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Functional analysis and utility of manufacturer's agents

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THESIS

Functional Analysis and Utility of Manufacturers' Agents

by

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INTRODUCTION

A very vital part of our wholesaling structure is represented by a large group of trading organizations which do not take title to the goods they handle. These institutions are usually designated as functional middlemen because they rarely, if ever, perform all the wholesaling functions of a wholesale merchant but instead confine themselves to a limited number of such activities.

The two main subdivisions of such middlemen are agents and brokers.

The important of agents and brokers as a major segment of the wholesaling structure has been very stable over a period of years.

We are here going to concern ourselves with functional middlemen called "Manufacturers' Agents".

The methods of operation with which these agents are concerned has been a relatively neglected field.

The problems that are to be given extended treatment center about:

1. Methods of operations of these middlemen, locations of agents, fields prevalent in, and problems they are confronted.

2. The confusion of terms as to who is a manufacturers' agent and whether he functions according to legal and academic definitions.
3. The utility of these agents to manufacturers and the American economy.

This inquiry it is hoped will help fill in a gap concerning the scarcity of available information regarding operations of manufacturers' agents and the value of these middlemen to our distribution system.

No text of any description could be found that gave this topic a broad treatment. Almost every text in marketing did, however, contain anywhere from a paragraph to four or five pages devoted for the most part to manufacturers' agents. The discussion in almost every one of these books was very repetitious and did not concern itself with the operational methods of agents to any extent.

A substantial amount of printed material concerning manufacturers' agents was found in periodical literature dating from 1920 to the present day. This information which came from over fifty such periodicals was again repetitious with each periodical not containing more than one or two pages. These articles like the various marketing textbooks usually confined themselves to defining the term "manufacturers agent" and to who may use him and his place in the wholesale structure.

The government publications concerning these middlemen were confined to two pieces of literature received by the writer. These were brief and very narrow in coverage.

Some manufacturers' opinions toward agents was uncovered in a survey done by Dartnell Corporation of thirty-
five representative companies using manufacturers' agents.

The Wharton School of Finance conducted a survey concerning the value of various Chambers of Commerce in regard to using them as possible employment agencies for manufacturers' agents.

Professor John Frederick of the Wharton School of Finance wrote a number of articles that appeared in back issues of Printers Ink magazine and Sales Management.

Along with the already mentioned work done in this field on manufacturers' agents were other studies done by private agencies who were directly connected with the field of agents such as agents associations.

After all this material was read and reviewed, there was still that gap concerning an extended treatment of "How" these agents operate and an appraisal of their utility.

METHOD OF APPROACH

The Method of Approach used to answer these questions was to go directly to the agents for information about their operational techniques.

All available literature was read and analyzed. From the combination of methods, the writer has tried to present a picture of agents activities and point out problems they are faced with, indicate methods how these agents can best serve manufacturers, and evaluate the utility of these middlemen to their users and the economy as a whole.
WHO IS A MANUFACTURERS' AGENT

At present there is general agreement in the multitude of textbooks defining the term "manufacturers' agent." Throughout these various books there can, however, be detected noticeable variations in the definition of manufacturers' agents.

For purposes of uniformity in this thesis, the definition used by the United States Chamber of Commerce will be adhered to:

"Manufacturers' agents are defined as functional middlemen who sell part of the output of certain manufacturers on an extended contractual basis. They are limited with respect to territory of operation and as to price and terms of sale. Their principal duty is to sell goods in accordance with the desire of their clients, although they may also warehouse some of the merchandise. As used by the census department, manufacturers' agents usually represent two or more producers whose goods are non-competitive in nature. Such agents are to be distinguished from salesmen in that they are in business for themselves, depending on commission rather than fixed salary and expense allowances." (1)

A. DISTINGUISHED FROM BROKER

Manufacturers' agent should not be confused with brokers. While manufacturers' agents perform a very similar service, that of negotiating transactions between buyers and sellers they are not brokers in that they represent only the

sellers of various products. Brokers represent either buyer or seller, or both in a given transaction. Brokers are not bound to any set of clients, and their relations with any one client are not as continuous as are those between principal and his manufacturers’ agent.

B. DISTINGUISHED FROM SELLING AGENTS

Manufacturers’ agents must not be confused with selling agents who perform a selling function as do manufacturers’ agents, but differ in that they (selling agents) normally handle the entire output of the manufacturers whom they represent. The selling agents have no limits placed on their sales territory, and have either full or considerable authority with regard to prices, terms of sale, advertising, etc. Sales agents often times finance their clients and offer assistance in connection with promotional activities. (1)

C. DISTINGUISHED FROM INDUSTRIAL DISTRIBUTOR

Some people confuse the industrial distributor with the manufacturers’ agent. The distributor performs many more of the marketing functions than do manufacturers’ agents. Distributors, except in the case of consigned goods, own the product which they offer for sale.

Distributors maintain storage space sufficient to carry a stock of the many products sold. They also generally

maintain a delivery service. Lastly, distributors will assume the credit and other risks attendant to the business of assembling certain lines of products in large lots and redistributing them in smaller quantities to industrial and other users of these goods. (1)

D. CONFUSION OF TERMS

In the previous sections definitions and distinguishing features were set up for manufacturers' agents, brokers, selling agents and industrial distributors. In actual business practice, the writer found during a survey he conducted among agents that these middlemen paid little attention to any set of legal or academic definitions when it came to giving themselves a title for the functions they were performing in the wholesale structure.

Manufacturers' agents were interviewed who functioned in strict accordance with the definition for manufacturers' agents and at the same time also operated as selling agents and as brokers. They used the title of manufacturers' agent or manufacturers' representative but would vary their practice anytime an opportunity to make another dollars profit presented itself. It was found exceedingly difficult to classify many of the middlemen as manufacturers' agents, selling agents, and brokers. The business man did not pay much attention to strict definitions and crossed from one field

1. Ibid., p. 81.
of endeavor to another and still retained the title of manufacturers' agents regardless of the fact that he may, with his employees, be acting as a selling agent.

Several other manufacturers' agents who registered themselves as such at local chambers of commerce and in telephone directories were actually taking on the role of a wholesale merchant, strictly speaking.

Some of these self-styled manufacturers' agents were purchasing goods in their own name, taking title to the goods, warehousing goods, performing delivery service with their own vehicles and many of the other functions a jobber performs. These same so-called agents did also, with their jobbing activities, take the part of a manufacturers' agent also, according to the definitions set down earlier.

In along with this incongruity of definitions and actual performance are the food brokers that are members of the National Food Brokers Associations who assert they are actually manufacturers' agents or sales representatives. The position of these food brokers as manufacturers' agents may be explained in part by custom in the trade and also by the operation of Section II of the Robinson-Patman Act, which prohibits the receipt of brokerage fees from both principals in the transaction. (1)

The question as to whether a "food broker" is a genuine broker or a manufacturers' agent is a matter than can

be determined, in each case by the existence or absence of a continuous contractual relationship. (1)

E. DISAGREEMENT BY AUTHORITIES

This confusion of terms as to just who is a manufacturers' agent is not a recent development. In the June 14, 1934 issue of Printers Ink magazine, Mr. R. O. Eastman referred to the manufacturers' agent as being a "sort of a jobber." This statement of Mr. Eastman, who is a very able and well known authority on research and marketing, brought an immediate challenge from Mr. W. A. Allen of the Federated Sales Service of Boston, who asked, "Why will Mr. Eastman and others try to drop the coat of many colors on the manufacturers' agent?" Mr. Allen stated very emphatically in the article in Printers Ink on June 28, 1934, that the manufacturers' agent is not a jobber of any sort. He is a salesman or a sales organization depending whether you are referring to an individual manufacturers' agent or an organized company of a group of manufacturers' agents.

