



THE ROYAL BANK OF CANADA

MONTHLY LETTER

VOL. 46, No. 5

HEAD OFFICE: MONTREAL, MAY 1965

Selling Your Goods and Services

EVERYONE is a consumer of material goods and services, such as food, clothing, home comforts, and all things that contribute to the joy of living. So that he may buy these things, everyone is also a seller of one or other of them.

Selling is vitally important. A change has come over the economic face of things in the past forty years. The problem through most of recorded history was how to produce enough goods to meet people's wants. The development of production techniques during the two world wars solved that problem and raised a new one: how to dispose of the huge quantity of goods turned out by mechanized factories and keep the growing labour force profitably employed.

The distribution of goods at retail is the largest business in the world. It increases in social and economic importance with every advance we make in the standard of living. It demands an always-increasing competence in those who engage in it.

Sales provide: pay cheques for workers in agriculture, mining, lumbering, fishing, transportation, and manufacturing; payment to professional people; financial support for schools, churches, hospitals and social services; and the salaries of employees in wholesale and retail establishments. Without sales the whole fabric of our economy would collapse.

A good deal of the selling is done in small stores. At the time of the census in 1961 there were 152,620 retail stores in Canada, and their sales in that year amounted to \$16,073 million.

Some proprietors have good personal reasons for remaining small. They may wish above all to be independent, or to avoid the disciplines which are part of corporate life, or they have a creative urge which can be satisfied only when they are their own masters. These proprietors are content to serve such customers as drift into their stores or are attracted by the personal nature of the service they give.

Most people, however, regard smallness as a passing phase of getting started. They become zealous merchants, studying their people and their territory, calculating competition, analysing wants and trends,

always with an eye on expansion. They study marketing opportunities, methods and results systematically so as to increase sales, reduce costs, find new outlets, and expand their satisfactions.

Management functions

All selling demands management, whether the person involved be the chief executive in a huge corporation or the top man in a small store. Management is the art of getting things done in an organized way through the efforts of others.

The manager of marketing needs specific qualities which may be developed if he has not been gifted with them naturally. Thorough preparation is nine-tenths of his battle, and every day he has homework to do in anticipation of tomorrow's problems. He must learn to originate ideas, anticipate and meet crises competently, assign duties, co-ordinate activities, supervise selling units, and analyse results with improvement in mind. He must accept responsibility.

The man in charge of sales will not worry about every detail, but he will know precisely what he is shooting at; how he is organizing to accomplish his purpose; how far advanced he is on his programme, and how he thinks he is getting along. He will define goals, work out a programme, set up time-tables, and concentrate on essentials.

An organization chart showing the sales manager in the top box is useless and meaningless unless the manager has peopled all the other boxes with staff who are working energetically and knowingly toward the goal he has set.

The expanding market

The basic development to be considered is the growth of the new mass market in both size and purchasing power.

Canada's population increased by nearly eight million in the 25 years between 1938 and 1963. This was equal to the addition of a new market nearly the size of Edmonton, Hamilton or Quebec every year.

Incomes have increased appreciably. In 1939 personal income in Canada totalled \$4,290 million; in 1963 it was \$32,771 million. According to the taxation statistics, nearly 51 per cent of Canadian workers earned more than \$5,000 a year. Out of the gross earnings of all workers, \$27,230 million was spent for personal consumer goods and services in 1963, compared with \$3,984 million in 1939.

Marketing is affected not only by the increase in population and the increase in income, but by the increase in prices. Between 1939 and 1963 personal income increased almost eight times, but prices, as measured by the Consumers Price Index, increased just more than two times. The majority of people must still seek diligently to get as much as possible for their outlay.

This requires added skill by the seller just as it requires added skill by the buyer, because the seller is deluding himself if he ignores the buyer's problems.

