frazier Company used indirect action product-reputation general advertising while the Burwind Shoe Company used direct action general advertising.

On the other hand, the choice of different methods of stimulating immediate sales results did lead to the use of contrasting advertising programs in the Kirby and Frazier cases. While the Kirby Company used advertising program Type 2, the Frazier Company used advertising program Type 4.

In conclusion, the foregoing cases serve to illustrate the point that the choice of different methods of stimulating immediate sales results has a tendency to cause some variations in practice with respect to the type of advertising programs used.

USE OF EFFECTIVE VERSUS INEFFECTIVE ADVERTISING PROGRAMS

Analysis of the advertising programs used by the manufacturers who supplied data for this study indicates that it would be unwise to attribute all major variations in the character of the different advertising programs to the selection of the most effective program in each individual case. Management does not always use the type of program which will be most effective in view of the conditions under which the company operates. In some cases the use of ineffective programs may be the result of lack of skill on the part of the management in building an effective advertising program. In other instances, the use of ineffective programs may grow out of the uncertain measurement of advertising effectiveness.

EXAMPLES

Company 43 and Company 9

Examples of the use of effective versus ineffective advertising programs are provided by the cases of Company 43 and Company 9, both manufacturers of ladies' high-grade silk hosiery. On the one hand, Company 43, with an advertising appropriation of under \$50,000 and relatively spotty distribution, divided its advertising expenditures into 90% for dealer cooperative advertising and 10% for dealer sales helps. This represents an effective advertising program in view of the circumstances under which the company operated. Advertisements were placed only in those cities where the company had distribution. By having the dealers share 50% of the cost of advertisements featuring the company's brand and by having these advertisements placed at local rates, the company made the most of its limited advertising appropriation. The use of direct action dealer cooperative advertising and dealer sales helps was commendable inasmuch as the entire expenditure for advertising would thus tend to bring immediate results.

On the other hand, Company 9, with an advertising appropriation of between \$50,000 and \$99,999, divided its funds as follows: 45% for dealer sales helps, 30% for general advertising, 25% for other advertising expenditures, and nothing for dealer cooperative advertising. In contrast to Company 43, Company 9 encountered no waste circulation in the use of magazine advertising because its distribution was not spotty. Apparently Company 9 relied upon its general advertising plus a relatively large budget for dealer

sales helps to stimulate the necessary retail advertising and selling effort. This policy constitutes an alternative to the use of dealer cooperative advertising as a dealer stimulus. The soundness of the policy would be determined by two conditions: (1) whether dealers did an adequate volume of advertising to promote the brand, and (2) whether they sold the line with the desired degree of aggressiveness. Facts are not available for an appraisal of this phase of the company's practice.

On the other hand, the advertising appropriation was too limited to make possible an adequate campaign of general advertising in national magazines. Moreover, judging from the Reber Silk Hosiery Company case, it would not be possible to build a strong brand preference for this type of product. Under the circumstances it seems to me that the advertising program used by Company 9 would be less effective than the advertising program used by Company 43. When funds are limited and a strong brand preference cannot be expected to result from general advertising, advertising program Type 2, emphasizing dealer cooperative advertising and dealer sales helps, seems to me to offer greater promise than the Type 4 program used by Company 9.

Henshaw Gas Stove Company: Case Citation

The Henshaw Gas Stove Company case provides another example of the use of an ineffective type of advertising program. The 1930 advertising appropriation of \$190,000 was divided into 33% for dealer sales helps, 29% for general advertising, 17% for advertising to dealers, 14% for dealer cooperative advertising, and 7% for other advertising expenditures. In order to reduce 1931 expenditures to \$50,000, the company eliminated general advertising, withdrew the dealer cooperative advertising plan as standard practice, and reduced expenditures for dealer sales helps and advertising to retailers. It is inferred that the 1931 appropriation of \$50,000 was divided approximately as follows: 50% for dealer sales helps, 30% for advertising to retailers, 14% for dealer cooperative advertising, 6% for other advertising expenditures, and nothing for general advertising.

Appraisal of the 1931 program leads me to the conclusion that it would be less effective than possible other choices. Although the decision to eliminate magazine advertising was sound, the withdrawal of dealer cooperative advertising as

standard practice was questionable. This action left the company with no adequate provision for consumer space advertising. Then, too, assuming no change in dealer margins, the withdrawal of dealer cooperative advertising allowances would probably cause dealers to cut their advertising expenditures to half of what they formerly had been, expressed as a percentage of sales. Such action would have serious repercussions on Henshaw sales. Finally, it seems to me that it would be better strategy for the company to maintain the dealer cooperative advertising plan than to retain an expenditure of 30% of the appropriation for advertising to retailers. As a means of maintaining the interest of dealers in the line, it would be more effective to help them make sales by sharing the

cost of local newspaper advertising than to tell them how profitable the Henshaw line is through advertising to the trade.

In short, I believe that the 1931 advertising program had serious defects which would tend to make it relatively ineffective. A more satisfactory division of funds would have been: 50% for dealer cooperative advertising, 36% for dealer sales helps, 10% for advertising to retailers, and 4% for other expenditures.

Although other examples could be cited, it seems to me that the foregoing cases make it quite clear that the use of ineffective types of advertising programs accounts for some variations in the character of the advertising effort of companies operating under similar conditions.

NULL HYPOTHESES

Before concluding this analysis, it is desirable to refer briefly to two hypotheses which were set up as possible explanations of variations in practice but which were disproved by the evidence collected in this investigation.

Early in this study it was noted that there were wide variations in the degree to which different companies restricted distribution in a given community. Thus, one manufacturer might sell through a single retailer in a city of 1,000,000, while another manufacturer might sell through 50. In recognition of such variations, a hypothesis was developed that variations in the need for identifying the local source of supply would tend to account for the use of different types of advertising programs. For example, it was thought that a manufacturer who appointed only one retailer per city regardless of the size of the population would tend to use advertising programs in which dealer cooperative advertising received either the largest percentage of advertising funds (Type 2) or the second largest percentage (Type 1). On the other hand, manufacturers who restricted distribution to a lesser degree would tend to use advertising programs giving minor emphasis to dealer cooperative advertising (Type 3, for example).

When this hypothesis was tested through an analysis of case and questionnaire evidence, however, it was found that even those manufacturers who restricted their distribution the least covered only a small percentage of the total number of stores in a given community that normally sell the same kind of merchandise. Thus, the Reber

Silk Hosiery Company, with 1,500 dealers in New York City, was found to have covered only 14% of the number of stores normally selling ladies' silk hosiery in that market.¹ Consequently, even in New York City the Reber Silk Hosiery Company still had need of making certain that advertising was placed over the retailer's name in order to identify the sources of supply.

In short, a study of the evidence collected indicated that there was not a single case in which a manufacturer following a policy of selected distribution did not need to make certain that prospective buyers were informed of the retail outlets where they could buy the manufacturer's brand in their local market. In view of this evidence it is concluded that whenever a product is sold under the policy of selected distribution it is essential to make some provision for identifying the local source of supply if the advertising program is to be most effective. Therefore, this factor does not tend to cause variations in practice with respect to the type of advertising program used.

At a later stage in the development of this investigation it was thought that the existence or absence of spotty distribution was a factor that had a tendency to account for variations in the types of advertising programs used. Preliminary investigation suggested the hypothesis that advertising programs Type 1 and Type 3 would tend to be ineffective when a manufacturer had spotty distribution and that over the long run such ineffectiveness would tend to lead manufacturers to choose other

¹See Chapter II, pp. 12-13; also Exhibit 2, p. 13.

types of advertising programs.

Study of the case and questionnaire evidence, however, indicated that such a hypothesis would apply only when the general advertising was placed in magazines with national circulation. When general advertising was placed in newspapers, over spot radio stations, or on outdoor posters, it could be limited to those cities in which the company had distribution, and therefore no circulation would be wasted on cities where the product was not on sale.

In view of the fact that newspapers are frequently used for general advertising, the original

hypothesis was discarded. Although a revised hypothesis could be developed showing the relationship of the presence or absence of spotty distribution to the possibility of making effective use of general advertising in magazines, such a hypothesis would raise the whole question of media selection. This question is outside the scope of the present study.

Inasmuch as the existence of spotty distribution does not prevent the successful use of general advertising, the hypothesis relating to the factor was abandoned.

FACTORS THAT EXPLAIN MINOR VARIATIONS IN PRACTICE

Seven factors that tend to explain the use of different types of advertising programs have been presented in the preceding pages. As defined, the seven types of advertising programs differ significantly from one another. Each type represents a variation in advertising strategy that is in contrast to the advertising strategies followed by the other types.

Even though the analysis has been confined to broad differences in advertising programs up to this point, the preceding discussion indicates that there are at least seven important factors that may account for differences in practice. Thus, it is evident that the job of explaining even the broad differences in advertising programs is extremely complicated.

Within any of the broad classifications of advertising programs, however, a number of minor variations in practice may be discerned. For example, any one of the three following advertising programs would be classified as Type 1:

| | <u>Company A</u> | <u>Company B</u> | <u>Company C</u> |
|--------------------------------------|------------------|------------------|------------------|
| General advertising | 35% | 47% | 62% |
| Advertising over the retailer's name | 33 | 33 | 33 |
| Dealer sales helps | <u>32</u> | <u>20</u> | <u>5</u> |
| Total Appropriation | 100% | 100% | 100% |

Careful study of the problem of explaining such minor variations in practice leads me to the conclusion that any attempt to explain minor differences in advertising programs would involve a method of analysis too complicated to be possible of achievement. Even if such an explanation could be provided, it would probably be too complicated to be of practical value to business executives.

Consequently, no attempt will be made to explain minor variations in advertising programs used by manufacturers with selected distribution.

SUMMARY AND CONCLUSIONS

As stated in the opening pages of this chapter, the object of this analysis is to explain variations in the types of advertising programs used to promote different brands of the same product, as well as different products. Through the use of both deductive and inductive processes, the hypotheses presented on the preceding pages were developed. These hypotheses, tested through an analysis of both case and questionnaire evidence, are summarized below.

SIZE OF ADVERTISING APPROPRIATION

For each company there is a minimum advertising appropriation below which advertising programs Type 1 and Type 3 cannot be used so effectively as some other type of program. This generalization assumes that all other considerations are favorable to the use of these programs.

STRENGTH OF BRAND PREFERENCE

A second important factor that tends to explain the use of different types of advertising programs is the strength of the brand preference that can be created through product-reputation advertising.

When it is possible to build a brand preference strong enough to lead prospective buyers to seek out a selected retailer selling the company's brand, advertising programs emphasizing product-reputation advertising can be used effectively. Such programs would include Type 1, Type 2 (in which the manufacturer places product-reputation advertising over the retailer's name), and Type 3.

When the brand preference which can be created is weak, advertising programs emphasizing product-reputation advertising tend to be ineffective. Under such conditions, therefore, the more effective strategy would be to use types of advertising programs which tend to build a preference on the part of the trade for the brand and also which tend to encourage the dealers to promote the product aggressively.

NATURE OF RESPONSE DESIRED FROM ADVERTISING

The manufacturer who expects immediate sales results from all his advertising expenditures tends to make use of a type of advertising program different from that of the manufacturer who expects indirect action from all his advertising expenditures or the manufacturer who expects indirect action from 50% of his advertising expenditures and immediate response from the remaining 50%.

DIFFERENT WAYS OF STIMULATING DEALER ADVERTISING

Variations in the types of advertising programs used may grow out of the choice of methods adopted for accomplishing a given amount of dealer advertising. The more common methods are: (1) the manufacturer may advertise over the retailer's name and pay 100% of the cost of such advertising himself; (2) the manufacturer may advertise over the retailer's name and pay the cost out of a

cooperative advertising fund created by dealer assessments and contributions by the manufacturer; (3) the manufacturer may pay a portion of the cost of advertising done by retailers up to a specified maximum related to dealer purchases or sales; (4) the manufacturer may require the dealers to pay the entire cost of all advertising which they undertake in order to promote the brand.

DIFFERENT WAYS OF BUILDING BRAND PREFERENCE

Variations in advertising programs may be explained by the choice of different methods of building brand preference. The more common methods include the following: (1) the company may rely upon cooperative advertising done by retailers to build brand preference; (2) the company may rely primarily upon general advertising and secondarily upon cooperative advertising done by retailers to build brand preference; (3) the company may use advertising over the retailer's name, paid for 100% by the manufacturer, to build brand preference.

DIFFERENT WAYS OF STIMULATING IMMEDIATE SALES RESULTS

Variations in advertising programs may result from the choice of different methods of stimulating immediate sales results from the advertising program. The following are among the more common: (1) the company may complement indirect action general advertising with direct action dealer advertising; (2) the company may use direct action general advertising plus direct action dealer advertising; (3) the company may place all funds in direct action dealer advertising and promotion.

USE OF EFFECTIVE VERSUS INEFFECTIVE ADVERTISING PROGRAMS

In addition to the foregoing factors, the use of ineffective types of advertising programs accounts for some variations in the character of the advertising effort of manufacturers distributing their products under a policy of selected distribution.

CHAPTER VI

FACTORS TO CONSIDER IN BUILDING ADVERTISING PROGRAMS

In the preceding chapter hypotheses were developed which tend to explain the use of different types of advertising programs by manufacturers with selected distribution. Based upon this groundwork, it is the purpose of this chapter to suggest an approach to the problems encountered in building effective advertising programs for products marketed under the policy of selected distribution.

Inasmuch as the problem of building an effective advertising program is a difficult and complicated one, the first step in this presentation is to break this general problem down into specific subsidiary issues. The second step is to suggest analytical procedures and to state general principles that may aid in the solution of these specific issues.