This sharp answer to Mr. Eastman by Allen brought another reply from Eastman who was still upholding his viewpoint. In the July, 1934 issue of Printers Ink, Mr. Eastman comes back at Allen to again lend to confusions. States Mr. Eastman:

"There are plenty of industries in which the

1. Ibid., P.22.
so-called "manufacturers' agent" is every inch of a jobber, carrying stock and extending credits, as well as selling. Remember it is difficult to generalize because of the diversity of practices and conditions in various industries." (1)

It can be readily understood that it seems impossible to classify manufacturers' agents in strict accordance with any one definition due to the multiformality of practices that these agents partake.

F. FROM THE LEGAL VIEWPOINT

A difficulty arises from not only the academic point of view as to who is an agent but also from the legal side of the question. In deciding questions as to who is an agent and who is an independent dealer, the law will stick to business reality and not to form. (2)

The moment we turn to the business realities behind legal concepts, we are in the midst of a most disturbing confusion. Some of this is due to the ignorance of the business-man. He impiously removes the landmark between legal concepts and academic definitions that they of old time have set. The business-man constantly talks of "agencies" when there is no relationship of principal and agent involved.

Some manufacturers will state that a certain man is his agent for a brand of kitchen utensils in the Boston area,


whereas in reality the supposed agent buys the goods outright and sells them again, but still calls himself an agent.

It seems quite clear that some business-men, who are functional middlemen, have failed to grasp the beautifully clear distinction between agent, independent dealer, and jobber. (1)

Business, it seems, does not always nicely fit into the molded framework of the law. To a lawyer a man is or is not an agent or an independent dealer, but to the businessman in the agency business there are all kinds of degrees and graduations between the two. The difference is largely in multitudinous varieties of business relationships.

When goods are sent to the distributor on consignment, it may be quite impossible to tell whether the title is retained by the producer or wholesaler with the sole purpose of protecting credit, or whether the relations between them amount to those of principal and agent in reality as in name. (2)

These various illustrations have been mentioned so as to call the attention to the reader to the actual "illusion" in this field between what an agent may title himself and the contradictory operating procedure he may follow. Of course, this "illusion" is a relative one and can only be so

1. Ibid., P.1142.
2. Ibid., P.1143
titled when using hard and fast academic definitions for the various types of the middlemen. This field abounds with considerable confusion when one tries to classify all these functional middlemen in strict accordance to academic and legal definitions.

It is this confusion of titles that makes it almost impossible to find out one hundred percent accurately just how many middlemen exist that function as manufacturers' agents. The Chamber of Commerce of Washington in its various Censuses of Business cannot classify all those middlemen who fit into the manufacturers' agents category because so many of these agents are listed under other titles in the various censuses taken.

There appears to be lack of uniformity in the manufacturers' agents field as to operations in strict accordance to any one definition.

G. HISTORY AND EARLY BEGINNING OF MANUFACTURERS' AGENTS

The agent-principal relationship in commerce dates back to the very beginnings of commercial relations among individuals, groups, and companies. In the study of law, the agent-principal relationship appears to have been known and utilized almost from the beginnings of relationships among men, first in the field of agricultural pursuits and tradings, and thus with commerce as commercial dealings developed into a desirable end and very often necessary part of the life of the
peoples of the world. (1)

At this point let us make a distinction between the agent-principal relationship and the employee-principal or employee-employer relationship. The agent-principal relationship implies payment by the principal to the agent for actual services rendered and obtained, while on the other hand, the employee-principal relationship implies a fixed rate per unit of time regardless of actual results that may or may not be accomplished by the surrender of that time. (2)

The agent is paid for only what he accomplishes while the employee is often paid for the surrender of his time and assumed exerted effort only.

The employee-principal relationship gives the principal a greater measure of control, such as direct supervision of salesmen in the field, but this also involves fixed per diem costs regardless of results.

With the agent-principal relationship we have several principals who share the agents time and effort with other principals in a non-competitive way. Under this affinity there are no fixed financial bonds except upon actual business that the agents procure for the principal and the agreed upon rates are fixed and easily determinable.

1. P. Edwin Thomas, Executive Secretary, Manufacturers' Agents National Association, a letter to writer.

Manufacturers' agents came into being when one or more manufacturers thought it economically wise to appoint agents at strategic points in the field of distribution, instead of relying, as was customary, upon jobbers and wholesalers making a path to their factory door.

It is believed that manufacturers' agents antedated the traveling factory salesmen by many years. It took many more years before factories grew to the size and prominence necessary to support their own exclusive direct representatives. (1) The manufacturers' agent is actually a very important person from a historical viewpoint in regards to our present day distribution. Of course, the agents place in our economy through the years appears to have fluctuated up and down with the business cyclone to some extent. (2) The manufacturer always looking for some economical way to market products and obtain the least expensive method of distribution when the economy is in a depression phase of business cycle.

In the beginning and early usage of manufacturers' agent, the agent usually had only one principal and worked on commission on the business secured. The multiple principal development, along non-competitive lines, seems to have followed as a means of sharing the agents operating costs and

1. E. A. Wilcox, President, NAMA, a letter, to writer.
2. Figures from various business census reports.
thus enhancing his income.

The manufacturers' agent of today invariably handles a number of non-competing items or lines for several principals and thus lowers his operating expense. Here we see the carry-over of an old idea into a modern and vital link in our present day natural distribution system.

In tracing back the usage of manufacturers' agents, it appears from the multitude of periodicals read and the inferences made in the earliest of the periodicals (1920's) that wide use of manufacturers' agents did not begin until the very early part of the twentieth century.

The use of agents appear to have made it a real beginning on a large scale with the coming of the automobile and the development of our transportation facilities, the agents multiplied rather rapidly and their growth in numbers appears to have kept pace with the development of our distribution system to the present day.
II MANUFACTURERS' AGENTS IN THE UNITED STATES

A. NUMBER OF AGENTS

A collection of data concerning the United States wholesaling structure on a nationwide basis was made in 1930 as a part of the Fifteenth Decennial Census. It was not until this time that any figures concerning the number of manufacturers' agents in the United States was available. In 1830, it is true, statistics were compiled on the "Commerce of the United States", in conjunction with the Census of Manufacturers for that year. The data collected was very scanty, however, and provided only a few items of information. This early census of distribution, not being repeated, had little value. (1)

"When the first National Distribution Conference of some five hundred businessmen was called in January, 1925, by the Chamber of Commerce of the United States to consider the various problems of marketing, the lack of adequate data on distribution as a basis for intelligent planning was conspicuous and there was unanimous agreement on the need for accurate information about the marketing structure. An Act of Congress approved, June 18, 1929, embodied the requirement of a Census of Distribution covering the year 1929 as a part of the Fifteenth Decennial Census of the United States." (2)

2. Ibid., P.681.
It is from figures from the Census of Business compiled by the Chamber of Commerce that the greatest part of the factual information was made available for this section of the thesis.