Another factor to be considered is the change in buying habits due to the growth of suburbia. New demand has been created for durable goods and for goods never before required, and this has its inevitable effect upon purchases of certain non-durable goods. Investment in automobiles is heavy, and ownership of a car makes the consumer more mobile, giving him a choice of more places to do his shopping. At the same time, the density of traffic in cities encourages consumers to patronize suburban shopping plazas.

Marketing strategy

Marketing strategy must keep pace with these changing trends, and strategy reaches all the way from the choice of goods in bulk purchasing of stock to wrapping the smallest commodity at the check-out counter.

The merchant has to combine human and technical knowledge. Merchandising is not done by computers. The machines merely help you to assess situations. When the chattering calculators have digested the figures fed into them, the manager must analyse and correlate the results so as to bring to light their significance.

These results will undoubtedly show the manager various aspects of selling which need improvement, and this improvement needs to be a continuing process, not an exceptional and sporadic effort.

Consider prices: if they are too low they will wreck the business; if they are too high they will reduce sales; if they are just right they will produce reasonable profit consistent with maximum turnover of stock. There is no more effective way to build volume sales than to give people what they want, at the time they want it most, at prices that virtually compel them to buy.

But if the manager is to arrive at dependable decisions about prices, business building, or any other matter, he requires more than the daily tapes from his cash registers. If he is to control the results he needs to know the causes.

It is generally accepted that business cannot cope successfully with its selling problems unless it has precise measurement covering many facets of marketing. These include population in the trade area and the purchasing power of the people; the wants and desires and habits of the people; the amount of competition.

Market research

When a merchant of goods or services makes use of market research he is not like Macbeth consulting the three weird witches or King Saul seeking knowledge from the witch of Endor. Market research is designed to eliminate hunches, guess-work and biased opinion. It is a systematic search for facts and principles.

In its broad aspect, market research means knowing your goods (or you cannot possibly know what market to research); your resources (or you do not know how wide to spread your research); and the wants of people (or you do not know what sort of people to look at and appeal to). Many errors are made in estimating the classes which form the market, and many sales are lost because merchants complacently accept a narrow market.

The merchant must arrive at a reasonably close estimate of the number of people to whom his goods are essential so that they buy without urging and the number of people on the margin who may be persuaded to buy. His existence depends upon a good estimate of the former; the amount of his profit above subsistence level may be largely determined by the latter.

Broadly speaking, marketing research contributes to business success in these ways: by showing what the public wants, so that the right goods are stocked; by showing the price range within which purchases are customarily made, so that the right qualities and brands are stocked; by, consequently, reducing waste; by developing new sources of business through discovery of people's wants not now catered to; by showing industrial and business trends, thus providing insurance against unanticipated market changes; by revealing what competitors are offering.

When properly done and wisely used, market research can hardly fail to be instrumental in reducing distribution expenses, increasing sales by bringing important market targets more clearly into focus, and reducing waste by eliminating unprofitable ventures.

In spite of "horse-and-buggy" thinking by some executives who claim that they do not use market research and are nevertheless successful, there is no business of any size operating without research of some kind. It may not be scientific or well organized, but a man is doing research when he reads the business sections of the newspaper, scans his trade journal, and peruses the commercial letters published by banks and manufacturers.

But effective research is not so casual as that. It is a staff function at high level, demanding use of expert

techniques, directed by an executive with authority to put its lessons into effective use.

There are many competent organizations which specialize in market research on a fee basis. Advertising agencies claim to have been the pioneers in development of this work, and the larger agencies maintain extensive departments devoted to research and analysis as the foundation on which to build selling and advertising campaigns.

Before embarking on market research you should have clearly in mind what you are looking for and how much information you need. It is easy to get lost in research, and it may produce too much information — as the man said who became curious about the periodical mass migrations and bought a book about lemmings: “it tells me far more than I ever want to know about lemmings”.

There is a law of diminishing returns in research just as there is in agriculture. In cultivation of a piece of land, after he has reached a certain front the farmer finds that application of additional labour and capital fails to cause a proportionate increase in the yield. Costs must be relative to anticipated profit.