For purposes of analysis, it is desirable to break the problem down into two parts and then to divide each part into several specific issues, as follows: First, the basic strategy to be followed in the advertising program is defined. This part of the problem breaks down into three specific issues: (a) Should the company attempt to build brand preference through product-reputation

advertising, or should the strategy be to get the retailer to sponsor the brand actively? (b) Should direct action stimuli be injected into part or all of the program in order to secure immediate sales results? (c) Should active steps be taken to make certain that dealer advertising and promotion will be undertaken which will tend to identify the brand with the local outlet? The decisions reached as a result of this section of the analysis will indicate the basic characteristics of the promotional strategy to be followed in building the advertising program.

The next step should be to decide upon the methods to be followed in achieving the desired objectives. This part of the problem also breaks down into three parts: (a) Which method should be adopted for making certain that an adequate amount of advertising is placed over the dealer's name? (b) Which method should be used to stimulate brand preference? (c) When decisions on previous issues suggest the use of advertising programs Type 1 or Type 3, can the company make an advertising appropriation large enough to permit the effective use of this program?

DETERMINATION OF BASIC PROMOTIONAL STRATEGY

SHOULD THE COMPANY ATTEMPT TO BUILD BRAND PREFERENCE?

When it is possible to build a brand preference strong enough to lead prospective buyers to seek out a selected retailer selling the company's brand, advertising programs emphasizing product-reputation advertising can be used effectively. On the other hand, when the brand preference which can be created is weak, advertising programs emphasizing product-reputation advertising tend to be ineffective. Hence, an important step in de-

termining an effective promotional strategy is to appraise the opportunity of creating a strong brand preference through product-reputation advertising.

The following are the more important considerations in estimating the opportunity to build a strong brand preference.¹ First, to what extent

¹The analytical procedure here summarized is that developed by Professor Neil H. Borden in his advertising class at the Harvard Graduate School of Business Administration. (Based upon Borden, 3d ed., p. 73; also Borden, *Key to Problems in Advertising*, 3d ed., [New York, McGraw-Hill Book Company, Inc., 1938], pp. 7-23.)

is the product individualized? When different brands of the same product are uniform and standardized, selective appeals of any consequence are likely to be absent. On the other hand, when the product has an individualizing feature of importance to consumers, the association of this feature with the brand name provides a basis for building brand preference. Hence, it is important to inquire whether the product has any significant individualizing features.

Secondly, to what extent can buyers judge important qualities of the product at time of purchase? When there are variations in the qualities of different brands of the same product, qualities which cannot readily be judged by consumers at time of purchase, there exists a basis for brand preference. When such qualities can be judged by consumers through inspection or usage, however, the brand preference can be maintained only if the product compares favorably with competing products and if its price is in line with the competitive level.

Thirdly, how strong are the appeals that can be associated with the brand? In general advertising the most effective approach is often first to stimulate a need, and then to show how the brand advertised can fill this need better than other brands because of special features or the presence of qualities important to the consumer but which cannot be judged at the time of purchase. Hence, it is significant to inquire about the importance of the needs that can be filled by the product, as well as the strength of the primary appeals that can be used to arouse those needs.

After this has been done, it is also necessary to consider the relative strength of the selective appeals that may be used. The strength of such appeals will depend upon the two factors previously discussed; namely, the presence or absence of individualizing features of importance to consumers and the extent to which buyers can judge the qualities of the product at the time of purchase.

Analysis of these various points will lead to an estimate of the probable strength of the brand preference which can be created through advertising.

If it appears that there is a good opportunity to create a brand preference strong enough to get the prospective buyer to go to considerable inconvenience in order to seek out a retailer handling the company's brand, then one objective of

the advertising program should be to build a brand preference. The cases of the Durbin Corporation, the Holburn Shoe Company, and The Maytag Company provide illustrations of situations in which it was sound practice to undertake advertising designed to create brand preference. As previous analysis indicates, there was a good opportunity to build a strong brand preference in each of these cases.¹

On the other hand, if appraisal indicates that the company cannot build a brand preference strong enough to get prospective buyers to seek out the local dealer, then funds should not be wasted on product-reputation advertising. Under such circumstances the strategy should be to build a preference on the part of the trade for the brand, as well as to stimulate dealers to promote the brand aggressively.

For example, the Reber Silk Hosiery Company² could not expect to build a brand preference strong enough to get prospective buyers to seek out the selected dealers handling the brand. Hence, the strategy of using product-reputation advertising in order to build brand preference would have been undesirable. Instead of following this line of action the Reber company chose to build its entire marketing program in such a way that it would gain the active support of the dealers for the Blue Label brand. The advertising strategy followed was to stimulate an aggressive program of retail type direct action advertising. Under the circumstances, this was a sound approach.

SHOULD THE COMPANY USE STRONG DIRECT ACTION INDUCEMENTS?

As pointed out in Chapter III, a manufacturer may use three types of advertisements in the promotion of a product: (1) advertisements designed to build brand preference; (2) retail type advertisements featuring the product at its regular price; (3) bargain advertisements, or advertisements containing other strong direct action stimuli.³ The response that may be expected from advertisements designed to build brand preference, or product-reputation advertisements, will depend upon the proportion of the readers who are

¹See Chapter V, pp. 65-67.

²See Chapter V, pp. 62-65.

³See Chapter III, p. 29.

in the market for the product at the time the advertisement appears, or who will be in the market within the immediate future. Inasmuch as most of the products covered by this study are not purchased frequently, the manufacturers who promote them with product-reputation advertising can expect only indirect action.¹

The response that may be expected from retail type advertising featuring the product at its regular price, and appearing over a retailer's name, depends upon the characteristics of the product. With respect to seasonal and style products such as women's shoes and men's suits, retail type advertisements featuring the fashion-rightness and the timely qualities of the product, at the regular price, may tend to bring immediate sales results.

On the other hand, regular price retail type advertisements featuring products such as mechanical refrigerators, electric washers, and electric ranges usually do not bring immediate sales results.² If the manufacturers of such products are to stimulate an immediate response from their advertisements, it is usually necessary to resort to bargain type advertising or advertising containing some other strong direct action stimulus.

Because of the differences in the response which can be expected from product-reputation advertisements, regular price retail type advertise-

¹Of all the products included in this investigation, high-grade ladies' silk hosiery was the product purchased most frequently. From personal observation, purchases of silk hosiery are likely to be made once a month. Hence, a large proportion of the readers of a product-reputation advertisement featuring a given brand of hosiery would probably not be in the market at the time they saw the advertisement or within a day or so thereafter. Since advertisements for competitive brands of silk hosiery are constantly appearing in newspapers, magazines, and other media, a second stimulus in the form of a newspaper advertisement, a window display, a salesman's recommendation, or some other form of message, tends to be required to stimulate the actual purchase of a given brand. (See Gundlach's definition, Chapter III, footnote 2, page 10.)

For products such as shoes, mechanical refrigerators, electric washers, electric ranges, automobiles, and pianos, purchase is made at much less frequent intervals. When product-reputation advertising is used to promote such products the response will be indirect.

²See the discussion on this point in Chapter III, pp. 28-29.

ments, and bargain type advertisements, the manufacturer should consider the problem of whether to inject strong direct action stimuli into part or all of his advertising in order to secure immediate sales results. In reaching a decision on this question the points to be considered depend upon whether the basic strategy calls for building brand preference.

When to Create Brand Preference through Product-Reputation Advertising

When previous analysis indicates that the manufacturer should seek to create brand preference through product-reputation advertising, the following points should be considered.

First, should the company seek immediate results from general advertising? Usually, when general advertising is to be relied upon to build brand preference, it is desirable to use retail advertising in order to stimulate immediate sales. Retail advertising appears over the dealer's name; hence immediate action is more easily accomplished. General advertising does not indicate where the product may be purchased and hence loses part of the force of its direct action appeal. Moreover, it may tend to detract from the brand reputation if bargain type advertisements appear over the manufacturer's name. On the other hand, if such advertisements appear over the retailer's name, such damage is less likely to result.

This point is illustrated by the Durbin Corporation case. In the fall of 1937 officials of the Durbin Corporation wished to increase substantially the proportion of its funds devoted to advertising designed to produce immediate sales. However, these officials did not favor the use of the bargain appeal in their general advertising. They believed that such an approach would be harmful to the reputation which had been built up carefully over a period of years for high-quality merchandise. Also, they feared that people might come to regard the Durbin Corporation as a manufacturer of cheap merchandise. On the other hand, company officials favored the use of bargain appeals in dealer advertising. It was hoped that such advertising would create immediate sales without injuring the prestige of the product.

In determining the policy with regard to the results to be expected from different kinds of ad-

vertising the second step is to consider whether to seek immediate sales from retail advertising and promotion. In connection with this problem two questions need to be answered.

First, will regular price retail advertising tend to stimulate prompt response? If so, then another promotional objective should be to secure an adequate amount of regular price retail advertising to complement the indirect action product-reputation advertising. By so doing the manufacturer will provide the later stimulus needed to make the indirect action advertising effective.

Secondly, if regular price retail advertising will not bring immediate sales, then should the manufacturer inject strong direct action stimuli into his retail advertisements in order to secure prompt response? The desirability of using strong direct action stimuli will depend upon two factors: (1) will such stimuli detract from the brand reputation, and (2) will the use of direct action promotional tactics detract from the reputations of the retail dealers?

When the manufacturer's brand stands for the highest quality merchandise, the use of bargain type advertising tends to injure that reputation. This point is well illustrated by the case of The Maytag Company.¹ Maytag electric washers, priced from \$59.95 to \$149.95, were among the more expensive electric washers. In its product-reputation advertising the company emphasized the special advantages and the high quality of Maytag washers. One of the reasons advanced for eliminating the program of dealer cooperative advertising in 1938 was the fact that dealers had a tendency to use cooperative funds for bargain type retail advertising. Company officials believed that bargain type advertising undermined the confidence of the consumer in the Maytag brand and that such advertising nullified the association with high quality which the product-reputation advertising attempted to create. If Maytag officials were correct in this belief, then immediate sales results should not be sought through the use of bargain type advertising.

Likewise, when the brand is sold through retailers whose appeal is exclusiveness and distinctiveness, then the use of bargain type advertising is questionable. For example, Burkhardt suits and

overcoats, priced at \$40 to \$125, were sold through high-grade men's shops catering to a well-to-do clientele. If such retailers were to use bargain type advertising, or if they were to use other strong direct action stimuli, such action might injure the reputations of the stores and detract from their distinctiveness and prestige. Since the success of a manufacturer's brand is intimately tied up with the long-term success of his dealers, it would not be desirable for the Burkhardt Company to seek immediate sales through the use of bargain type retail advertisements or retail advertisements based upon other strong direct action appeals.

On the other hand, when bargain type advertising will not injure the reputation of the brand or the prestige of the retail dealers, then the use of such advertising to complement indirect action general advertising will tend to increase the effectiveness of the advertising program. For example, the use of bargain type retail advertising made the advertising program of Frazier Company more effective than it would have been without such advertising. Frazier Company divided its advertising appropriation into 34% for general advertising, 23% for dealer cooperative advertising, 36% for dealer sales helps, and 7% for advertising to the trade. The general advertising was used to educate the public to the advantages of electric cookery and to create a preference for Frazier electric ranges as against competitive brands on the market. Because of the high unit price and long life of the product, only indirect action could be expected from the general advertising. Regular price retail advertisements would not stimulate prompt response. In order to stimulate immediate sales Frazier Company supplied its retailers with ideas for special promotional events and advertisements to publicize them. These advertisements were designed in a spectacular "sale" style and featured, among others, special trade-in allowances, free installation, free trial, free wiring, clearance of floor samples, and the ease of buying on the deferred payment plan. In my opinion, the placement of retail advertisements of this type would tend to make the Frazier program more effective than a program relying upon regular price retail advertisements exclusively.

In short, when it has been decided that one part of the promotional strategy should be to create brand preference, the next step is to decide

¹The Maytag Company, a case on file at the Harvard Graduate School of Business Administration.

whether to provide for a program of retail advertising designed to stimulate immediate sales. For seasonal and style products immediate sales results may be secured from regular price retail advertisements. For high-price household appliances regular price retail advertising will not bring prompt response, and bargain type advertisements or advertisements containing other strong direct action stimuli must be used to get the desired results.

When Creation of Brand Preference Is Not Planned

Under circumstances in which it has been decided not to rely heavily on product-reputation advertising designed to build brand preference, the object should be to get the active sponsorship of the retailer for the brand. Under such circumstances, the question of whether to use direct action stimuli involves consideration of the following point: Will direct action advertising be more effective in getting the retailer to advertise and promote the brand than indirect action advertising?

If general advertising is to be used at all, then certainly strong direct action stimuli should be injected into the copy in order to bring immediate sales results. When the opportunity to build brand preference is poor, indirect action general advertising would be ineffective and would certainly not provide any real incentive to get the retailer to give active sponsorship to the brand. On the other hand, if immediate sales can be secured through the use of direct action stimuli, then retailers will be more inclined to provide active promotional support for the brand. Accordingly, retailers will give a brand active support if the manufacturer supplies direct action advertisements and allows cooperative advertising funds to be spent for direct action advertising. Retailers will not be so aggressive if the manufacturer supplies indirect action advertisements and prohibits the use of cooperative advertising funds for direct action copy.