The number of agents has been increasing in the United States in absolute numbers and also in proportion to other types of middlemen in the wholesaling structure.

The table on the next page gives us a concise view of the wholesaling structure in the United States from the year 1929 to 1939. It will be seen from this table that the number of agents in 1929 was at a relatively high ebb and dropped off appreciably in numbers in 1933 during the depression phase of the business cycle. Of course, it was not only the number of agents that decreased in this period. The number of manufacturers sales branches and other middlemen decreased in number during this period also. Manufacturers' agents are small business and the mortality rate for small business was high during these trying years. The significance of this table is merely to point out the number of agents during this period and the trend. Figures for the number of agents during this time in the United States are not available from the Chamber of Commerce in Washington, but organizations such as various Agents Associations throughout the country state that the number of agents is increasing considerably and in proportion to other middlemen. Of course, these claims have to be viewed in the light of reality, always remembering
## TABLE I

WHOLESALING STRUCTURE AS REFLECTED BY VARIOUS TYPES OF WHOLESALING ESTABLISHMENTS 1929 TO 1939

<table>
<thead>
<tr>
<th>Types of Establishments</th>
<th>1929</th>
<th>1933</th>
<th>1935</th>
<th>1939</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholesale Merchants</td>
<td>74,476</td>
<td>76,856</td>
<td>91,325</td>
<td></td>
</tr>
<tr>
<td>Manufacturers Sales Branches</td>
<td>17,086</td>
<td>16,873</td>
<td>15,794</td>
<td>19,096</td>
</tr>
<tr>
<td>Brokers</td>
<td>3,689</td>
<td>3,414</td>
<td>3,882</td>
<td>4,710</td>
</tr>
<tr>
<td>Manufacturers' Agents</td>
<td>6,987</td>
<td>4,972</td>
<td>7,545</td>
<td>9,358</td>
</tr>
<tr>
<td>Selling Agents</td>
<td>3,260</td>
<td>1,235</td>
<td>1,708</td>
<td>1,487</td>
</tr>
</tbody>
</table>

**SOURCE:**


these organizations welfare depend on subscription to their services.

Agents interviewed also emphasized that they were of the opinion that the number of agents were very definitely on the increase in the country. The next release of figures from the Chamber of Commerce should unearth the desired information.

B. LOCATION OF AGENTS IN THE UNITED STATES

Using the nine divisional areas into which the United States Census separates our country, we find the greatest number of agents located in the Middle-Atlantic and East, North, Central areas of the country. The State of New York has the greatest number of agents with California and Illinois second and third respectively. On the following page is a table showing the numbers of agents and their locations in the United States by percent.

The number of manufacturers' agents seem to follow population and industrialization. Successful agents are to be found in all parts of the country but the most prosperous ones are as a rule located a considerable distance from the principals. This is due to several reasons: the product is getting representation in an area not readily accessible to the manufacturers' salesmen, the manufacturer has not as yet developed his distribution system adequately, and the expense of developing these distant markets is in probability extremely high.
### TABLE II

NUMBER AND LOCATION OF MANUFACTURERS' AGENTS IN THE UNITED STATES BY CENSUS DISTRICTS (IN PERCENT)

<table>
<thead>
<tr>
<th>District</th>
<th>Number of Agents Percent of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>NEW ENGLAND</td>
<td>6.92</td>
</tr>
<tr>
<td>MIDDLE ATLANTIC</td>
<td>26.00</td>
</tr>
<tr>
<td>SOUTH ATLANTIC</td>
<td>5.53</td>
</tr>
<tr>
<td>EAST NORTH CENTRAL</td>
<td>2.25</td>
</tr>
<tr>
<td>EAST SOUTH CENTRAL</td>
<td>23.33</td>
</tr>
<tr>
<td>WEST NORTH CENTRAL</td>
<td>10.25</td>
</tr>
<tr>
<td>WEST SOUTH CENTRAL</td>
<td>5.25</td>
</tr>
<tr>
<td>MOUNTAIN</td>
<td>2.92</td>
</tr>
<tr>
<td>PACIFIC</td>
<td>17.00</td>
</tr>
</tbody>
</table>

100.00 Percent

**SOURCE:**

Agents cover all parts of the country and over the country as a whole they headquarter in New York, Boston, Philadelphia, Atlanta, Dallas, Houston, St. Louis, Chicago, Minneapolis, Detroit, Cleveland, Cincinnati, Los Angeles, San Francisco, Portland and Seattle. (1)

When a manufacturer desires to secure distribution of a product in Maine and Vermont, he will not go seeking agents in these states but contact agents in the headquarter section, which in this case will be Boston to distribute his line.

The agents appear to be grouped throughout the United States almost like branch sales offices of a large manufacturer, when one takes an overall view of the picture.

C. OPERATING COSTS OF MANUFACTURERS' AGENTS

The manufacturers' agents gain advantage in one respect from the fact that the operating costs are a smaller percent of the manufacturers' sales than are the operating costs incurred by the manufacturers' sales branch offices. The agent who has to finance himself is pressed by the economic environment in which he operates to cut his costs down to the absolute minimum. The manufacturers' sales branches have to maintain offices, a manager, pay salaries and commissions. From the maintenance of a branch office with salaried salesmen the manufacturer cannot keep a fixed or standardized sales.

cost because in some months the salesman may produce very few sales but must still be paid. The agent on the other hand only gets paid when he produces.

The agent does not maintain any expensive offices, sometimes operating from his home, knows his way around his territory unlike some company salesman.

The agent who has established many contacts in his territory usually finds it less expensive to cover the area because he knows where he can sleep at the lowest rates, eat at the most economical places, gets discounts on his motor car supplies (from contacts he may have made with agents in his territory who handle such lines) and in general does not have to spend unnecessary money in "getting around" because he is thoroughly familiar with the places he has to go for contacts and operates on his own budget. The agent, more often than not, does not carry stocks or do any warehousing, cutting down his expenses greatly.

On the next page is a table indicating operating expenses of manufacturers' agents and manufacturers sales branches. In both instances whether the agent carries stock or not, his expenses are lower. This is an obvious economy manufacturers cannot ignore.