Applying research

Observation has convinced marketing consultants that neglect of follow-up to the research is a common weakness. Too often business executives are content to read reports, or abstracts made of the reports by an assistant, agree with them in principle and continue in the old way of doing business. Inertia takes over, robbing marketing research of its value.

A business executive, particularly in the selling end, is not earning his keep unless he is continually looking ahead. It is easy to excuse oneself by saying that the happenings of daily life and work are tossing us to and fro, and that the dense stream of events permits us only very seldom to take a long view. That excuse may satisfy a worker on the lower rungs, but the marketing executive must be alive to the fact that merchandising is not static, and it is his job to anticipate the changes.

We need to know what time it is on the economic clock and where we are on the graph of cycles and oscillations and rhythms. Life is essentially periodic, made up of daily periods of work and play and sleep, and seasonal periods, which dictate what clothes we wear, what games we play and when we take our vacations; and of well-marked yearly periods. There is no such thing as flourishing alone in commerce, and we cannot, without courting disaster, ignore what is going on around us. At any point on the business cycle, up or down, the questions for the marketing manager to answer are these: Are we getting our share of the current market? Are we ready for the next upturn?

There is nothing more important about a business than its future. You must evolve and innovate so as to march forward, or be condemned to fighting rearguard actions.

INFORMATION ABOUT SELLING

SELLING MUST BE DONE with basic principles in mind and modern technology and knowledge at hand.

We do not have to go through business life learning these things by personal experience, by trial and error. There are countless opportunities to learn from the experience of others and to keep in touch with trends. We cannot afford to ignore them, no matter how small or how big our business may be.

Here are a few references:

A book of 186 pages, published by the Department of Trade and Commerce, Ottawa, is entitled *How to Run a Business*. You may obtain it from the Queen's Printer, Ottawa, or from any of the Canadian Government bookshops, for \$1.

A good summary of the procedures and advantages in marketing research is to be found in *Making Your Sales Figures Talk*, by Charles W. Smith. This is number 8 in the Small Business Management Series, available from the Superintendent of Documents, U.S. Government Printing Office, Washington 25, D.C., for 20 cents. In it you will find a list of dozens of other books dealing with various aspects of business.

Most comprehensive in its coverage of everything having to do with merchandising is the 1,320-page *Marketing Handbook*, edited by Paul H. Nystrom. It was published by the Ronalds Press Co., New York, in 1948 at \$12, and a new edition is being issued in 1965.

For marketing in all its phases from A to Z, refer to *Marketing*, by Dr. G. R. Collins and Dr. H. Lazo. This is one of the Alexander Hamilton Institute Modern Business textbooks, published at 71 West 23rd Street, New York 10.

The book *Why Do People Buy*, by the Editors of *Fortune*, was published by McGraw-Hill Book Company, Inc., New York and Toronto, 1953, at \$3.50. It is out of print, but may be found in some libraries.

When you come to assess recent trends and present conditions you may refer to the *Weekly Bulletin* of the Dominion Bureau of Statistics, Ottawa. It is issued every Friday and costs only \$1 a year. When ordering, refer to Catalogue No. 11-002, and make your cheque or money order payable to the Receiver General of Canada.

Planning for the future does not eliminate all risks, but it does reduce them. It avoids overlooking details which should be considered when you are seeking to expand sales, and it enables you to co-ordinate and schedule actions so that you place your efforts where a push is needed and where improvement can be made. You are never caught wholly by surprise, even in a fluid situation.

We recall that when Commander Rotherham flew out on a foggy morning from the Orkney Islands to check whether the Bismarck had left a Norwegian harbour on her fateful Atlantic raid, he had no guiding light in the sky or on the sea. He adopted the old naval device of steering for a point some miles to the right or left of the real destination with a view to knowing which way to turn if a doubtful landfall were made, and he accomplished his mission successfully.

That may seem as irrelevant as would be Nelson's manoeuvres in this day of atomic-powered ships, or Napoleon's strategy and tactics in this day of nuclear weapons, but the principles are still valid. Rotherham's planning is an example of the sort of thinking that may be done by a sales executive to get him through murky economic weather.