Haines' evidence supports the foregoing statement. He reports that appliance dealers do not like to spend \$25 for an advertisement, even when the manufacturer is matching the expenditure, unless the advertisement is going to bring immediate response.¹ Consequently, the appliance

manufacturer who prohibits the expenditure of cooperative advertising funds for bargain type advertising is not likely to get so much retail advertising and promotion for his brand as the manufacturer who not only permits, but encourages, the placement of such advertising.

SHOULD MANUFACTURER'S BRAND BE IDENTIFIED WITH LOCAL DISTRIBUTING DEALERS?

The third step in determining the basic promotional strategy is to decide whether active steps should be taken to identify the manufacturer's brand with the local dealers through which it is sold.

As indicated in Chapter V, the accomplishment of this promotional task is essential wherever a product is sold under the policy of selected distribution.² Where distribution is restricted, the first requirement of an effective advertising program is that enough dealer advertising featuring the brand should be placed to identify the local source of supply. This applies whether the strategy is to build brand preference through product-reputation advertising or whether it is to secure the active sponsorship of the retailer for the brand.

An excellent example of the importance of taking active steps to make certain that people know where to buy the manufacturer's brand is provided by the case of the Excello Tire Company.³ Although the Excello advertising program included general advertising, dealer cooperative advertising, and dealer sales helps, primary emphasis was placed upon the general advertising which was designed to establish a high reputation for Excello tires. Active measures to secure retail advertising and satisfactory dealer identification were not taken. In the opinion of the advertising agency, it was the primary obligation of the manufacturer to build a high reputation for his products on a national scale, and the obligation of doing local advertising to assist the dealer actually to make sales was secondary. The agency believed that it was the retailer's job to do local advertising in order to capitalize on the national reputation established by the manufacturer.

²See Chapter V, p. 82.

³Borden, 3d ed., pp. 331-337.

¹Scrapbook kept by Edward M. Haines.

A consumer survey, undertaken in order to provide a check on the effectiveness of the advertising program, produced evidence indicating a serious weakness in the advertising policy. Thus, while 65% of the car owners interviewed knew of the Excello tire, only 23% knew where to buy the tire. Analysis indicates that the Excello Tire Company should have taken active steps to encourage the placement of dealer cooperative advertising and the adequate use of dealer identification material. Failure to take such action was responsible for a serious weakness in the advertising program.

SUMMARY

The approach outlined in the preceding pages

METHODS TO BE FOLLOWED IN ACHIEVING DESIRED PROMOTIONAL OBJECTIVES

After the basic promotional strategy has been determined, the second part of the problem is to decide upon the methods to be followed in achieving the desired objectives. This part of the problem breaks down into three issues which will next receive consideration.

WHICH METHOD WILL ASSURE ENOUGH ADVERTISING OVER DEALER'S NAME?

When the promotional strategy adopted requires the placement of advertising over the retailer's name, the manufacturer faces the problem of choosing which method to use in order to make certain that an adequate amount of such advertising is placed. As previously indicated the more important methods used by companies included in this study were:

- (1) The manufacturer may pay a portion of the cost of advertising done by retailers, up to a specified maximum related to dealer purchases or sales.
- (2) The manufacturer may advertise over the retailer's name and pay 100% of the cost of such advertising himself.
- (3) The manufacturer may advertise over the retailer's name and pay the cost out of a cooperative advertising fund created by dealer assessments and contributions by the manufacturer.
- (4) The manufacturer may require the dealer to pay the entire cost of all advertising which

defines the basic strategy to be followed in the advertising program. This phase of the analysis provides the answers to the following questions: (1) Should the company attempt to build brand preference through product-reputation advertising or should the strategy be to get the retailer actively to sponsor the brand? (2) Should direct action stimuli be injected into part or all of the advertising program in order to secure immediate sales results? (3) Should active steps be taken to make certain that enough dealer advertising and promotion will be done to identify the brand with the local source of supply?

When the foregoing points have been decided upon, then the groundwork is laid for selecting an effective type of advertising program.

he undertakes in order to promote the manufacturer's brand.

The advantages and disadvantages of each of these methods will be considered.

Part of Cost of Advertising Done by Retailers Paid by Manufacturer

The plan of paying a portion of the cost of advertising done by retailers is illustrated by the case of the Easy Washing Machine Corporation. In 1939 the company offered to share 50% of the cost of approved local advertising up to 2-1/2% of the dealer's net billings for all Easy washers and ironers except models 6TP9 and 6T9. There was a flat allowance of 50 cents per machine on these models. Although local advertising by dealers was not required by the Easy company, both the wholesale distributors and the company encouraged Easy dealers to take advantage of the advertising allowances offered. The arrangement whereby the company paid half of the cost of the advertising tended to stimulate the dealers to advertise in their local territories. Dealer cooperative advertising allowances applied only on the cost of the following: (1) newspaper or telephone directory advertising space; (2) selling station space at fairs, food shows, and similar exhibits; and (3) radio broadcasting time. No advertising in which premiums were offered as consideration of the purchase of Easy products was applicable to the Easy advertising allowance.

Advertising done by retailers on a cooperative basis tends to be more flexible than advertising done by the manufacturer over the retailer's name. Since such advertising is placed by dealers, it can be scheduled to meet local variations in demand growing out of differences in climatic and weather conditions among the different cities in which the product is sold. The same flexibility in scheduling is not likely to be feasible when the advertising is done by the manufacturer over the retailer's name. Schedules are usually prepared a considerable time in advance of the insertion date; hence local weather and climatic conditions cannot be taken into account. The characteristic of flexibility is especially significant in the advertising of seasonal products such as men's clothing.¹

From the standpoint of effectiveness in stimulating active dealer selling and promotion, the plan of having advertising done by retailers on a cooperative basis overshadows the plan of advertising over the dealer's name, paid for by the manufacturer.² The cooperative advertising plan encourages the dealer to advertise locally inasmuch as the manufacturer shares a portion of the cost (usually one-half). Moreover, if the dealer is spending his own money on local advertising, he is likely to tie in with active display, promotion, and personal selling in order to make the advertising as effective as possible.

On the other hand, the dealer has no financial stake in company-paid advertising that appears over his name. Hence, he is not so likely to

¹In 1936 Chadborn Company, manufacturer of men's clothing, found its program of newspaper advertising over the dealer's name, placed and paid for by the company, seriously lacking in flexibility. Advertisements were placed by the company simultaneously throughout the entire United States without regard to differences in seasons and weather conditions. In contrast, the program of newspaper advertising placed by dealers on a cooperative basis, which was substituted for the program of factory-placed advertising, was more flexible. This flexibility grew out of the fact that dealers could schedule their advertisements to meet local climatic and weather conditions. (See Chadborn Company, case and commentary, Chapter V, pp. 72-74.)

Because of the seasonal characteristics of men's clothing, the advertising manager of Burkhardt Company favored the use of dealer cooperative advertising. Cooperative advertising could be placed when local weather conditions were favorable; it could be scheduled to meet local variations in demand growing out of differences in seasons.

²See pp. 73-74.

undertake the necessary tie-in activities. Moreover, the very fact that the company is advertising over the dealer's name may lead him to the conclusion that it is not necessary for him to spend his own money on local advertising. In short, as a stimulus to active retail selling and advertising cooperative advertising done by the retailer is the better plan.

An advantage commonly claimed for cooperative advertising done by the dealer is that a given number of lines of such advertising may cost the manufacturer only 33% of a comparable campaign of factory-paid advertising done by the manufacturer over the retailer's name. This argument runs as follows. First, the manufacturer usually pays only 50% of the space cost of cooperative advertising done by the dealer, while he pays the entire cost of factory-paid advertising done by the manufacturer over the dealer's name. Secondly, the manufacturer who advertises over the dealer's name and places the advertising himself, must pay the national rate for newspaper space. In contrast, the dealer who places cooperative advertising can secure the local rate. In 1940 the local rate charged by 494 newspapers located in cities of 50,000 population and over averaged 62% of the national rate for 50,000-line contracts.³ Thus, a given amount of linage, placed on a cooperative basis by the dealer, will cost the manufacturer an average of 31% of the cost of a similar campaign of factory-paid advertising done by the manufacturer over the dealer's name.⁴

Analysis of this advantage reduces its significance. In the first place, the percentage of the cost of advertising over the retailer's name the manufacturer pays is only half of the story. The other half is whether dealer margins have been adjusted in accordance with the portion of

³Association of National Advertisers, Inc., *Local-National Rate Differentials*, p. 41.

⁴The advertising manager of the Chadborn Company estimated that approximately four times as much linage could be placed at the same cost under the dealer cooperative advertising plan as under the plan of advertising over the dealer's name, placed and paid for by the manufacturer. This increase in linage would be made possible by the fact that the company would pay only 50% of the cost of cooperative advertising, plus the fact that such advertising would be placed by dealers at rates which would average 40% below the national rates paid by the company. (See pp. 73-74.)

the cost of advertising over the retailer's name which the dealer is required to pay out of his own funds. For example, assume that \$500,000 is to be spent on advertising over the retailer's name. If the manufacturer pays 100% of this cost, then no part of this figure will have to be met out of dealer's margins. If the manufacturer pays 50% of this cost, however, his factory price may be reduced and dealers' margins increased in order to make it possible for dealers to cover their share of the cost and still earn a satisfactory profit. Unless such action is taken, dealers cannot be expected to spend their funds on cooperative advertising. Again, if the manufacturer expects the retailers to cover the entire \$500,000 out of their own funds, then a further reduction will have to be made in the factory price and a further increase made in dealer margins in order to permit this cost to be absorbed by dealers.

Logic suggests that dealer margins must be adjusted to cover the cost of advertising over the retailer's name which dealers are expected to bear. Otherwise, they would refuse to place the desired advertising with resulting damage to the effectiveness of the manufacturer's promotional program.

Therefore, if it is assumed that dealer margins are adjusted in accordance with the proportion of the cost of advertising over the retailer's name which they are expected to bear, then the argument that cooperative advertising placed by dealers is less costly than factory-paid advertising over the retailer's name loses its significance. In either case, the cost of advertising over the retailer's name must be met out of the retail price. Likewise, if the success of the product depends upon the placement of a given amount of advertising over the retailer's name, the question of what proportion of the cost is borne by the manufacturer is of no consequence. The important thing is how to make certain that the desired amount of effective advertising over the retailer's name is placed.

Of course, if dealer margins are not adjusted to cover the cost of advertising over the retailer's name which dealers are expected to bear, the manufacturer may find cooperative advertising done by the dealer an advantage from the cost standpoint. However, he is likely to face difficulty in getting the desired amount of advertising placed over the retailer's name. In short, the

cost advantage may be offset by a compensating disadvantage.

In the second place, the argument under discussion assumes that advertising done by the manufacturer over the retailer's name is placed at national rates. Actually, this may or may not be the case. Thus, while factory-paid advertising done by the manufacturer over the dealer's name was placed at national rates by the Chadborn Company, the same type of advertising was placed at local rates by the Holburn Shoe Company. Inasmuch as factory-paid advertising over the dealer's name may be placed either at national rates or at local rates, no advantage can be claimed for cooperative advertising done by dealers on the grounds of lower newspaper space cost per line.

In short, no general advantages on the grounds of low cost can be claimed for cooperative advertising done by dealers in comparison with factory-paid advertising over the dealer's name.

A serious disadvantage of advertising done by retailers on a cooperative basis grows out of the fact that unless it is carefully controlled cooperative advertising funds are likely to be less effectively spent than funds devoted to advertising over the retailer's name, paid for by the manufacturer. For example, in the fall of 1938 the Frazier Company, manufacturer of electric ranges, was considering the possibility of substituting factory-placed and controlled advertising for the dealer cooperative advertising which was then being done. This question was under consideration because of the growing dissatisfaction of company officials with the effectiveness of the advertising placed by the dealers under the cooperative plan. Thus, it was stated that dealers often did a poor job of media selection, that poorly prepared or ineffective copy was another source of waste, and that a considerable amount of poor scheduling was done in placing dealer cooperative advertising. Similar experience was one factor which led The Maytag Company to eliminate its dealer advertising program in 1938.¹ Likewise, ineffective dealer co-

¹For three or four years prior to 1938, the advertising program of The Maytag Company included dealer cooperative advertising. Early in 1938 the dealer cooperative advertising plan was eliminated. Some of the more important reasons given for this action were as follows: (1) Nearly all cooperative advertising stresses price appeals; such advertising does not change potential prospects into spontaneous ones. (2) Cooperative advertising is

operative advertising led the Durbin Corporation, in the fall of 1936, to give serious consideration to a proposal that the company eliminate dealer cooperative advertising entirely.¹

Although there may be a tendency for cooperative advertising done by the retailer to be less effective than advertising over the dealer's name, paid for by the manufacturer, evidence collected in this study tends to indicate that in some instances the causes of ineffective cooperative advertising can be eliminated by the application of suitable methods of control. Thus, poor media selection does not appear to be an inherent feature of dealer cooperative advertising. In order to improve the selection of media, the manufacturer may analyze the different kinds likely to be considered by the dealers and classify them into three groups: (1) media approved for cooperative advertising; (2) media of uncertain value which may be used in specific programs only when prior approval has been secured from the manufacturer; (3) media which may not be used under any circumstances for dealer cooperative advertising.² This type of

ineffective because of poor media selection and poor scheduling. (3) Such advertising tends to discriminate between large and small dealers. (4) It is impossible for the manufacturer to change the cooperative advertising program to fit market conditions or to obtain a particular unity in his advertising. (5) In too many cases cooperative advertising is a racket. In the place of dealer cooperative advertising the company substituted general newspaper advertising in 600 cities and towns. The dealers were encouraged to run tie-in advertisements next to the Maytag advertisement when it appeared in their local papers. (Roy A. Bradt, "Why Maytag Insists on Paying National Advertising Rate to 600 Newspapers", *Printers' Ink*, October 13, 1939, pp. 15-18.)