Probably the biggest differentiating factor is due to the fact the manufacturer must pay his men salaries while the agent only collects when he produces sales.
TABLE III

COMPARISON OF OPERATING COSTS BETWEEN
MANUFACTURERS’ AGENTS AND MANUFACTURERS SALES BRANCHES

<table>
<thead>
<tr>
<th>Type of Establishment</th>
<th>Operating Expenses % of Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturers' Sales Branches (With Stocks)</td>
<td>13.5%</td>
</tr>
<tr>
<td>Manufacturers' Sales Branches (Without Stocks)</td>
<td>6.9%</td>
</tr>
<tr>
<td>Manufacturers' Agents (With Stocks)</td>
<td>11.7%</td>
</tr>
<tr>
<td>Manufacturers' Agents (Without Stocks)</td>
<td>4.0%</td>
</tr>
</tbody>
</table>

SOURCE:

III TYPES OF GOODS HANDLED AND COMMISSIONS

A. TYPES OF GOODS

Agents are to be found selling almost every type of goods that are today produced. The United States Department of Commerce, in its census reports, recognizes twenty-five overall fields of endeavor with respect to Manufacturers' Agents. On the following page is a list of goods agents handle as classified by the Chamber of Commerce along with the commission rates for each particular line. The commission rates were determined by interviews with agents and with the aid of Mr. Albee of Albee-Campbell Corporation of New York. This is a clearing house for manufacturers' agents and representatives. Aid in establishing current commission rates on goods was also rendered by the National Association of Manufacturers' Agents in Los Angeles, California. Supply lines are usually the most profitable but not always the most interesting from the agents standpoint. Of all the lines listed, agents principally are in the fields of machinery equipment and supplies, dry goods, clothing, and furnishings, electrical goods, furniture and house furnishings, lumber and construction material, metals and metal work, plumbing and heating equipment and supplies, hardware, groceries, automotive supplies, and hardware goods. Probably this is because these items find wide distribution and a sales force on a salaried basis would be very expensive.

Goods in the supply lines usually have a high turn-
### TABLE IV

CLASSIFICATION OF MANUFACTURERS' AGENTS
BY LINES OF GOODS AND COMMISSION

<table>
<thead>
<tr>
<th>Types of Goods Handled</th>
<th>Commissions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Amusement and Sport Goods</td>
<td>5-10%</td>
</tr>
<tr>
<td>2. Automotive</td>
<td>5-10%</td>
</tr>
<tr>
<td>3. Beer, wine and liquor</td>
<td>5-10%</td>
</tr>
<tr>
<td>4. Chemicals and paints</td>
<td>5-10%</td>
</tr>
<tr>
<td>5. Clothing and furnishing</td>
<td>5-7%</td>
</tr>
<tr>
<td>6. Coal and coke</td>
<td>5-10-13%</td>
</tr>
<tr>
<td>7. Drug and drug sundries</td>
<td>5-10%</td>
</tr>
<tr>
<td>8. Dry goods, general line</td>
<td>5-7%</td>
</tr>
<tr>
<td>9. Dry goods, specialty lines</td>
<td>5-7%</td>
</tr>
<tr>
<td>10. Electrical goods</td>
<td>5-7½-10%</td>
</tr>
<tr>
<td>11. Farm products, raw materials</td>
<td>3-5-7%</td>
</tr>
<tr>
<td>12. Farm products, consumer goods</td>
<td>5-10%</td>
</tr>
<tr>
<td>13. Farm supplies</td>
<td>5-7%</td>
</tr>
<tr>
<td>14. Furniture and house furnishings</td>
<td>5-7½-10%</td>
</tr>
<tr>
<td>15. Groceries and foods, specialty lines</td>
<td>3-5-7%</td>
</tr>
<tr>
<td>16. Hardware</td>
<td>5-7½-10%</td>
</tr>
<tr>
<td>17. Jewelry</td>
<td>5-10%</td>
</tr>
<tr>
<td>18. Lumber and construction material</td>
<td>5-7%</td>
</tr>
<tr>
<td>19. Machinery, equipment and supplies</td>
<td>5-10-14%</td>
</tr>
<tr>
<td>20. Metals and metalwork</td>
<td>5-10%</td>
</tr>
<tr>
<td>21. Paper and its products</td>
<td>5-7½-10%</td>
</tr>
<tr>
<td>22. Petroleum and its products</td>
<td>5-10%</td>
</tr>
<tr>
<td>23. Plumbing and heating equipment and supplies</td>
<td>3-5%</td>
</tr>
<tr>
<td>24. Tobacco and products, exclusive of leave</td>
<td>5-7½-10%</td>
</tr>
<tr>
<td>25. Waste material</td>
<td>5-10%</td>
</tr>
<tr>
<td>26. All other products</td>
<td>5-7%</td>
</tr>
</tbody>
</table>

**SOURCE:**

Albee-Campbell Corporation

National Association of Manufacturers' Agents

Personal Interviews
over and the commission rates on them are lower, as a rule, than on slower moving items. The commission rates listed on the previous page, let us remember, are not always applicable to the goods they are connected with for there is often an exception to many a rule. These rates are the most common ones used in the trade. Also the list of goods mentioned is not exclusively the list that agents confine their activities but it is a list of the major ones. Remember, an agent may be found selling anything that is produced.

B. COMMISSION GRADUATIONS (BY ACCOUNTS)

The rate of commission on goods also varies with the amount the agent sells and also the type. For example, an agent calling on jobbers where he might obtain orders totaling not more than two, three or four hundred dollars is paid an average of ten percent on all jobber business. On manufacturers whose orders will be large, the commission may start at three or five percent and then on a graduated scale works down to one percent of so many million dollars1 worth of gross sales. (1)

The commission rates that an agent gets is almost always between five and ten percent on most of the lines handled. He usually gets ten percent on jobber accounts and five percent on industrial accounts.

The industrial accounts very often buy large quanti-

1. C. Y. Malmquist, Barry Malmquist Company, personal inter-
view.
ties and often times at a more steady even rate than the jobber. The industrial account when it is large is usually competed for strongly and by giving the agent a lower commission rate there is a greater allowance for bargaining on price because a large account, the agent will make a substantial profit. (1)

C. COMMISSION GRADUATIONS (BY TYPES OF GOODS)

We have seen that the rates of commission vary considerably with the type of account the agent sells. Lower commission for a larger amount and a higher rate of commission of sales made to smaller ones.

The rate also varies with the type of goods sold. If the goods are large and require installment or servicing the commission is considerably higher than on goods that will not require missionary work or servicing.

For example, on small machines such as floor model tool grinders an agent may get a commission of from fifteen to twenty-three percent of net sales because of the infrequency of such sales, their limited amount, and because more missionary or promotional work would be required to consummate such a sale than on a staple item.

On the other hand, the sale of a standardized type of equipment or supply goods of little value such as machine wrenches or electrical fuses would bring a rate of from five

1. Mrs. Fred Harper, Manufacturers’ Agent, personal interview.
to ten percent because such sales are made frequently and
do not require servicing or installations. (1)

D. SUB-AGENTS COMMISSIONS

Manufacturers' agents are very much like branch
sales managers in that they have an exclusive territory
(as a rule) in which to distribute a principal's goods.
They often "travel" several men, that is employ salesmen
to sell for them.

Under conditions where an agent employs sub-agents
or salesmen these men (or women) will get seventy to ninety
percent of the commission that is allotted the agent for
sales coming out of his territory. The reasons for this
are obvious. The manufacturers' agent will get contracts
from principals on the strength of the reputation he has
built up for himself and then the actual selling job (leg
work) will be done by other than himself. If an agent is
given an award of a ten percent commission on a line of, say,
houseware and he just sits back in his office and has a man
go out and do his selling for him, the salesman will natural-
ly expect seventy or eighty percent of the commission that
goes with this line of goods to accrue to himself because he
does the actual soliciting. These sub-agents operate in the
same fashion as does the manufacturers' agent, paying their
own expenses and getting remuneration only when they sell.