Every successful selling policy has plan and purpose. It must have an objective and envisage a way of attaining it. No amount of goodwill and excessive activity can satisfactorily offset weaknesses in policies and strategy.

Selling

When all is said and done, you must sell. The aim of all merchandising is to reach the consumer with as much merchandise as possible at as low a cost as possible.

You cannot sell your biggest possible quota of goods without good salesmen, trained to sell your sort of goods in the most efficient and most economical manner. The sales manager's ability to produce satisfactory records of business depends upon his ability to select and train and inspire an adequate sales force.

Salesmanship, in the basic sense of the word, means a person moving goods by persuading another person that he needs them.

Self-service has punched a big hole in this conception of selling, and it is worth while to reassess its value. Has self-service deprived the merchant of sales that might have been made by floor selling activities and personal selling? Is he relying too much on pre-selling by manufacturers and wholesalers?

The revolution in retail selling has transformed much of the old country general store type of selling into the new type shopping centres. A great deal of the nation's business is done in supermarkets, where, says Martin Meyer in *Madison Avenue U.S.A.*, "the staff collects the money and looks out for thievery but never sells anybody anything".

Fortune made a survey some years ago to find out why some stores had been doing increasing business counter to the prevailing retail slump. In their book *Why Do People Buy?* the editors say: "In every case these stores turned out to be precisely the ones that have concentrated on raising the level of their sales force."

Customers respond to personal attention. It is unrealistic to think of building maximum sales in terms of robot selling. Most people will tolerate price differentials and some operational inefficiency if customer relations are good. The survival of the neighbourhood store and the specialty store is eloquent evidence of the existence of the human factor in consumer choice.

Sales people should know their goods. Do not let it be said that the customer who reads the label knows as much about the product as does your sales clerk. It is not salesmanship when there is no clerk who can assure the customer that this is better than the other similar article for the customer's purpose, and explain why. Do not let sales clerks become as depersonalized as their self-service merchandise racks, mere ciphers,

dealing with the public on the basis "Here it is, take it or leave it."

Salesmanship directed to the expansion of business demands that we regard self-service devices as only an aid to personal salesmanship. The open rack technique frees the salesman from time-consuming chores such as getting out stock and replacing it. He should use that saved time to concentrate on making sales.

The *Fortune* survey reported: "The evidence is strong that if they were taught how to sell, and given a good incentive for selling, they would sell more, serve the customer better, and, incidentally, they would get a great deal more fun out of their work."

One firm, which had invested a million and a quarter dollars in dealer training, tested its programme. It published similar advertisements for two dealers. The sales staff of one dealer had received training, the other had not. The advertisements pulled the same amount of floor traffic for both stores, but the trained staff closed three or four times as many sales as did the untrained staff.

Advertising, properly followed up by the sales staff, is one of the major forces in expanding distribution.

Some merchants who profess to despise advertising have failed to assess its properties carefully. Much advertising that fails does so because the merchant did not set positive objectives in the long range interest of his concern.

Advertising, except in rare cases, does not replace salesmen, but draws prospective customers and prepares them for sales suggestions. For this reason, the staff should be informed about what is being advertised, and told what the advertisements are designed to do, and should then brush up their knowledge of the advertised products so as to be ready to answer questions.

Finally: dependability

It goes without saying that consistent long-term business success demands constant improvement in materials, processes and products, as well as up-to-dateness in all the active functions of management. Quantity must not be exalted at the expense of quality. "Integrity" and "respectability" are still powerful ideas.

There is a growing number of manufacturers and retailers who seek to establish their products and commodities in the minds of consumers on the bed-rock of these principles.

Your goods and services should have standards, and these standards must be communicated to prospective customers. The buyer should think naturally of your firm as one that invariably sells precisely what it says it is selling.

That is selling in the best sense of the term, and it carries with it a promise of success.