¹In 1936 the Durbin Corporation, manufacturer of electric refrigerators, allotted 60% of its advertising appropriation for general advertising and 40% for dealer cooperative advertising. In planning the 1937 advertising program, the suggestion was made that dealer cooperative advertising be eliminated entirely and that all funds be concentrated on general advertising. Among other arguments advanced in favor of the proposal, it was stated that in many cases the dealer cooperative advertising was ineffective. In many instances, such advertising was not placed in the proper media, it was not properly scheduled, and the dealer used bargain-type copy which tended to detract from, rather than to build up, the prestige of the product.

²Instead of eliminating dealer cooperation in 1937, Durbin Corporation took several steps to improve its effectiveness. The classification of

classification will tend to prevent expenditures in media of doubtful circulation value.

Again, the selection of individual publications within the approved types of media may be improved by several methods. For example, the selection of individual newspapers may be improved by having an analysis made of all newspapers in cities in which the manufacturer's dealers are located. The facts thus secured may be passed on to the dealers in a tactful manner by the company's salesmen. By providing facts and through tactful persuasion, it seems quite possible that a better selection of individual newspapers would result.

Likewise, poor scheduling of cooperative advertising can be remedied. Thus, the manufacturer may improve the scheduling job by requiring his dealers to plan their advertising in advance for each quarter of the year and then submit the plans to the manufacturer for approval. Another method would be for the manufacturer to prepare a suggested advertising schedule for each dealer. These schedules could then be sent to the dealers for revision and approval. Either method carefully followed would seem to offer a means of securing satisfactory scheduling.³

Similarly, the use of ineffective copy in cooperative advertising can be avoided. The methods which can be followed will vary depending upon the nature of the product, the kind of retailers selling the line, and the quality of the personnel in charge of retail advertising. In general terms, such methods may include preparation of advertisements for retail use, suggestion of ideas for advertisements, requiring dealers to place only company-prepared or company-approved advertisements, and other similar procedures.

Another important disadvantage of dealer cooperative advertising grows out of the provision of the Robinson-Patman Act that advertising allowances must be granted to dealers on proportionately equal terms. Because of this requirement, cooperative advertising allowances are usually expressed as a percentage of dealer purchases or sales, or as a specified number of dollars per unit purchased or sold. Yet the need for

media into an approved list, a list subject to prior approval, and a list of prohibited media was one of the controls included in the 1938 dealer cooperative advertising plan.

³These methods were used by the Durbin Corporation in 1938.

local advertising is likely to vary widely among different communities, depending upon how long the brand has been sold in the community, its competitive standing in the market, and the aggressiveness with which competing brands are promoted. Expenditures for dealer cooperative advertising cannot be varied to meet such differences in the size of the local promotional job.¹ In contrast, expenditures for advertising over the retailer's name, paid for by the manufacturer, can be varied according to the size of the job to be done in each local market.

Still another disadvantage of cooperative advertising done by the retailer is the difficulty of getting some of the dealers to make use of the cooperative funds available. When a substantial proportion of the dealers fail to make use of the cooperative advertising funds, the brand may suffer from inadequate local promotion. This problem is illustrated by the experience of the Frazier Company, manufacturer of electric ranges. In spite of the incentive provided to retailers by the cooperative advertising plan, the Frazier Company found it difficult to get adequate local advertising in the various markets in which it was represented. It was estimated that only one-half of the retail outlets handling Frazier electric ranges placed advertising under the dealer cooperative plan; as a result only one-half of the available cooperative advertising fund, based on the number of ranges sold, had been used. Inasmuch as local advertising over the dealer's name was believed to be an essential part of the advertising program, the company had given attention to the problem of how to attain adequate local advertising. As a result, the company adopted the practice of running factory-paid advertising in the cities where deal-

¹This disadvantage was recognized by Durbin Corporation in 1938. At that time the maximum expenditure for local advertising which a dealer could make under the cooperative advertising plan was 6% of expected sales. One limitation of this plan arose out of the fact that the need for local advertising varied among different territories, and also between small cities and metropolitan centers. Under the cooperative advertising plan no provision was made for such variations. Accordingly, the company had adopted the policy of using national funds to make up such deficiencies. These funds were expended in local newspapers; the advertising was localized by listing the names of the dealers located in the cities in which the advertising appeared.

ers were not doing an adequate advertising job. These advertisements were localized by listing the names and addresses of local dealers wherever it was feasible to do so.

Review of the advantages and disadvantages of cooperative advertising done by retailers indicates that this method of localizing demand is suitable under the following conditions: (1) when local variations in demand favor advertising placed by dealers; (2) when the types of retailers who sell the product will not undertake a satisfactory amount of local advertising in response to high margins, dealer helps, or persuasion; (3) when competitive practice makes it desirable to have cooperative advertising done by retailers.

Advertising over Dealer's Name, Paid for by Manufacturer

A second method of localizing demand is for the manufacturer to advertise over the dealer's name and pay 100% of the cost himself. This plan was used by the Chadborn Company from 1930 to 1936. Each season during this period the company placed four half-page advertisements over the dealer's name in newspapers located in about 40 large cities. These advertisements were placed at national rates, and the entire cost was borne by the Chadborn Company. Each advertisement was scheduled to run simultaneously in the 40 cities and featured the same merchandise.

As previously indicated, dealers sometimes fail to make use of cooperative advertising funds set aside for their use by the manufacturer. In contrast, the manufacturer can make certain that the full amount of the appropriation for advertising over the dealer's name, paid for by the manufacturer, is spent. When the placement of a definite amount of advertising identifying the local retailer with the brand is an important part of the advertising program, as is true whenever a product has selected distribution, this characteristic is an important advantage.

Under the plan in which the manufacturer advertises over the dealer's name, the character of the advertisements which appear is determined by the manufacturer. When the manufacturer relies upon advertising over the dealer's name both to build brand preference and to identify the local

dealer, a plan which provides the manufacturer with absolute control over the character of the advertisement is a decided advantage.¹ Such control is difficult to achieve when cooperative advertising is placed by dealers, and is impossible when the dealer himself places and pays for advertising featuring the manufacturer's brand.

Furthermore, expenditures for advertising over the dealer's name, paid for by the manufacturer, can be allocated to different communities in proportion to the size of the promotional job to be done. The result is likely to be a more effective over-all development of the market for the manufacturer's brand than when expenditures must be related to the size of either past or estimated purchases or sales.²

On the other hand, there are disadvantages associated with this method of approach. When advertising over the dealer's name is placed by the manufacturer at the national rate, this plan is considerably more costly than cooperative advertising placed by dealers at the local rate. As previously noted, the local rate charged in 1940 by 494 newspapers located in cities of 50,000 pop-

¹This was true in the case of the Holburn Shoe Company in 1932. At that time the company had only \$48,800 to spend. This fund was divided as follows: 88% for newspaper advertising over the dealer's name, paid for by the company, 7% for general advertising, and 5% for dealer helps. By using factory-paid advertising over the retailer's name, the company could maintain the brand reputation and still tell consumers that the price of Diana Shoes had been reduced from \$10 to \$6 without any change in quality. Likewise, such advertising appeared over the dealer's name; hence, it performed the function of identifying the local source. Cooperative advertising placed by dealers could not have been used so successfully because of the difficulty of retaining complete control over the character of the cooperative advertising.

²In the Frazier Company case, the advertising manager called attention to this advantage of advertising over the dealer's name, paid for by the manufacturer. Under this plan, he said, the company would be free to decide how much to spend on advertising in any given territory. Since individual markets differed considerably, funds could be concentrated where the advertising need was the greatest and they could be eliminated or reduced where a given market had reached a saturation point or where other unfavorable conditions existed. This was in contrast with the cooperative advertising plan in which each dealer was given a uniform allowance per unit purchased, regardless of the variations in the need for advertising in different territories.

ulation and over averaged 62% of the national rate for 50,000-line contracts.

By having the dealer place the advertisements, however, the manufacturer can secure the local rate and still retain complete control over the advertising. For example, in the fall of 1937 the Holburn Shoe Company spent approximately \$43,000 on factory-paid advertising done by the manufacturer over the dealer's name in 61 key cities. Although the company paid the whole cost of the advertisement, newspaper advertising was placed over the dealer's name, because through this procedure the company could secure an average reduction of 40% in newspaper rates. When such a plan is followed, cooperative advertising done by dealers has no cost advantage over factory-paid advertising done by the manufacturer over the dealer's name.

As already pointed out, the fact that a manufacturer pays 100% of the cost of advertising over the dealer's name does not by itself compare unfavorably from the cost standpoint with 50-50 cooperative advertising done by dealers. Provided the factory price of the product has been set high enough to cover the cost of factory-paid advertising over the retailer's name, what the manufacturer loses by paying the entire cost is made up by additional income resulting from the higher factory price.

Advertising over the retailer's name, paid for by the manufacturer, tends to be less flexible than cooperative advertising done by retailers. It is difficult for the manufacturer to schedule advertising to meet local variations in demand growing out of differences in weather and climatic conditions. On the other hand, cooperative advertising placed by dealers can be scheduled to meet such variations in demand.

Because advertising over the dealer's name, paid for by the manufacturer, does not require any cooperation on the part of the dealer, there is a danger that the program may be planned and executed without giving adequate consideration to local demand conditions, dealers' selling plans, and the dealers' desire for securing immediate results. This danger is not present when cooperative advertising is done by retailers.

The plan of advertising over the retailer's name, paid for by the manufacturer, tends to be less effective as a stimulus to dealer advertising than the plan of cooperative advertising

done by retailers.

Careful study of the advantages and disadvantages of advertising over the dealer's name, paid for by the manufacturer, suggests that its use is favored by the following conditions: (1) when the manufacturer relies upon advertising over the dealer's name to build brand preference and, therefore, when the ability to control the character and scheduling of such advertising is important; (2) when enough dealers fail to respond to the plan of cooperative advertising so that no advertising appears in important markets; (3) when local variations in demand are not important enough to make advertising scheduled by the manufacturer ineffective; (4) when competitive practice permits such serious abuses in cooperative advertising that effective control of media selection, the character of the copy, and the scheduling of advertisements cannot be exercised by the manufacturer.

Advertising by Manufacturer over Retailer's Name on Cooperative Basis

Advertising done by the manufacturer over the retailer's name on a cooperative basis differs significantly from the two plans previously discussed. On the one hand, it differs from advertising over the retailer's name, paid for by the manufacturer, because its cost is shared by the manufacturer and the dealer. On the other hand, it differs from advertising done by the dealer on a cooperative basis because it is under the absolute control of the manufacturer. This kind of advertising is commonly found in the automobile industry.

The type of advertising under discussion is illustrated by the plan of General Motors Corporation.¹ Under this plan a dealer cooperative advertising fund was created by dealer assessment and by contributions from the manufacturer. For example, Chevrolet dealers were assessed \$6.00 per car for cooperative advertising, while the Chevrolet Motor Division contributed \$2.50 per car. The resulting fund was considered as being in the nature of a trust fund, and was administered

by the division. Under this arrangement the division was obligated to use the dealer's contribution only for local advertising in the dealer's own territory, and to identify the dealer with the program. The portion of the fund contributed by the division was used for advertising purposes for the dealers in accordance with the decisions of the division. In making expenditures from cooperative advertising funds, the division gave all possible consideration to dealers' preferences for media and specific publications.

Advertising done by the manufacturer over the retailer's name on a cooperative basis has all the advantages which were outlined above in connection with the plan of factory-paid advertising over the dealer's name.

In addition, such advertising is less costly to the manufacturer than the plan of factory-paid advertising over the dealer's name because it is paid for on a cooperative basis by the dealer and the manufacturer. Thus, under the Chevrolet plan dealers paid 70.6% of the cost of cooperative advertising, while the Chevrolet division paid only 29.4% of the cost.

On the other hand, this point loses its significance when the dealers' margins have been adjusted in accordance with the contribution which they must make to the cost of cooperative advertising and when the manufacturer's factory price has likewise been adjusted to meet the actual factory contribution to the plan. Under such circumstances, the lower cost of cooperative advertising done by the manufacturer is compensated by the lower factory price which such a manufacturer would receive in comparison with that obtained by a manufacturer who follows the policy of paying 100% of the cost of advertising done over the dealer's name.

There are several disadvantages encountered by the manufacturer advertising on a cooperative basis over the dealer's name. In the first place, such a program tends to be less flexible than cooperative advertising done by the dealer. When the manufacturer consults the dealer on media selection, however, as in the General Motors case, the plan is more likely to meet individual local conditions than factory-paid advertising. A second disadvantage is that such advertising tends to discourage the individual initiative of the dealer in placing advertising at his own expense. Furthermore, although the dealer may be consulted

¹Federal Trade Commission, *Report on Motor Vehicle Industry*, pp. 539-541.

on media selection, the character of the copy and the scheduling of the advertising are still likely to be executed without adequate consideration of local conditions and the dealer's desire for immediate sales results.

The main characteristic of the plan is the absolute control exercised by the manufacturer over the cooperative advertising program. Accordingly, it appears that an essential condition to the successful use of this plan would be a situation in which dealers tend to specialize exclusively on the manufacturer's brand, as is true in the automobile industry. Only when this condition exists is the manufacturer likely to succeed in imposing such absolute control of cooperative advertising upon his dealers.

A second condition favoring the plan is that in which the advertising done by dealers is spotty, poorly coordinated with general advertising, and ineffective. This situation would tend to indicate the serious failure of the plan to leave much of the control of cooperative advertising in dealer hands and would pave the way for the adoption of a program involving a greater degree of control by the manufacturer.