1. Ibid.
In some cases a manufacturers' agent has a considerably large operation and will employ anywhere from five to twenty-five salesmen and may have special terms worked out with these men whereby they get a nominal salary and commission. This practice, however, varies with the type of business the agent has and the extent of his accounts.

One manufacturers' agent in Ohio, who dealt exclusively in automotive supplies, "travelled" ninety (90) salesmen. He had a tremendous sales organization but is not typical of the manufacturers' agent and his scope of operations. (1)

E. OTHER REMUNERATION THAN COMMISSION

A manufacturers' agent always works on a commission basis but there are companies who offer "prizes" for the attainment of certain sales quotas. These prizes may take many forms and even a bonus in money.

One company, the writer has knowledge of, offered a guaranteed nominal "salary" for the introductory period of a product it was sponsoring if the agent would promise to devote a specific amount of time to the product of this company. (2) This was so arranged because the company found that in the past, agents who carried several lines would not

1. Mrs. Connie Turner, President, Alvin Products, Inc. and also a manufacturers' agent, personal interview.

2. Ibid.
devote as much time to a line as the manufacturer desired and so to stimulate promotion the agent was given a guaranteed return for a stipulated period. This arrangement, from a legalistic standpoint, made the agent an employee to a certain extent, but as was indicated in the first section of the thesis, there are no cut and dry methods in this trade and the practice of business and its reality is followed and not adherence to a legal mold as to how an agent is "supposed" to function.

F. SPLIT COMMISSIONS

If an agent makes a sale to a manufacturer or jobber in a territory other than his own, he will (as a rule) split the commission coming from this sale on a fifty percent basis with the agent to whom the territory belongs. This is provided that the principal received knowledge that the sales were made by an agent not covering the territory from which the sales originated. (1)

Manufacturers' agents are given a commission on all sales coming out of the territory that was granted them with the exceptions such as the one previously mentioned.

One agent related a practice to the writer whereby the agent had an opportunity to make a sale to a customer outside his own exclusive territory. He realized he would have to split his commission with the agent in the territory where the sale was to be made. He bought the piece of machinery in

his own name at the jobber discount and sold it outright to his customer making the jobber's profit.

By now it should be obvious that there is no set of cut and dried rules by which agents operate.

The writer had heard, from talks with agents, of practices where the agent may give his potential customer, as an inducement to buy from him, a certain percent of the commission due the agent if the sale was consummated. This practice is to influence one buyer to purchase from one agent instead of from another agent who may be carrying a competitor's line. Here again is a return to business realities and away from cut and dried definitions.

G. HOUSE ORDERS

By house orders we mean customers who belong to the manufacturer and not the agent or other party. Sometimes manufacturers will reserve certain customers in an agent's territory to be solicited by company executives because of the potential size of these orders and the reluctance of a manufacturer to pay large amounts of commission on a sale he can make himself. Government orders are usually of this sort.

If an account is a large one and the competition keen, the manufacturer will have more and better bargaining power if he does not have to include in the setting of price

1. Mrs. C. Turner, Alvin Products, Inc., personal interview
2. Mr. Alfred Depasse, Sales Consultant, personal interview
consideration an agent's commission.

The manufacturers will invariably always try to capture the large orders to industrials, jobbers, governments, and chain stores by sending out a company man and avoid paying large commission fees to an agent with each subsequent sale. The manufacturer can hardly be reproached for such practice in his own business interests.

It can be seen from the foregoing that types of goods handled by agents and the varying commission rates under the varying conditions and circumstances cannot be put into any neat little category and classified for the practice in business is so diverse and complex that the adherence to any one set of principles exists only in the minds of some people but not in practice.
IV HOW DO MANUFACTURERS' AGENTS GET INTO THE FIELD

A. EXPERIENCE REQUIREMENTS

Success in the field of manufacturers' agents is dependent in an unusually high degree upon experience, past and present. As shown by the 1939 Census report on Wholesale Trade, an establishments' volume of sales increases as it becomes older.

Experience, then, is a first requisit of the man or woman planning to start in business as a manufacturers' agent. The first questions a manufacturer will ask of an agent soliciting his business are: "What lines do you sell?" "How long have you been selling them?" "How successful have you been?" Until an agent is able to answer these questions satisfactorily, he is going to have a hard time. (1)

B. WHERE DO MOST AGENTS COME FROM?

It was the opinion of eleven different agents that were interviewed that many of the agents now in the field were at one time jobber salesmen and buyers. The rest of the manufacturers' agents interviewed felt that agents get into the field and get started after having worked at various types of jobs. All the agents interviewed did agree that no matter what type of occupation a man had been in before establishing himself as a manufacturers' agent, it was usually a sell-

ing job of some sort.

Many agents, it is believed, were jobber salesmen who had been working on a straight commission for some wholesaler and having come in contact with many manufacturers' agents and manufacturers suddenly decide to go into business for themselves and set themselves up as agents.

Another goodly proportion of agents worked at one time for manufacturers' agents as salesmen or so-called "sub-agents". These men get to know the ways of the trade, acquire experience and go about securing lines to handle. (1)

Another great number of manufacturers' agents at one time were on the sales force of large manufacturers and felt that while working for a single manufacturer their earnings were limited or saw little future in their job so they took on an independent selling job for themselves. (2)

Regardless of what activity these agents were involved, let us remember that the experience in selling needed for a job such as a manufacturers' agent is not obtained in a matter of weeks or even months.

G. STEPS PROSPECTIVE AGENTS USUALLY FOLLOW

A prospective independent agent usually works several years, perhaps, for an established agent or on the sales force for large manufacturers or jobbers. Be (or she) be-

1. W. Lavin, Manufacturers' Agent, personal interview
2. C. Y. Malmquist, Agent, personal interview
comes thoroughly familiar with the line of goods he intends to handle as his own; makes contacts which will be valuable; and gains the confidence of his customers. When the prospect is ready to start out on his own, he is able to take one good established line with him to form the foundation of his new agency.

A "born" salesman with exceptional ability might make a success of his venture without this background of experience, but his way would be long and hard. He would have to start with products as new and as raw as he. He would "work" for every sale. And, if he were really good, he might meet expenses until he had gained his experience the hard way. (1)

D. CAPITAL REQUIREMENTS

The amount of money a prospective agent will require to carry him through the first year will depend chiefly on two factors:

(1) The initial scale of operations, and
(2) The amount of stock to be carried.

According to the 1939 census report, operating expenses, not including cost of goods sold, represented about four percent of sales for agents operating without stocks and eleven and seven-tenths percent for those with stocks.

