

ing. The number of brands is constantly multiplied. Producers are engaged in an advertising competition. The distributor finds that to satisfy consumer demand so created he must stock thousands of branded articles, many of which are substantially identical in chemical content and physical structure. Not content merely with the advertising of his brands, the producer is perennially seeking legislation which would give him the power to compel all retailers to sell his product at a fixed price to consumers, regardless of great differences in selling costs of distributors.

THE DISTRIBUTOR'S PROBLEM

"Distribution is the last great stronghold of competition. It is a highly competitive business unbolstered by a high protective tariff. Faced with great social and economic changes, the distributor must, in self-preservation, take the attitude 'sauve qui peut.' He is close to the consumer. He has found that to meet consumer whims and caprices he must carry in stock a vastly greater variety and assortment of goods than ever before. His old staple items have, for the most part, been supplanted by fashion goods. Competition in branded merchandise, competition in production refinements, and a new consumer buying attitude are continually multiplying the items of his stock.

"The producer has only his own lines to worry about; the distributor must take his chances on thousands of producers' lines. He has pondered this problem in all its infinite complexity. He has called to his aid the best possible talent for its solution. He has demanded that our educational system supply him with its best recruits to learn, develop and improve the new science of retailing. He has found that one of the cardinal principles in preserving a reasonable profit and affording the service demanded of him by the public is conservative buying—incorrectly dubbed 'hand-to-mouth' buying. There is no doubt that this policy is sometimes carried to excess, but the efficient distributor cannot starve his stocks and at the same time perform his service function to the public. Were he a commercial altruist, in the interest of the producer, he might order far in advance of consumer demand, but, as you yourself say in your letter to me, 'it would be the height of folly.' Barring unforeseen changes in the character of consumer demand and producers' competition, I believe this policy represents a permanent change.

"As a fundamental business policy, rapid turnover is just as important to the manufacturer as to the distributor. Smaller stocks require less capital investment. Smaller stocks reduce insurance costs. Smaller stocks minimize losses due to price changes. Smaller stocks economize the use of bank credit.

Smaller stocks tend to reduce the number and severity of business failures. Accelerated turnover contributes greater regularity to production and distribution. Speculative excesses in both production and distribution are minimized. During the past few years conservative purchasing has tended to soften the severity of business depression. It has contributed in no small measure to our national prosperity. I have no doubt that the social savings occasioned by this policy far outweigh whatever added social costs may be involved. Both producer and distributor must face the consumer buying habits as they now exist.

FINDING A SOLUTION

"As a distributor without manufacturing experience, I hesitate even to suggest a remedy for the existing situation, which is felt so keenly by many producers. Many manufacturers can reduce the number of their lines without any material loss of good will, a policy which a distributor can less easily follow. The Hoover simplification program is an example of the large savings which can be accomplished. The manufacturer's raw material is for the most part staple. He can, in many cases, demand orders in sufficient time to permit fabrication from raw material. All too often he takes speculative chances on raw materials. If the raw material goes up in price he generally demands not only his conversion profit but also any profit which may have accrued on the raw material. If the raw material markets turn against him he demands and frequently gets a price which represents both conversion and original raw material cost. There is not enough business transacted on a straight conversion basis. But more important than these policies is a deep study of the nature and character of consumer demand. There is too much production without careful study of the probable demand.

"In our business we endeavor to anticipate as far as possible all important changes in consumer demand by careful study—in the case of style goods, by the employment of style advisors of a character different from our department managers, who are manipulators and not the choosers of merchandise. The silk industry has, I believe, for some years past shown a keen appreciation of the value of deep study leading to anticipation of demand, and some producers in that industry have provided accordingly. The announced intention of the cotton mills to study their problem through a Cotton Institute is probably a step in the right direction. I cannot regard the program of the woolen industry to scrap machinery and advertise the merits of wool as any contribution to the solution of the problems of that industry.