Also, it appears that cooperative advertising done by the manufacturer over the retailer's name would be more likely to succeed under circumstances in which local variations in demand are not important than under the opposite conditions.

Finally, this plan is most likely to succeed when it has already been widely accepted by competitors. Such absolute control would be difficult to initiate in an industry in which competitive practice placed the control of cooperative advertising in dealer hands.

Entire Cost of Advertising over Retailer's Name Paid by Dealers

The fourth plan of localizing demand is to require the dealers to pay the entire cost of all advertising which they undertake in order to promote the manufacturer's brand. This plan places the initiative in the dealers' hands, and it also involves the least amount of control by the manufacturer.

The plan of requiring dealers to pay the entire cost of all advertising over the retailer's name was followed by the Henshaw Gas Stove Company in 1938. In that year the Henshaw advertising

appropriation of \$44,513 was divided as follows: 31% for advertising to dealers, 30% for dealer sales helps, 15% for a general advertising reserve, 10% for dealer cooperative advertising, 7% for advertising to architects, builders, and operators, and 7% for other advertising expenditures. Cooperative advertising allowances were granted only in exceptional cases; thus in 1938 only 12 dealers received such assistance. For the main part, dealers were expected to pay the entire cost of all advertising which they undertook for the purpose of promoting the sale of Henshaw gas ranges in their local markets.

The most obvious advantage of this plan lies in the fact that it requires no contribution from the manufacturer's advertising appropriation. In this respect it differs from the three plans previously discussed.

If the dealer is to advertise the manufacturer's brand, however, his margin must be large enough to permit an adequate expenditure in addition to other expenses and still leave him with a satisfactory profit. When this has been done, it simply means that the provision for local advertising has been taken out of the factory price and has been included in the dealer's margin. Therefore the fact that the manufacturer makes no contribution out of his advertising appropriation to the cost of dealer advertising has no real significance. The cost of such advertising still has to be met out of the retail price.

The fact that dealer advertising can be placed at the local newspaper rate is a favorable feature of this plan. However, this feature does not distinguish the method from other ways of getting advertising placed over the dealer's name. Examples have already been cited showing that both factory-paid and cooperative advertising done by the manufacturer can be placed through dealers at the local rate.¹

When a manufacturer uses product-reputation general advertising, the plan of requiring dealers to pay the entire cost of all advertising which they undertake for the purpose of promoting the manufacturer's brand may produce a more effective program of direct action retail advertising than other methods. This condition may result from the fact that there is a lack of interference from factory officials who often fail to

¹See page 95.

understand the retailer's legitimate preference for advertising that produces immediate results. With but few exceptions, an effective program of direct action retail advertising, combined with general advertising, is likely to consummate more sales than a contrasting program of indirect action retail advertising plus general advertising.

There are disadvantages associated with the plan requiring the retailers to finance advertising over their own names. Even when dealers are given exclusive agencies, the plan of requiring them to pay the entire cost of all advertising featuring the manufacturer's brand is not likely to produce an adequate amount of such advertising. This statement applies in spite of the fact that the Roycroft Shoe Company was successful in stimulating an adequate amount of advertising over the retailer's name without making any contribution to the cost of such advertising, and without assuming any control over it. An unusual combination of conditions enabled the Roycroft Shoe Company to succeed where many other manufacturers would have failed. Thus, as pointed out in the commentary on this case, the success of the Roycroft plan, in which general use was not made of dealer cooperative advertising, could probably be traced to three conditions: (1) the style qualities of the product would tend to stimulate retailers to feature it in their advertising; (2) the company had worked out a well-coordinated and very effective program for encouraging local advertising; (3) the company was working with types of retailers who normally do a relatively large amount of advertising at their own expense.¹

In contrast with the Roycroft case, few products have the style leadership which will induce the retailer to advertise them at his own expense because of their ability to draw customers into the store. Likewise, not all types of retailers appropriate enough funds for advertising a given manufacturer's brand to cover the entire cost of an adequate local campaign.

One added difficulty grows out of the fact that the Roycroft plan runs counter to the common practice in advertising followed in the promotion of a substantial number of the products covered by this study. Under such circumstances, con-

ditions must be exceptionally favorable before such a plan has much chance to succeed.

A second disadvantage grows out of the tendency for a substantial proportion of the advertising placed and paid for by the dealer to be ineffective because of poor media selection, poor scheduling, and poor advertising copy. When this is true, the manufacturer can do very little to improve the situation if he makes no contribution to the cost of such advertising.

It is true that cooperative advertising done by dealers is often ineffective. Since the manufacturer generally pays 50% of the cost, however, he is in a much stronger position to institute controls and aids which will tend to improve the effectiveness of the program.

Although the manufacturer might argue that ineffective dealer advertising is no concern of his, because his money is not involved, this attitude is hardly wise. The success of the manufacturer's brand depends upon the quality of the dealer advertising that complements his general advertising. The funds for the dealer advertising have to come out of the retail price. If the dealer advertising expenditures are ineffective, therefore, the manufacturer is as vitally concerned as he would be if his own money were involved.

As previously stated, the plan of requiring dealers to cover the entire cost of advertising over the retailer's name is not likely to succeed except under exceptional circumstances. Analysis suggests that the following conditions are favorable to the success of the plan: (1) when dealers normally do a large amount of advertising at their own expense (e.g., department stores); (2) when the product holds a position of fashion leadership; (3) when the plan is favored by competitive practice.

In addition to the foregoing points, one other important condition is essential to the success of the plan. This condition is that the manufacturer must develop an effective plan of dealer promotion to persuade dealers to promote the brand aggressively. It was this final factor that made the Roycroft plan succeed.

WHICH METHOD SHOULD BE USED TO STIMULATE BRAND PREFERENCE?

When previous analysis indicates that the manufacturer should attempt to build brand preference

¹Roycroft Shoe Company, case and commentary, Chapter V, pp. 74-76.

through product-reputation advertising, the next step is to decide which method to use in order to accomplish the desired objective. As pointed out in the preceding chapter, the following methods¹ were commonly used to stimulate brand preference by the manufacturers covered in this study:

(a) Reliance primarily upon general advertising and secondarily upon cooperative advertising done by dealers.

(b) Use of advertising over the retailer's name, paid for by the manufacturer.

(c) Reliance upon cooperative advertising done by the dealer.

A discussion of the advantages and disadvantages of each method will follow.

Reliance on General Advertising and on Cooperative Advertising Done by Dealers

The plan of relying primarily upon general advertising and secondarily upon cooperative advertising done by retailers to build brand preference is illustrated by the case of the Durbin Corporation. In 1937 Durbin Corporation used advertising program Type 1 in which funds were divided as follows: 41% for general advertising, 38% for dealer cooperative advertising, 9% for dealer sales helps, and 12% for advertising to the trade. The objective of the general advertising was to build prestige and acceptance for Durbin Refrigerators through impressing on the public the distinctive features of the product, its quality, and the size and stability of the manufacturer. Although the objectives of the dealer cooperative advertising were to tell people where to buy, and to create immediate sales, to a varying extent the advertisements included in this campaign also tended to maintain brand preference.

When a manufacturer wishes to build and maintain a brand preference for his product, the plan of relying primarily upon general advertising to do the job is likely to prove more effective than the plan of relying upon advertising done by the dealer. Dealers are interested chiefly in stimulating an immediate response from their advertising, and any brand preference which results is likely to be in the nature of a by-product,

¹Another method would be to rely upon advertising done by the dealer at his own expense to stimulate brand preference. Since this method was not commonly used by the manufacturers covered in this study, it is not discussed in this section.

in most instances. On the other hand, if the manufacturer has decided that it is desirable to build brand preference, he is likely to do everything in his power to see that the job is done as effectively as he knows how. For this reason general advertising, which is under the complete control of the manufacturer, is likely to prove a better vehicle for stimulating brand preference than is advertising done by the dealer.

A second advantage of the plan under discussion lies in the fact that the impression created through product-reputation general advertising is strengthened by a second impression coming from the cooperative advertising done by the dealers. Even though this advertising may be designed primarily to create immediate sales, a portion of the advertisements will usually refer to product advantages which will tend to enhance the reputation of the brand. The general advertising plus the cooperative advertising will thus tend to make a greater impression than would the general advertising alone.²

Reliance mainly on general advertising has some disadvantages. A relatively large advertising appropriation is required before a Type 1 or Type 3 advertising program emphasizing general advertising in magazines can be used effectively. When a product does not lend itself to newspaper advertising, this disadvantage is serious. When the opposite is true, however, the manufacturer with a small advertising appropriation can avoid the disadvantage by placing his general advertising in newspapers.

When a manufacturer has spotty distribution, it is wasteful to make use of advertising programs giving primary emphasis to general advertising in magazines. On the other hand, if the product is suited to newspaper advertising, the manufacturer can avoid such waste by placing his general advertising in newspapers located in cities where his brand is on sale.

Study of the foregoing advantages and disadvantages suggests that the method of relying pri-

²In the case of the Excello Tire Company, a consumer survey indicated that when dealer identification was "Good" or "Excellent" a larger percentage of people knew of the Excello tire than when identification was "Poor," "Fair," or "None." Hence, dealer identification advertising served to supplement the magazine advertising in building a knowledge of the brand. For the findings of the consumer survey, see Borden, 3d ed., p. 337.

marily upon general advertising and secondarily upon dealer cooperative advertising to build and maintain brand preference is favored by the following conditions: (1) when there is a good opportunity to build a strong brand preference for the product; (2) if the product is unsuited to newspaper advertising, and at the same time the manufacturer can make an appropriation large enough to provide for an adequate program of dealer cooperative advertising plus an effective campaign of general advertising in national magazines; (3) if the product does not lend itself to newspaper advertising, and the manufacturer does not have spotty distribution.

Use of Advertising over Retailer's Name, Paid for by Manufacturer

The method of building brand preference by using advertising over the retailer's name, paid for by the manufacturer, is illustrated by the case of Company 55, manufacturer of men's clothing.¹ In 1938 Company 55 devoted 90% of its advertising appropriation to localizing-general advertisements or advertisements over the retailer's name in the rotogravure sections of Sunday newspapers; and 10% to dealer sales helps. In cities where Company 55 had only one account, the retailer's name appeared at the bottom of the advertisement instead of the manufacturer's name. In cities where Company 55 had more than one account, the company's name appeared at the bottom of the advertisement; dealers' names were listed in one column of the advertisement. The company paid 100% of the cost of the newspaper advertisements and used them to build and maintain brand preference.

When advertising is placed over the retailer's name, and is paid for 100% by the manufacturer, the company has complete control of the expenditure per market, the selection of the newspaper to use, the character of the copy, and the schedule. Such control is very desirable under circumstances in which the advertising program includes no other product-reputation advertising either by the manufacturer or by the retailers.

As a further advantage, this method is well designed for use when the manufacturer has only a small advertising appropriation with which to

¹Evidence collected by questionnaire.

work. The number of cities in which newspaper advertising is placed can be limited as required by the funds available. Moreover, as advertising funds increase, the company can add cities to the advertising schedule in the order of the size of the potential markets available in each.²

Product-reputation advertising placed by the manufacturer over the retailer's name has the advantage of performing two functions: (1) it builds and maintains brand preference; (2) it identifies the manufacturer's brand with the name of the local dealer.

This type of advertising is well suited for use when a product has spotty distribution. Waste circulation can be avoided, under such circumstances, by placing newspaper advertising only in cities where the company has distribution.

The plan is not without its disadvantages, however. When product-reputation advertising is desired in most cities in the United States with a population of 2,500 and over, newspaper advertising over the retailer's name requires a substantially larger advertising expenditure than general advertising in national magazines.³ Therefore, when the advertising appropriation is not large enough to permit the use of newspapers in all of the cities in which the product is sold, manufacturers whose products have national distribution will find it advantageous to place their product-reputation advertising in magazines with national circulation.⁴

²According to Ben Duffy, 93 metropolitan areas contain 47.9% of the population over 18 years of age, and this 47.9% is responsible for 61.1% of the total retail sales. Therefore, he continues, "It is wise for advertisers with limited appropriations to direct their advertising toward these leading markets." (Duffy, *op. cit.*, p. 30.)

³This point is developed in the commentary on the Holburn Shoe Company (A), Chapter V, pp. 51-56.

⁴Duffy has this to say about the relatively high cost of securing national coverage through newspaper advertising: "In many cases where the advertising appropriation is not large enough to use local media in all the markets in which the product is sold, manufacturers whose products have nation-wide distribution advertise in magazines with national circulation to promote the sale of their products effectively and economically throughout the country. By the use of magazines they buy national coverage and thereby secure advertising representation in all the possible markets." (Duffy, *op. cit.*, p. 110.)

Outside of six metropolitan centers, few cities in the country have more than two morning and two evening newspapers.¹ Thus in a large proportion of the cities a manufacturer is forced to advertise in newspapers which reach all income classes. When a product sells only among people in the upper income groups, newspaper advertising over the retailer's name involves a substantial amount of waste circulation among people who cannot buy the product. Magazines, on the other hand, offer a better means of reaching the upper income groups than do newspapers.²

Generally speaking, newspapers circulate among both men and women. Consequently, when a product sells only to women, or only to men, the use of newspaper advertising over the retailer's name involves waste circulation. In contrast, magazines can be selected which circulate almost exclusively among people of the desired sex.