As to the actual amounts of money required, it is

dangerous to even attempt such an answer but popular opinion among agents seem to estimate capital requirements in dollars at from $5,000 to $20,000 which will cover most cases. (1)

Sometimes a manufacturer will decide to close one of his branch offices, and offer the territory to the former branch manager if he will set himself up as a manufacturers’ agent. In such cases, the manufacturer may assist by remitting the use for a year or so the complete office facilities, or their purchase on credit, and may also agree to guarantee minimum commission monthly for the first year, and other arrangements of advantage to the new agent. In such cases the agents’ capital is reduced greatly. (2)

The earning capacity of the accounts handled, and how well they are already introduced and established in the territory involved have much to do with the capital needs.

The kind of products, and the size of the average sale, as well as the time elapsed between sale and payment by customer, have a lot to do with capital needs.

These things, and many more, must be known to the prospective agent, and the operation projected carefully into the future if the agent is to avoid assuming unknown risks which may likely wreck the project at some future date. (3)

If the agent has one or more accounts he often feels that it may be more economical to open up an office at

1. Ibid.
2. E. A. Wilcox, President N.A.M.A., a letter to writer
the very beginning. The agent usually expends a bit of effort to determine the approximate requirements for:

1. **Office Rent**

   This he determines through rental agencies and by reading the classified ads of the local paper.

2. **Office Furniture**

   The agent shops about and acquires either new or used furniture.

3. **Office Supplies**

   These costs are usually estimated in advance for a year or so.

4. **Automobiles**

   An automobile is a necessity for the agent. Because agents do so very much traveling they feel, and so would anyone of whom much traveling was required, that it pays them to buy the newer types of popular models.

5. **Car Expenses**

   These usually are figured to be about five cents a mile which includes depreciation.

6. **Warehouse Rent**

   If the prospective agent plans on carrying lines of goods that will have to be warehoused to make inquiries as to availability and cost of warehousing facilities.

   Agents, if carrying small types of items that will require little storage space, may store goods in their own office or in a garage at their home or any other place he may
have access to. The emphasis on economy, of course.

Sometimes agents of noncompeting lines rent an office collectively and hire a competent clerk or stenographer to answer the telephone, write letters and keep the necessary records dividing the expenses. (1)

Prospective agents when they have no account and plan to operate on a small scale at the beginning sometimes utilize the services of agencies that offer a permanent address and telephone answering and letter forwarding service from five to fifteen dollars a month. These agencies are to be found in most large cities and are usually listed in the classified section of the telephone directory.

Some agents find it quite possible to operate without any office at all. Several agents were heard of that literally operated from a drugstore telephone booth and have been very successful. However, an office lends a certain amount of prestige and the appearance of stability, both of which are particularly important in starting a new agency.

It is felt by many successful agents that once the person going into the agency business has calculated to the best of his ability the amount of capital he will need for the coming year, including his own living expenses, he should possibly double this figure to be on the safe side. Usually unless the agent starts off with all the elements on his

1. Ibid.
side the first year will be the hardest and it is better to have a surplus than too little. (1)

It is very apparent that setting oneself up as a manufacturers' agent means a considerable number of usual business problems most all small businessmen are confronted with.

Being certain he has enough capital on which to operate and finance himself is really one of the prime considerations.

If the agent does not have sufficient finances he will not be able to cover his territory very efficiently and even more important is the fact that many manufacturers will refuse to "take on" an agent if they feel he is not sufficiently independent financially. It is because of these responsibilities the manufacturers' agent must take upon himself that usually make him the more "responsible" type of a salesman. (2)

Because the agent is in business for himself, he will be found working harder and more disposed to serve and please his customers in every possible way. By being efficient and establishing himself in his buyer's good graces, he acquires a powerful security factor for the principal will then think twice before he plans on dismissing his agent

1. Ibid.

2. Morris Schwartz, textile agent, personal interview
after he has built up a territory for if the agent goes his customers may be very likely to go with him.

The following the agent builds up among his clients is an asset for the principal he represents, because it means the agent can push the products more effectively. On the other hand, because the agent becomes so strongly entrenched in his territory the manufacturer loses his independence in his bargaining with the agent. The agent controls the customers unless it is a non-staple line of goods where the agent's influence means little and the products sell entirely on their own merit.
V ESTABLISHING THE AGENCY

A. THE FIRM NAME

One of the very first things the agent does when setting up his business is to adopt a name for his agency. This may be his own name or some descriptive title such as: New England Sales Agency or the Syndicated Sales Service Company. The agent may use his own name if it is easily spelled and remembered, but if this is not the case he usually selects a fictitious name. Some states may require the registration of fictitious names to be registered at a nominal charge with the Clerk of Courts or County Clerk. (1)

After the agent has registered his name, if this was the case, he usually has business cards and stationery printed up with the firm name on it for publicity reasons. He usually reports the firm name to the Chamber of Commerce and Better Business Bureau so that these organizations may be able to reply to any inquiries concerning the agency.

B. LOCATION

Where the agent locates his establishment is an important factor to be kept in mind. Agents usually try to locate in the headquarters cities for the territory in which they do business. For example, agents covering New England usually locate in Boston. (2) Agents headquarters in a city

1. Alfred Depasse, Sales Consultant, Worcester Chamber of Commerce, personal interview

2. Ben Asquith, Associates, personal interview
or large town that is easily accessible by rail or automobile to all parts of the territory they cover. Agents that carry stocks and use public warehouse facilities locate if possible near or in the marketing section readily accessible to the warehouse where their goods are stored.

C. LICENSES AND RESTRICTIONS

No Federal license is required for manufacturers' agents, but some states and municipalities put restrictions on the sale of certain products. Agents before taking on new lines check with the appropriate authorities on possible regulations concerning new lines they plan on taking. (1)

D. ADVERTISING

The agents usually place classified ads in the local telephone directories and sometimes small notices and ads are put in trade journals. Many agents also register with clearing houses for agents in their territories. (2)

E. CHOICE OF PRODUCTS HANDLED

The general types of goods the agent decides to sell usually depends upon his previous experience as well as his personal inclination. For example, an agent who was a football star may pick up a line in sporting goods. A woman manufacturers' agent was interviewed who was handling figurines because it had been her hobby to collect these and

2. C. Y. Malmquist, Agent, personal interview
she had selling experience behind her.

The new lines the agents take on later are as a rule non-competing and are related to the other products carried by his customers. This is because the time spent in contacting new customers who would not use the other lines carried would create expenses disproportionate to any increase in sales.

The number of lines the agent carries is largely dependent on their types and, again, on the requirements of his customers. For example, if an agent sells groceries, his choice is practically unlimited, and he carries a hundred different items. In most cases the agents feel it is more profitable to concentrate their efforts on a few brands.

F. PRODUCTION SOURCES

The agent before he opens his office has contact with at least one manufacturer of an established and popular line of merchandise. This is the agent's so called "foot-in-the-door".

The agents obtain production sources (lines of goods) in several ways. Some agents gained their experience by working for an established manufacturers' agents and earned the confidence and respect of one or more of the production sources. These were happy to give the agent their business when they started in for themselves. Others have made contacts by working as buyers for large wholesalers or
on the sales force of large manufacturers. (1)

Agents uncover production sources in advertising and trade journals or answer ads placed in these same papers by manufacturers who desire to introduce new products or expand distribution of an old one.