From the foregoing discussion, it is evident that several circumstances favor the use of advertising over the dealer's name, paid for by the manufacturer. It is understood, of course, that such advertising should only be used when there is a good opportunity to build a strong brand preference. Beyond that, however, this plan is favored when the manufacturer has spotty distribution and when magazine advertising therefore involves a substantial amount of waste circulation. Also, the plan is well adapted to situations in which the advertising appropriation is too small to permit an adequate campaign of general advertising in magazines in addition to making adequate provision for the essential dealer advertising and promotion.

Reliance upon Cooperative Advertising Done by Dealer

The case of the Burkhardt Company, manufacturer of men's clothing, illustrates the plan of relying upon cooperative advertising done by the dealers to build and maintain brand preference. In 1938 the advertising expenditures of this com-

pany were concentrated primarily upon dealer cooperative advertising and secondarily upon dealer sales helps. Inasmuch as general advertising in magazines had been eliminated from the advertising program in 1931, the Burkhardt Company relied upon the cooperative advertising done by dealers to create and maintain brand preference. This plan was implemented by a ruling requiring dealers to run only advertisements prepared by the Advertising Department of the Burkhardt Company. No alterations were permitted in the text or illustration of advertisements furnished, nor could additional text be inserted; however, the company furnished dealers with a large number of advertisements from which to build a campaign.

Provided steps are taken to make certain that some product-reputation advertising is placed, dealer cooperative advertising may be used to perform two promotional tasks at the same time. First, it may be used to build and maintain brand preference. Secondly, it may be used to identify the local source of supply. In this respect, dealer cooperative advertising differs from general advertising.

Inasmuch as dealer cooperative advertising appears in media with local circulation, there is no geographical waste circulation involved in its use to promote products with spotty distribution.

On the other hand, under the dealer cooperative advertising plan there is often no certainty that an adequate amount of product-reputation advertising will be placed to build or maintain brand preference. It is true that this plan worked out satisfactorily in the Burkhardt case, cited above. The fact that the Burkhardt Company manufactured a high-grade product which was sold through high-grade retailers, however, made complete control of cooperative advertising copy possible. But in a large proportion of cases such strict regulation of cooperative advertising copy is not possible, and the preparation of advertisements must be left in the hands of the dealers. Inasmuch as dealers tend to prefer copy that produces immediate sales results, the cooperative advertisements are likely to concentrate on direct action inducements and neglect to emphasize product advantages upon which the brand reputation might be built.

In contrast, under both of the plans previously discussed, the character of the advertisements is determined by the manufacturer.

¹Agnew and Dygert, *op. cit.*, pp. 247 and 248.

²For a discussion of newspapers vs. magazines for a product purchased by families with incomes of \$1,500 to \$5,000, see the commentary on the Holburn Shoe Company, Chapter V, p. 55.

The experiences of The Maytag Company and the Durbin Corporation suggest that the dealer cooperative advertising plan is likely to be less effective than other methods from the standpoint of building and maintaining brand preference.¹ The manufacturer is likely to do a better job of media selection, of scheduling, and of copy preparation than the dealer would do as long as the objective is to build and maintain brand preference.

A pronounced disadvantage of dealer cooperative advertising grows out of the fact that expenditures cannot be adjusted to the job to be done in different markets. Instead, such expenditures must be related to dealer purchases and sales and must be offered to all dealers on a proportionately equal basis. When the manufacturer relies upon cooperative advertising to build and maintain brand preference, this difficulty is a serious one.

If cooperative advertising is placed in newspapers, the same difficulties are experienced with waste circulation when the product sells to the upper income groups, or to one sex, as under the plan of advertising over the dealer's name, paid for by the manufacturer.

Assuming that there is a good opportunity to build a strong brand preference for the product, the use of cooperative advertising done by the dealer is favored by the following conditions: (1) when dealers will run company-prepared advertisements; (2) when distribution is spotty; (3) when the advertising appropriation is limited.

Also, it should be noted that the plan of building brand preference through the use of cooperative advertising done by dealers is inconsistent with the use of the following procedures for securing advertising over the retailer's name featuring the manufacturer's brand: (1) the plan of requiring dealers to cover the entire cost of all advertising over the retailer's name; (2) the plan of using advertising over the retailer's name, paid for by the manufacturer.

CAN ADVERTISING APPROPRIATION BE SUFFICIENT FOR EFFECTIVE USE OF PROGRAM TYPES 1 AND 3?

In the previous chapter it was shown that even when all other considerations are favorable to the

¹Refer to the footnotes on pp. 92 and 93, citing the experience of these companies.

use of advertising programs Type 1 and Type 3, there is a minimum advertising appropriation below which these programs cannot be used so effectively as some other type of program. The size of this minimum appropriation was shown to vary for different products and different companies.

In building an advertising program for a specific brand, therefore, manufacturers considering the use of programs Type 1 or Type 3 should ask themselves if they can afford to appropriate a sum large enough to permit effective use of such a program. Analysis of this question involves two steps: (1) an estimate of the size of the appropriation necessary to make possible an effective Type 1 or Type 3 program; (2) a comparison of this figure with what the company can afford to appropriate.

In estimating the size of the appropriation necessary to make possible an effective Type 1 or Type 3 advertising program, two questions must be answered: (1) How much must the company contribute in order to secure an adequate volume of dealer advertising and promotion? (2) How much must the company spend in order to insure an effective campaign of general advertising. The factors which should be taken into account in answering these two questions will be discussed in the following pages.

Expenditure Necessary to Insure Adequate Volume of Dealer Advertising

The amount of money necessary to secure an adequate amount of dealer advertising and promotion varies for different products and companies. The size of this figure tends to depend upon (a) the size of the gross margin which the manufacturer allows his retail dealers, and (b) the amount of advertising and promotion which the dealers will provide without financial aid from the manufacturer.

The size of the gross margin allowed retailers has an important influence upon the amount of advertising which these retailers can be expected to provide without financial assistance from the manufacturer. One manufacturer may set the gross margin at a percentage which will allow the retailers to earn a satisfactory profit only if no expense is incurred for promoting the manufacturer's brand in the local market. Another

manufacturer may set the gross margin at a percentage which is large enough to permit the dealers to absorb the entire cost of all promotional activity designed to enhance the sales of the manufacturer's brand in their local markets and still leave these dealers a satisfactory net profit. Obviously, the second manufacturer could reasonably expect his retailers to spend more of their own money promoting his brand than could the first manufacturer.

Evidence on this point is provided by the contrasting practices of two manufacturers of gas ranges: Henshaw Gas Stove Company and Company 65.¹ Company 65 granted its retail dealers an average discount of 40% off the suggested retail price. The advertising appropriation of under \$50,000 was divided as follows: dealer cooperative advertising, 70%; dealer sales helps, 20%; advertising to the trade, 2%; other advertising expenditures, 8%. Thus, Company 65 contributed 90% of its advertising appropriation to assist its retail dealers in their local advertising (dealer cooperative advertising, 70%, plus dealer sales helps, 20%).

In contrast, Henshaw Gas Stove Company granted its retail dealers discounts of 55% and 5% off the suggested retail price. The advertising appropriation of \$44,513 was divided as follows: advertising to the trade, 31%; dealer sales helps, 30%; general advertising, 15%; dealer cooperative advertising, 10%; advertising to architects, builders, and operators, 7%; other advertising expenditures, 7%. Hence, the Henshaw company contributed only 40% of its advertising appropriation to assist retail dealers in their local advertising.

Because the Henshaw company granted its dealers discounts equal to 57-1/4% (55% and 5%), while Company 65 granted its dealers discounts of only 40%, Henshaw could normally expect its dealers to assume a larger proportion of the cost of the necessary local advertising than could Company 65. Thus, although Company 65 believed it desirable to contribute 90% of its advertising appropriation to dealer advertising, the Henshaw company believed it necessary to contribute only 40% of its appropriation for the same purpose.²

¹Evidence collected by mail questionnaire.

²With a dealer discount of 57-1/4%, the Henshaw Company could certainly expect the dealers to cover a larger part of the cost of local ad-

Viewed in this light, the contrasting practices of the Henshaw company and Company 65 are quite understandable.

The influence of the contrasting discount policies upon the minimum advertising appropriation necessary to make possible effective use of advertising programs Type 1 and Type 3 now becomes apparent. Assuming both of these companies had \$167,000 to work with and that the contribution to dealer advertising remained the same percentage of the appropriation, Company 65 would find it necessary to set aside \$150,300 for dealer cooperative advertising and dealer sales helps, while the Henshaw company would find it necessary to set aside only \$66,800. Company 65 would have only \$16,700 available for other kinds of advertising, a sum too small to make possible an effective campaign of general advertising in national magazines. In contrast, the Henshaw company would have \$100,200 available for general advertising in national magazines, an amount large enough to make possible an effective campaign of magazine advertising.

In short, with an appropriation of \$167,000, the policy of granting dealers a 40% discount would make it desirable for Company 65 to concentrate its advertising funds upon dealer cooperative advertising and dealer sales helps (advertising program Type 2). On the other hand, Henshaw could expect its dealers to bear a much larger part of the cost of local advertising because of the 57-1/4% discount which they received. Thus, Henshaw could divide its funds into 60% for general advertising, 30% for dealer sales helps, and 10% for dealer cooperative advertising (advertising program Type 3). For Henshaw, program Type 3 would be more effective than program Type 2, provided the dealers actually spent what they were

vertising without company assistance than could Company 65. The fact that dealers did not do an adequate volume of local advertising appears to be the result of poor execution of the policy by Henshaw. The Maytag Company and Roycroft Company both secured a satisfactory volume of local advertising without granting dealer cooperative advertising allowances. In short, if the policy of setting discounts high enough to allow dealers to cover 100% of the local advertising cost out of their margin is to work, it must be supplemented by efforts designed to stimulate local advertising and by controls to make certain that such advertising is done.

supposed to for local advertising out of their 57-1/4% discounts.

In order to complete the illustration, it is desirable to estimate the size of the appropriation which would be necessary before Company 65 could make effective use of advertising program Type 1. Assuming that Company 65 must contribute \$150,000 to dealer advertising, then an appropriation of approximately \$250,000 would be required before advertising program Type 1 could be used more effectively than advertising program Type 2.

In summary, these two illustrations show that the size of the discount allowed retail dealers tends to determine the amount of money which the manufacturer must contribute in order to insure an adequate volume of dealer advertising. The size of the sum necessary to guarantee an adequate amount of dealer advertising, in turn, tends to influence the minimum advertising appropriation necessary to make possible effective Type 1 or Type 3 programs.

Quite aside from differences growing out of varying dealer discounts, the amount of local advertising which different types of retailers will do without financial aid from the manufacturer tends to vary. Thus, a manufacturer distributing through department stores might reasonably expect more local advertising than a manufacturer distributing through hardware stores. Department stores tend to be more aggressive advertisers than hardware stores. Similar differences tend to exist among other types of retailers.

This point is illustrated by the experience of the Frazier Company, manufacturer of electric ranges. It is estimated that in 1924, 90% of the sales of Frazier electric ranges were made through the merchandising departments of public utilities. Because of their interest in promoting the sales of electricity, these dealers did an aggressive job of advertising the Frazier range locally. Between 1924 and 1938 the percentage of Frazier sales made through public utilities declined from 90% to 50%. During the same period the percentage of Frazier sales made through department, furniture, hardware, and electrical stores increased from 10% to 50%. This trend created a problem, since department, furniture, hardware, and electrical stores had to earn their profit from the gross margin allowed on the electric range. Consequently, such stores

could not be expected to bear so heavy a burden for local advertising as could the public utilities. The company found that the dealer cooperative advertising allowances devised to meet the needs of public utilities were not adequate for these other types of stores. This problem constituted one reason for increasing the proportion of the advertising appropriation devoted to dealer cooperative advertising from 11.5% in 1928 to 23.1% in 1937.

In a word, this case illustrates the point that the amount of local advertising which can be expected from different types of retailers varies even when dealer discounts would permit the expenditure of the same percentage of sales for local advertising. Hence, a company using retailers who are aggressive advertisers may have to contribute less to insure an adequate amount of local advertising than a company distributing through retailers who are not aggressive advertisers. The minimum appropriation necessary to permit effective use of advertising programs Type 1 and Type 3 would tend to be smaller for the first company than for the second company.

In conclusion, it has been shown that the amount of money which the manufacturer must allocate to dealer cooperative advertising and dealer sales helps tends to vary considerably among different companies. The sum tends to be largest when dealer discounts do not provide for dealer advertising and when the types of retailers through which the product is distributed are not aggressive advertisers. The sum tends to be smallest when dealer discounts make provision for all the dealer advertising necessary and when, in addition, the types of retailers through which the product is distributed tend to be aggressive advertisers.

Expenditure Necessary to Insure Effective Campaign of General Advertising

In addition to the foregoing factor, the size of the expenditure needed to provide for an effective campaign of general advertising tends to influence the size of the minimum appropriation needed to permit the effective use of advertising programs Type 1 and Type 3. The amount necessary to provide for an effective program of general advertising varies considerably among different companies. For example, three manufacturers of

shoes, in order to make possible an adequate campaign of general advertising, required the following amounts: Roycroft Shoe Company, \$45,600; Holburn Shoe Company, \$100,000; Company 105, \$225,000.