Another way agents establish contact with manufacturers for lines to be carried is to find out what products are not being represented in the territory and write direct to some of these producers and ask them if they are interested in having their goods introduced in the area and render suggestions, qualifications, and references. (2)

All the steps outlined that agents usually take in establishing themselves in business, it must be remembered are not always the same for all who enter this line of endeavor, but appear to be "typical".

Many agents get into this line of work for a multitude of reasons and go about setting themselves up in innumerable ways. The procedure discussed, however, is the most usual way.

1. "What is a Manufacturers' Representative", Domestic Engineering, December, 1945, P.186.

A. WHO THE AGENT SELLS TO

Actually the agent will sell to any buyer that the principal he represents will consent to do business with. For the most part, the agent will sell direct to jobbers. The other types of buyers' agents sell to consist of Government accounts, industrial accounts, chain stores, large dealers, export houses, and anyone else his principal will accept as a customer. Government contracts and very large orders, as was mentioned before, will usually be very strongly sought after by the manufacturer himself to be retained as a "house account." (1)

Manufacturers' agents make individual sales usually only when the product in question is of sufficient value to induce the manufacturer to go through the trouble and expense for a single order. If the agent sold one pneumatic drill to an individual buyer for private use the principal would find the sale of such an item, through a single one, a profitable one. (2)

B. INVESTIGATION OF PRINCIPAL

Once an agent finds a manufacturer who wants representation for his product in the agent's territory and the

1. Ibid., p.3
2. Alfred Depasse, Sales Consultant, personal interview
product is such that the agent would consider carrying, he proceeds to investigate the manufacturer.

The practice of manufacturers scrutinizing their prospective agent's position from the desirability standpoint is not confined to them exclusively. (1) The agents are just as careful in taking on a new line from an unknown manufacturer. The agent checks his prospective principal through the service of Dunn and Bradstreet, Poor's, Moody's or other credit rating and investigation services. (2)

Many of the manufacturers looking for agents are new companies and the agent wants to be sure he is representing a worthy company so as not to create any ill will among his present customers by selling them goods from an unsatisfactory manufacturer.

The agent is here merely protecting his interests and his customers.

C. AGENT PRINCIPAL RELATIONSHIP

The degree of personal contact between the manufacturer varies greatly. In many cases the manufacturer may have a company representative visit the agent either before or after he is given a contract to represent the principal in the agent's territory. It is common practice for agents to

1. T. Barry, Manufacturers' Agent, personal interview
2. Mrs. C. Turner, Agent, personal interview
contact the manufacturer by telephone or telegraph to mention or discuss any new promotional ideas or difficulties which the agent may encounter in selling the principals' goods. The greater the value of the goods handled and the larger the sales potential that exists, the closer the agent and manufacturer become, each realizing mutual benefits lie in close cooperation. (1)

D. COMPATIBILITY OF LINES

Agents as a rule will not accept an offer to carry a line of goods unless they are related to those lines already carried. Sometimes an agent with just a few lines with which he is dissatisfied and is looking for a way of improving his business, will accept a more compatible line provided the manufacturer does not object, and try to promote this line as a stepping stone into an entirely new field of operations. If he can push this new line foreign to his own present lines, he then can look for other lines related to the recently acquired one and eventually drop the lines previously carried and enter a new field of operations as to "types" of lines handled.

E. STEALING OF ACCOUNTS

When a manufacturers' agent employs salesmen or "sub-agents" all the contracts for lines to be handled received by the salesman are turned over to his employer, the

1. Ibid.
agent. Sometimes when a salesman working for an agent has been looking for a chance to set himself up in business he will attempt to keep these new accounts for himself and then break with his employer and go out and sell in his own agency capacity. The manufacturers' agent for whom the salesman is working will consider this unethical but this practice is quite common. (1) Manufacturers' agents usually try to win over these new accounts solicited by his salesman.

**F. PROTECTION OF ACCOUNTS**

When a new account has been received by a salesman, the manufacturers' agent for whom he works will go and call on this new client in person and make an attempt to solidify the new account for himself in his agencies name. He (the agent) will call on the new client and make it clear that the salesman works for him and that he (the agent) is pleased to have this new customer and will render him all the service and advice necessary for the successful promotion of the new client's products. (2)

The agent's field, it can be seen, is highly competitive with his salesmen often trying to use the agent as a stepping stone to a business of their own, while the agent exerts his best effort to keep the accounts his salesmen

1. C. Y. Malmquist, Manufacturers' Agent, personal interview
2. Ibid.
G. NUMBER OF LINES CARRIED

From information obtained from agents and manufacturers' agents associations, the number of lines agents are to be found carrying vary from two to ten, the most frequent number of lines is usually between four and six.

A line of goods is usually considered the products of one manufacturer and this practice like all in the agency field varies greatly. One line of plastic goods may consist of cups, envelope openers, spoons, sun glasses, flash-lights, toy banks and many other plastic items that would be sold through one jobber.

Agents that have lines that do not give them a substantial return are the ones that carry seven or eight lines in order to make an adequate wage. Other agents with high sales volume lines can and do content themselves with only two lines and possibly make more money than an agent with ten poor lines.

It becomes evident that success in this field depends greatly upon a judicious selection of lines by the agent.

H. AGENTS CONTACTS

In many relationships between a manufacturer and a manufacturers' agent a formal contract is not used and as a result of this there are serious disagreements. (1)

1. Ben Asquith, Asquith Associates, personal interview
The Dartnell Corporation of Chicago conducted a survey among thirty-five manufacturers to determine various producers attitudes toward agents and some of the practices in their dealings with agents. The result of this survey showed that only one-half of the companies used formal contracts with their agents. (1) The other half of the manufacturers either sent their agents a letter stating the territory granted the agent, commission, termination clauses, and few other details these manufacturers may wish to have in writing.

At first it appears that a verbal contract may be a very poor form of security for the agent, but actually this disadvantage is more apparent than real. If an agent has a verbal contract and is producing a large volume of sales, the manufacturer will not drop the agent unexpectedly, because he is bringing in business. The best form of security for an agent seems to be to produce sales.

Many manufacturers offer their agents a line of goods for a sixty day trial period without any formal contract or even a letter. If the agent's performance is satisfactory in this period the manufacturer will either draw up a formal contract or send him a letter stating the conditions of the selling arrangement between them.

The details of a formal contract will vary with the companies who issue them. But for the most part they

are all similar in that they discuss the extent of territory, length of contract, sales limitations, commissions (graduated or non-graduated), non-included sales, termination agreements (usually fifteen to thirty days), use of company name, authority of the agent and any other stipulations peculiar to the existing arrangement.

On the following pages are found two formal sales contracts obtained from the Dartnell Corporation and said to be "typical" of the contracts awarded agents by manufacturers.
SALES REPRESENTATIVE AGREEMENT

This Agreement entered into this --- day of ---, 1946, in Glendale, California, between SOUND EQUIPMENT CORPORATION OF CALIFORNIA, a California corporation, hereinafter referred to as "COMPANY," and --- --- --- --- --- --- --- --- --- --- --- --- --- --- --- --- --- --- ---, hereinafter referred to as "REPRESENTATIVE."