The Roycroft Shoe Company manufactured high-style women's shoes retailing at \$11.75 to \$24.75. In contrast to the previous case, the Roycroft Shoe Company had been able to build an adequate general advertising campaign with an expenditure of only \$45,600. An adequate campaign at this exceptionally low figure was possible because Roycroft chose to develop a reputation for style leadership by promoting individual Roycroft styles created each season, instead of following the alternative approach of building brand reputation by featuring appeals based upon the comfort and wearing qualities of its shoes. By featuring new styles, Roycroft could direct its advertising to a relatively small group of style leaders, instead of attempting to cover all women in the middle and upper income groups. Since the company was promoting new styles, general advertising could be concentrated at the beginning of each season. In contrast, if appeals based upon comfort and wearing qualities were used, a schedule similar to that used by Holburn would have been necessary. In short, Roycroft could accomplish its objectives with an expenditure of \$45,600 whereas Holburn required \$100,000. The Roycroft approach, however, is probably limited to manufacturers of high-price style products who have demonstrated their ability to originate new styles successfully.

The Holburn Shoe Company sold women's shoes under the Diana brand at the single retail price of \$6.50. It is estimated that the minimum cost of an adequate campaign of general advertising in women's magazines would be approximately \$100,000. Such a campaign would require half-page and full-page insertions in Ladies' Home Journal, McCall's, Woman's Home Companion, Vogue, and Harper's Bazaar during the months of March, April, May, August, September, October, and November.

Company 105 sold a complete line of men's, women's, and children's shoes in both low-price and medium-price lines and in work, corrective, and style types.¹ While the \$100,000 would

¹This evidence was secured by personal interview.

probably be adequate to make possible an effective program of general advertising for Holburn, it was estimated by an official of Company 105 that at least \$225,000 would be required in order to make possible an effective campaign of general advertising for his company's line.

Because Company 105 had to sell to men, women, and children, the advertising program had to be planned to reach these three separate markets. The sale of work shoes made it necessary to reach farmers and industrial workers. Inasmuch as each classification of shoes was sold in as many as five or six grades, the campaign directed to a given sex had to be aimed at several income groups. In view of the character of the market, one can understand why company officials felt that at least \$225,000 would be required in order to make an effective campaign of magazine advertising possible.

In conclusion, the three examples cited indicate that it may require all the way from \$45,000 to \$225,000 to make possible an adequate campaign of general advertising, the size of the expenditure depending upon individual circumstances. Thus, it is evident that this factor may cause substantial variation in the minimum appropriation necessary to make possible the effective use of advertising programs Type 1 and Type 3. For example, if it is assumed that each of the foregoing manufacturers had to contribute \$200,000 toward the cost of dealer advertising, then the minimum appropriation needed to make effective use of advertising program Type 1 would be \$245,000 for Roycroft, \$300,000 for Holburn, and \$425,000 for Company 105.

Comparison of Estimated Expenditure with Possible Appropriation

As indicated in the preceding discussion, an estimate of the amount necessary to make possible an effective Type 1 or Type 3 advertising program involves two considerations: (1) How much must the company contribute in order to secure an adequate volume of dealer advertising and promotion? (2) How much must the company spend in order to insure an effective campaign of general advertising? The addition of these two amounts will indicate the estimated expenditure necessary to make possible an effective advertising program of the type under consideration.

The next step in the analysis is to compare the estimated necessary advertising expenditure with the amount that the company can afford to appropriate. If the estimated expenditure exceeds the possible appropriation by a substantial amount, then the manufacturer would do well to consider some other type of advertising program which

will accomplish the desired objectives at a smaller cost. But if the estimated advertising expenditure approximates the possible appropriation, then the manufacturer may proceed with his plans in the assurance that their effective execution will not be prevented by inadequate funds.

ANALYTICAL APPROACH SUMMARIZED

In the preceding pages an approach has been suggested for the solution of the problems encountered in building effective advertising programs to promote products with selected distribution. This approach breaks the problem down into two parts: (1) definition of the basic promotional strategy; (2) decision concerning the methods to be followed in achieving the desired objectives.

In determining the basic promotional strategy, the following points should be considered. First, should the manufacturer attempt to build brand preference through product-reputation advertising, or should the strategy be to get the retailer actively to sponsor the manufacturer's brand? Secondly, should strong direct action inducements be injected into part or all of the advertising program in order to stimulate immediate sales? Thirdly, should active steps be taken to make

certain that dealer advertising and promotion will be undertaken which will identify the manufacturer's brand with the local outlet? The answers to these questions will determine the basic characteristics of the promotional strategy to be followed in building the advertising program.

In deciding upon the methods to be followed in achieving the desired promotional objectives, three questions should be raised. First, which method should be adopted for making certain that an adequate amount of advertising is placed over the dealer's name? Secondly, which method should be used to stimulate brand preference? Thirdly, when decisions on previous issues suggest the use of advertising programs Type 1 or Type 3, can the company make an advertising appropriation large enough to permit the effective use of this program?

APPENDIX

RESULTS OF EXPERIMENTAL ANALYSES OF ADVERTISING PROGRAMS

PERCENTAGE ALLOCATION OF ADVERTISING APPROPRIATIONS CLASSIFIED BY PRODUCT GROUPS

The first step in the analysis of the statistical data secured was an attempt to discover whether there was any typical division of advertising expenditures by kinds of advertising for a given product.

In order to get "typical" figures, the ratios spent on a given type of advertising were ranked according to size. The interquartile average was then computed.

In general, the individual percentages allocated to different kinds of advertising in the promotion of different brands of the same product varied widely from the computed averages. Hence, these averages could not be accepted as representing the typical practice in the division of funds among different kinds of advertising.

The averages resulting from these computations are presented on the following pages.

Exhibit A. Advertising Expenditures for Manufacturers of Women's Shoes¹ Classified by Kinds of Advertising

Note: The percentages in each column are arranged in order of size, and hence the figures in each horizontal row are not figures for the same firm.

| Type of Average | Percentage of Advertising Appropriation Allocated to | | | | | |
|------------------------|--|----------------------------------|---------------------------------|-----------------------------------|-------|---|
| | General Advertising | Advertising over Retailer's Name | Dealer Sales Helps ² | Advertising to Trade ² | Other | Advertising over Retailer's Name Plus Dealer Sales Helps ² |
| | 30% | 9% | 5% | 0% | 0% | 34% |
| | 30 | 20 | 15 | 1 | 0 | 35 |
| | 33 | 20 | 15 | 2 | 0 | 41 |
| | 48 | 22 | 19 | 3 | 1 | 45 |
| | 49 | 30 | 20 | 5 | 4 | 45 |
| | 50 | 33 | 25 | 7 | 10 | 53 |
| | 55 | 33 | 33 | 10 | 16 | 66 |
| | 60 | 40 | | | 27 | |
| Arithmetic Average | 44.4% | 25.9% | 18.9% | 4.0% | 7.3% | 45.6% |
| Inter-quartile Average | 45.0% | 26.3% | 18.0% | 3.3% | 3.7% | 43.7% |

¹ Five of the companies reported for the year 1937 and three for 1938.

² One firm reported that 30% of its advertising expenditure was for Dealer Sales Helps and Advertising to Trade. Since exact figures were lacking, the averages were calculated from data reported by seven firms.

Exhibit B. Advertising Expenditures Classified by Product and by Kind of Advertising

Note: The percentages for each group in each column are arranged in order of size, and hence the figures in each horizontal row are not figures for the same firm.

| Product | Type of Average | Percentage of Advertising Appropriation Allocated to | | | | |
|--|--------------------------|--|----------------------------------|--------------------|----------------------|-------|
| | | General Advertising | Advertising over Retailer's Name | Dealer Sales Helps | Advertising to Trade | Other |
| Men's Shoes ¹ | | 10% | 0% | 10% | 0% | 7% |
| | | 18 | 9 | 36 | 1 | 7 |
| | | 20 | 15 | 37 | 2 | 7 |
| | | 25 | 20 | 43 | 10 | 9 |
| | | 34 | 35 | 44 | 16 | 12 |
| | | 38 | 60 | 75* | | |
| | Arithmetic Interquartile | 24.2% | 23.2% | 34.0% | 5.8% | 8.4% |
| | 24.3 | 19.8 | 40.0 | 4.3 | 7.7 | |
| Men's, Women's, and Children's Shoes | | 0% | 0% | 20% | 3% | 7% |
| | | 4 | 1 | 20 | 38 | 10 |
| | | 40 | 30 | 47 | 40 | 40 |
| | Arithmetic | 14.7% | 10.3% | 29.0% | 27.0% | 19.0% |
| Men's Clothing | | 0% | 3% | 10% | 0% | 0% |
| | | 0 | 30 | 10 | 0 | 0 |
| | | 0 | 50 | 12 | 0 | 0 |
| | | 0 | 55 | 15 | 3 | 0 |
| | | 2 | 68 | 18 | 5 | 5 |
| | | 7 | 75 | 30 | 8 | 10 |
| | | 30 | 90 | 50 | 10 | 10 |
| | Arithmetic Interquartile | 10.3% | 53.0% | 20.7% | 8.3% | 4.4% |
| | 2.3 | 57.7 | 15.0 | 4.0 | 3.8 | |
| Ladies' Full-Fashioned Silk Hosiery ² | | 0% | 0% | 10% | 0% | 0% |
| | | 0 | 10 | 28 | 0 | 10 |
| | | 4.5 | 38 | 33 | 2 | 11 |
| | | 14 | 40 | 40 | 7 | 12 |
| | | 30 | 44.5 | 40 | 8 | 18 |
| | | 30 | 90 | 45 | 10 | 25 |
| | Arithmetic Interquartile | 13.1% | 37.1% | 32.7% | 4.5% | 12.7% |
| | 12.1% | 33.1 | 35.3 | 4.3 | 12.8 | |
| Mechanical Refrigerators ³ | | 20% | 20% | 9% | 2% | 0% |
| | | 25 | 21 | 11 | 3 | 2 |
| | | 33 | 26 | 12 | 3 | 5 |
| | | 44 | 39 | 21 | 10 | 14 |
| | | 51 | 59 | 40 | 12 | 18 |
| | Arithmetic Interquartile | 34.6% | 33.0% | 18.6% | 6.0% | 7.8% |
| | 34.0 | 28.7 | 14.7 | 5.3 | 7.0 | |
| Corsets ⁴ | | 0% | 20% | 0% | 0% | 0% |
| | | 15 | 25 | 10 | 0 | 0 |
| | | 40 | 40 | 10 | 5 | 0 |
| | | 45 | 50 | 15 | 10 | 5 |
| | | 60 | 50 | 30 | 40 | 30 |
| | Arithmetic Interquartile | 32.0% | 37.0% | 13.0% | 11.0% | 7.0% |
| | 33.3 | 38.3 | 11.7 | 5.0 | 1.7 | |
| Gas Ranges ⁴ | | 0% | 0% | 20% | 2% | 8% |
| | | 0 | 5 | 27 | 25 | 8 |
| | | 5 | 8 | 32 | 29 | 10 |
| | | 15 | 11 | 37 | 34 | 13 |
| | | 16 | 70 | 65 | 45 | 15 |
| | Arithmetic Interquartile | 7.2% | 18.8% | 36.2% | 27.0% | 10.8% |
| | | 6.7 | 8.0 | 32.0 | 29.3 | 10.3 |
| Electric Washers ⁵ | | 0% | 0% | 15% | 0% | 5% |
| | | 0 | 15 | 21 | 3 | 5 |
| | | 50 | 46 | 27 | 5 | 9 |
| | | 65 | 75 | 37 | 5 | 17 |
| | Arithmetic | 28.8% | 34.0% | 25.0% | 3.3% | 9.0% |

Exhibit B. Advertising Expenditures Classified by Product and by Kind of Advertising (Continued)

| Product | Type of Average | Percentage of Advertising Appropriation Allocated to | | | | |
|---|-----------------|--|----------------------------------|--------------------|----------------------|-------|
| | | General Advertising | Advertising over Retailer's Name | Dealer Sales Helps | Advertising to Trade | Other |
| Paints and Varnishes ⁴ | | 0% | 0% | 15% | 0% | 0% |
| | | 0 | 5 | 48 | 1 | 19 |
| | | 0 | 5 | 55 | 3 | 20 |
| | | 26 | 30 | 100 | 20 | -- |
| | | 54 | # | # | # | -- |
| | Arithmetic | 16.0% | 10.0% | 54.5% | 6.0% | 13.0% |
| Passenger Automobiles ⁴ | | 30% | 0% | 4% | 0% | 3% |
| | | 47 | 23 | 5 | 2 | 5 |
| | | 90 | 60 | 10 | 3 | 18 |
| | | Arithmetic | 55.7% | 27.7% | 6.3% | 1.7% |
| Pianos ⁴ | | 3% | 0% | 15% | 12% | 0% |
| | | 40 | 0 | 30 | 30 | 0 |
| | | 70 | 0 | 45 | 50 | 3 |
| | | Arithmetic | 38.3% | 0% | 30.0% | 30.7% |
| Radios ⁴ | | 10% | 33% | 5% | 0.5% | 2.5% |
| | | 32 | 48 | 17 | 10.0 | 5.0 |
| | | 67 | 60 | -- | -- | -- |
| | | Arithmetic | 36.3% | 47.0% | 11.0% | 5.3% |
| Men's Hats ⁴ | | 55% | 0% | 5% | 0% | 0% |
| | | 66 | 0 | 15 | 5 | 0 |
| | | 80 | 40 | 22 | 8 | 4 |
| | | Arithmetic | 67.0% | 13.3% | 14.0% | 4.3% |
| Electric Ranges ⁶ | | 0% | 5% | 35% | 7% | 0% |
| | | 34 | 23 | 60 | 25 | 7 |
| Tires and Tubes | | 2.5% | 32% | 32% | 4% | 0% |
| | | 32 | 35 | 37 | 14.5 | 11 |
| Miscellaneous: Ice Refrigerators Coal Stokers Space Heaters Electric Cleaners Men's Sportwear Hosiery: Men's women's, children's | | 30% | 0% | 10% | 10% | 50% |
| | | 80 | 0 | 5 | 10 | 5 |
| | | 46 | 23 | 16 | 7 | 7 |
| | | 79 | 0 | 6 | 1 | 13 |
| | | 35 | 35 | 18 | 5 | 7 |
| | | 12 | 69 | 17 | 0 | 2 |

⁰ Includes dealer sales helps and other advertising. This figure has been excluded in calculating the arithmetic average.

¹ One firm reported that more than 50% of the advertising expenditure was for advertising over the retailer's name and that less than 50% was for dealer sales helps. Since exact figures were lacking, the averages were calculated from data reported by seven firms.

² One firm reported that cooperative newspaper advertising and dealer sales helps were used but did not provide exact percentage figures.

³ Three companies reported data for 1937 and three for 1938.

⁴ One company reported data for 1937 and five companies reported data for 1938.

⁵ Data for 1938. In the case of one firm, the percentages are estimates based on more detailed information reported for 1937.

⁶ Data for 1938.

⁷ Two companies reported data for 1937, one for 1938, and one for 1939.

⁸ One company reported data for 1937, and one for 1938.

**CLASSIFICATION OF ADVERTISING PROGRAMS ACCORDING TO THE
PROPORTIONS OF THE ADVERTISING APPROPRIATION DEVOTED
TO MAJOR KINDS OF ADVERTISING**

In order to develop a method of classifying advertising programs, questionnaires were grouped according to the relative proportion of the advertising appropriation devoted to the major kinds of advertising, disclosed by answering the following questions: (1) Was a larger proportion of the ap-

propriation devoted to general advertising or to advertising and promotion through dealers? (2) Was a larger proportion of the appropriation devoted to space advertising or to dealer sales helps?

The results of this classification are presented on the following pages.

**Exhibit C. Classification of Advertising Programs into Broad Types
for 30 Companies Representing 9 Different Product Groups**

| Product | Number of Companies | Ratio of Companies Following Designated Programs to Number of Companies in Product Class: | | | |
|-----------------------|---------------------|---|--|---|---|
| | | First Method of Classification | | Second Method of Classification | |
| | | Provision for General Advertising Greater than for Advertising through Retailers | Provision for Advertising through Retailers Greater than for General Advertising | Provision for Space Advertising Greater than for Dealer Sales Helps | Provision for Dealer Sales Helps Greater than for Space Advertising |
| Gas Ranges | 5 | None | 5/5 | 1/5 | 4/5 |
| Electric Washers | 4 | 2/4 | 2/4 | 4/4 | None |
| Paint | 5 | 1/5 | 4/5 | 1/4* | 3/4* |
| Passenger Automobiles | 3 | 2/3 | 1/3 | 3/3 | None |
| Pianos | 3 | 2/3 | 1/3 | 2/3 | 1/3 |
| Radios | 3 | 1/3 | 2/3 | 3/3 | None |
| Men's Hats | 3 | 3/3 | None | 3/3 | None |
| Electric Ranges | 2 | None | 2/2 | 1/2 | 1/2 |
| Tires and Tubes | 2 | None | 2/2 | 1/2† | † |

* One firm did not report data.

† For one company equal amounts were allocated for space advertising and dealer sales helps.

**Exhibit D. Classification of Advertising Programs
According to Relative Emphasis Given to Major Kinds of Advertising**

| Product | Kind of Advertising Emphasized | Company Code | Percentage of Advertising Appropriation ¹ Allocated to | | | | | |
|--------------------------------------|---|---------------------|---|----------------------------------|--------------|--------------------|----------------------|--|
| | | | General | Advertising over Retailer's Name | | Dealer Sales Helps | Advertising to Trade | Advertising over Retailer's Name plus Dealer Sales Helps |
| | | | | Dealer Co-operative | Factory Paid | | | |
| Women's Shoes | General Advertising | 12 | 60% | 20% | 0% | 20%* | 20%* | 20%-40%* |
| | | 31 | 50 | 20 | 0 | 15 | 5 | 35 |
| | Advertising and Promotion through Retailers | Roycroft | 49 | 9 | 0 | 25 | 1 | 34 |
| | | Holburn | 55 | 0 | 40 | 5 | 0 | 45 |
| | | 103 | 48 | 30 | 0 | 15 | 7 | 45 |
| | | 104 | 30% | 33% | 0% | 33% | 3% | 66% |
| | | 39 | 33 | 33 | 0 | 20 | 10 | 53 |
| | | 106 | 30 | 22 | 0 | 19 | 2 | 41 |
| Men's Shoes | General Advertising | None | | | | | | |
| | Advertising and Promotion through Retailers | 102 | 10% | 35% | 43% | 0% | 78% | |
| | 20 | 20 | 60 | 10 | 1 | 70 | | |
| | 101 | 25 | 0 | 75/ | -- | 75/ | | |
| | 40 | 18 | 15 | 44 | 16 | 59 | | |
| | Eurwind | 34 | 20 | 37 | 2 | 57 | | |
| 13 | 38 | 9 | 36 | 10 | 45 | | | |
| Men's, Women's, and Children's Shoes | General Advertising | None | | | | | | |
| | Advertising and Promotion through Retailers | 105 | 4% | 1% | 47% | 38% | 48% | |
| | 15 | 0 | 0 | 20 | 40 | 20 | | |
| | 38 | 40 | 30 | 20 | 3 | 50 | | |
| Men's Clothing | General Advertising | None | | | | | | |
| | Advertising and Promotion through Retailers | Burkhardt | 0% | 100%# | 0% | # | -- | 100% |
| | 55 | 0 | 0 | 90 | 10% | 0% | 100 | |
| | 30 | 0 | 75 | 0 | 12 | 3 | 87 | |
| | 58 | 0 | 50 | 0 | 30 | 10 | 80 | |
| | 11 | 7 | 68 | 0 | 10 | 5 | 78 | |
| | 44 | 2 | 3 | 0 | 50 | 40 | 53 | |
| | 22 | 30 | 55 | 0 | 15 | 0 | 70 | |
| Chadborn | 43 | 30 | 0 | 18 | 8 | 48 | | |
| Ladies' Full-Fashioned Silk Hosiery | General Advertising | None | | | | | | |
| | Advertising and Promotion through Retailers | 43 | 0% | 90% | 0% | 10% | 0% | 100% |
| | 24 | 0 | 40 | 0 | 40 | 2 | 80 | |
| | Reber | 4.5 | 37 | 7.5 | 33 | 7 | 77.5 | |
| | 27 | 14 | 38 | 0 | 28 | 8 | 66 | |
| | 28 | 30 | 10 | 0 | 40 | 10 | 50 | |
| 9 | 30 | 0 | 0 | 45 | 0 | 45 | | |
| Mechanical Refrigerators (1938) | General Advertising | 5 | 51% | 21% | 11% | 3% | 32% | |
| | Advertising and Promotion through Retailers | Durbin ² | 20% | 59% | 9% | 12% | 68% | |
| | 29 | 25 | 20 | 40 | 10 | 60 | | |
| | 4 | 33 | 26 | 21 | 2 | 47 | | |
| | 112 | 44 | 39 | 12 | 3 | 51 | | |
| Corsets | General Advertising | 25 | 60% | 40% | 0% | 0% | 40% | |
| | 19 | 45 | 25 | 15 | 10 | 40 | | |
| | Advertising and Promotion through Retailers | 47 | 0% | 50% | 10% | 40% | 60% | |
| | 32 | 15 | 20 | 30 | 5 | 50 | | |
| | 46 | 40 | 50 | 10 | 0 | 60 | | |

* Includes dealer sales helps and advertising to trade.

/ Includes dealer sales helps and other advertising not specified.

Expense for dealer sales helps included with Dealer Cooperative Advertising.

² Durbin figures for 1938 were estimates based on information provided by company executives and the actual division of expenditures for 1937.

³ Provision was made by some companies for other advertising not specified in this table.

**Exhibit E. Comparison of Percentages of Advertising Appropriation
Devoted to Space Advertising and Dealer Sales Helps
Grouped According to Importance of Space Advertising**

| Product | Company Code | Percentage of Advertising Appropriation Allocated to | | |
|--------------------------------------|--------------|--|--------------------|--|
| | | Space Advertising | Dealer Sales Helps | Space Advertising Minus Dealer Sales Helps |
| Women's Shoes | Holburn | 95% | 5% | 90% |
| | 12 | 80 | 20* | 60-80 |
| | 103 | 78 | 15 | 63 |
| | 31 | 70 | 15 | 55 |
| | 39 | 66 | 20 | 46 |
| | 104 | 66 | 33 | 33 |
| | 106 | 52 | 19 | 33 |
| | Roycroft | 58 | 34 | 24 |
| Men's Shoes | 20 | 80% | 10% | 70% |
| | Burwind | 54 | 37 | 17 |
| | 13 | 47 | 36 | 11 |
| | 102 | 45 | 43 | 2 |
| | 40 | 33 | 44 | -11 |
| | 101 | 25 | 75/ | -50/ |
| Men's, Women's, and Children's Shoes | 38 | 70% | 20% | 50% |
| | 15 | 0 | 20 | -20 |
| | 105 | 5 | 47 | -42 |
| Men's Clothing | 55 | 90% | 10% | 80% |
| | 22 | 85 | 15 | 70 |
| | 30 | 75 | 12 | 63 |
| | 11 | 75 | 10 | 65 |
| | Chadborn | 73 | 18 | 55 |
| | 58 | 50 | 30 | 20 |
| | Burkhardt | More than 50# | Less than 50# | -- |
| | 44 | 5 | 50 | -45 |
| Ladies' Full-Fashioned Silk Hosiery | 43 | 90% | 10% | 80% |
| | 27 | 52 | 28 | 24 |
| | Reber | 49 | 33 | 16 |
| | 28 | 50 | 40 | 10 |
| | 24 | 40 | 40 | 0 |
| | 9 | 30 | 45 | -15 |
| Mechanical Refrigerators | 112 | 83% | 12% | 71% |
| | Durbin | 79 | 9 | 70 |
| | 5 | 72 | 11 | 61 |
| | 4 | 59 | 21 | 38 |
| | 29 | 45 | 40 | 5 |
| Corsets | 25 | 100% | 0% | 100% |
| | 46 | 90 | 10 | 80 |
| | 19 | 70 | 15 | 55 |
| | 47 | 50 | 10 | 40 |
| | 32 | 35 | 30 | 5 |

* Includes both dealer sales helps and advertising to the trade.

/ Company No. 101 included other advertising expense with the amount reported for dealer sales helps.

Expenditures were concentrated primarily on dealer cooperative advertising; dealer sales helps held a secondary position. The exact division was not indicated.

BUREAU OF BUSINESS RESEARCH: EARLIER BULLETINS IN PRINT

BUILDING MATERIALS

- No. 81. Operating Expenses of Building Material Dealers in 1928 \$1.00
Operating Expenses of Building Material Dealers: 1927, No. 75; 1926, No. 64 50 cents each

GROCERY—RETAIL (See also CHAIN STORES)

- Operating Expenses in Retail Grocery Stores: 1924, No. 52; 1923, No. 41; 1914, No. 5 50 cents each
No. 13. Management Problems in Retail Grocery Stores (1918) 50 cents

GROCERY—WHOLESALE (See also CHAIN STORES)

- Operating Expenses in the Wholesale Grocery Business: 1923, No. 40; 1919, No. 19; 1916, No. 9 50 cents each
No. 8. Operating Accounts for Wholesale Grocers (revised edition—1920) 50 cents

GROCERY—MANUFACTURERS

- No. 79. Marketing Expenses of Grocery Manufacturers for 1927 and 1928 \$1.00
No. 77. Marketing Expenses of Grocery Manufacturers for 1927 50 cents
No. 69. Marketing Expense Classification for Grocery Manufacturers (1928) 50 cents

JEWELRY—RETAIL

- Operating Results of Retail Jewelry Stores: 1927, No. 76; 1926, No. 65; 1925, No. 58; 1923, No. 47; 1922, No. 38;
1919, No. 23 50 cents each

PAINT AND VARNISH—WHOLESALE

- No. 66. Operating Expenses in the Wholesale Paint and Varnish Business in 1926 50 cents

PLUMBING AND HEATING SUPPLY—WHOLESALE

- No. 72. Departmentizing Merchandise and Expense Figures for Plumbing and Heating Supply Wholesalers (1928) 50 cents
No. 71. Operating Expenses of Plumbing and Heating Supply Wholesalers in the Central States in 1927 50 cents

PUBLIC UTILITIES

- No. 68. Interstate Transmission of Power by Electric Light and Power Companies in 1926 50 cents

SHOE—RETAIL (See also CHAIN STORES)

- Operating Expenses in Retail Shoe Stores: 1922, No. 36; 1919, No. 20 50 cents each
No. 10. Management Problems in Retail Shoe Stores (1913-1917) 50 cents

SHOE—WHOLESALE

- No. 6. System of Accounts for Shoe Wholesalers (1916) 50 cents

TEXTILES

- No. 17. International Comparisons of Prices of Cotton Cloth—January, 1919—March, 1920 Out of Print

MISCELLANEOUS

- No. 82. Distribution of Hard Fibre Cordage (1927), by Howard T. Lewis 50 cents
No. 73. Operating Expenses of Wall Paper Wholesalers in 1927 50 cents
No. 62. Operating Expenses of Private Schools for the Year 1925-26 50 cents
Operating Expenses in the Wholesale Automotive Equipment Business: 1924, No. 51; 1923, No. 42 50 cents each