WITNESSETH:

Whereas, COMPANY is in the business of manufacturing a soldering iron known as Kwikheat, together with elements and tips therefor, and is desirous of appointing sales representatives in various parts of the United States; and

Whereas, REPRESENTATIVE is desirous of becoming the sales representative for said products in the area hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual promises of the parties it is agreed as follows:

1. EXCLUSIVE REPRESENTATION

Company hereby appoints REPRESENTATIVE as its exclusive sales representative for the sale of Kwikheat Soldering Irons, Kwikheat Soldering Iron Tips, and Kwikheat Soldering Iron Elements in the following counties in the State of ---, to-wit: --- --- --- --- --- --- --- ---, and subject to the terms and conditions hereinafter referred to as the "territory."

It is expressly understood that this agreement is limited to the regular existing Kwikheat equipment as defined in this Paragraph and does not include any new items of such equipment which may subsequently be developed or manufactured by COMPANY.

2. OPEN TERRITORY

REPRESENTATIVE, at COMPANY'S option, may have the nonexclusive privilege of selling the aforesaid products in all other territories in which exclusive grants have not been made by the COMPANY. COMPANY will notify REPRESENTATIVE of representatives authorized in other areas and the nature and extent thereof.

3. SALES BY REPRESENTATIVE

REPRESENTATIVE shall contact potential users of this equipment as well as jobbers in all fields in the Territory. Commissions, however, will only be paid REPRESENTATIVE on net
sales to jobbers. COMPANY will furnish REPRESENTATIVE with a list of all present jobbers in the Territory with whom COMPANY presently does business. Before any new outlets are established the parties shall agree thereon.

COMPANY will refer all inquiries from the Territory coming to it to REPRESENTATIVE, and REPRESENTATIVE will be credited with all sales to jobbers made in the Territory except as hereinafter provided.

REPRESENTATIVE agrees to actively and aggressively promote the sales of the products referred to in Paragraph 1 in his Territory. COMPANY will not exercise any control over the amount of time REPRESENTATIVE devotes to the sale of said products, the number of other lines handled, or the method used in canvassing the Territory.

4. APPROVAL OF ORDERS

All orders taken by REPRESENTATIVE are subject to the approval by COMPANY at Glendale, California. All orders taken by REPRESENTATIVE shall be in accordance with COMPANY'S regular terms and prices, and REPRESENTATIVE shall have no authority to in any way vary said terms or prices.

5. PRICE LISTS

COMPANY shall establish the prices upon said products and the discounts allowable and furnish REPRESENTATIVE with a written list of said prices and discounts. In the event COMPANY changes any prices or discounts it will furnish REPRESENTATIVE with new price and discount lists.

6. COMMISSION TO REPRESENTATIVE

All invoices shall be billed directly to customers, and REPRESENTATIVES shall receive a commission of ten percent of net sales to jobbers in REPRESENTATIVE'S Territory, payable when the final invoice has been paid by the customer. Freight, drayage, or taxes shall not be included in computing the commission.

7. NON-INCLUDED SALES

COMPANY expressly reserves the right to sell its products to the United States Government or to any of the departments or agencies thereof without the payment of any commission whatever to REPRESENTATIVE. REPRESENTATIVE shall not contact or submit a bid to any branch of the United States Government unless requested so to do by COMPANY.

All export business is handled directly by COMPANY from its home office, and no commission will be paid to REPRESENTATIVE for any products sold for export from the United States.
8. ADVERTISING AND USE OF NAME

REPRESENTATIVE shall use COMPANY'S name in advertising or otherwise only with the written consent of COMPANY. The parties shall mutually agree upon the type, form, and extent of all advertising and listings.

9. EXPENSES AND AUTHORITY OF REPRESENTATIVE

COMPANY shall not be liable for REPRESENTATIVE'S operating, advertising, or office expenses except that COMPANY will pay one-half the cost of any telephone listings agreed upon. Except as provided herein, REPRESENTATIVE shall incur no obligations in the name of COMPANY, and COMPANY shall not be liable for any taxes levied against REPRESENTATIVE because of his operation as a sales representative.

10. TERMINATION

This agreement shall continue in effect for a period of one year from date; provided, however, that either party may at any time terminate this agreement without cause upon fifteen (15) days' written notice. Provided further that should REPRESENTATIVE be adjudged a bankrupt, become insolvent, or should his affairs be taken over by creditors, then, in that event, this agreement automatically shall be terminated.

11. ASSIGNMENT AND SUB-AGENTS

The rights created under this agreement may not be assigned by REPRESENTATIVE without the written consent of COMPANY, and REPRESENTATIVE shall have no right to appoint sub-agents in any part of the territory.

12. GENERAL

All notices and communications provided hereunder shall be deemed delivered when directed by mail to COMPANY at 3903 San Fernando Road, Glendale, California, and to REPRESENTATIVE at ________________.

It is mutually understood that COMPANY is not doing business within the territory included in this agreement but only in the State of California, and the status of REPRESENTATIVE is only that of a sales representative for the COMPANY.

IN WITNESS WHEREOF, the parties have hereunto set their hands and seals the date and year above written.

SOUND EQUIPMENT CORPORATION OF CALIFORNIA

BY

Company

Representative
We hereby appoint you to act as our Sales Representative in the active solicitation of business in the territory defined therein:

The Entire State of - - -

The Hammarlund Mfg. Co., Inc., will pay you a commission on all orders received from your territory either direct from the customer or on your own order form. Commission is based on a net billing of invoices exclusive of transportation, insurance, etc. The commission will be as follows:

- On all jobber orders for parts: 10%
- On all jobber orders for radio receiving and transmitting apparatus: 5%
- On all manufacturers' business: 5%

There may be an occasion on specific orders on any class of materials, where due to competition it will be necessary to name a special commission to cover such specific cases only. We reserve the right to reject any orders which we do not consider acceptable. Billing will be done by the company at 460 West 34th Street, New York 1, New York, and copies of the invoices will be forwarded to you for your records. When requested by us, we will expect you to furnish us with credit information on any customers in your territory, and also to assist us in the collections of monies due on delinquent accounts.

If commission has been paid on an order, the whole or part of which is later returned for credit or credit allowances made, then your commission account will be debited back for its proportionate share of the credit. We reserve the right to deduct from your commission account an amount equal to that originally paid on any order if we fail to secure payment of our invoices for a period of six months from date of shipment.

We agree to forward to you copies of letters to customers in your territory which we receive direct, and we will mention your name as our sales representative in our answers to these letters.

We expect you to use the utmost diligence to promote the sale of our products by calling on jobbers and manufacturers in your territory at regular intervals. We also expect you to attend any amateur radio conventions and meetings in your territory.

This agreement becomes effective January 1, 19- - . It is understood that this agreement may be terminated by either party on thirty days written notice.

Very truly yours,

HAMMARLUND MFG. CO., INC.

W.W. Jablon, Sales Manager

I have read the contents of this agreement and accept same.

Signed:
I. WHEN AND HOW AGENTS GET PAID

The policy as to when and under what conditions agents get paid, again like so many other practices varies. Most manufacturers make it a practice not to pay their agents until they (the manufacturer) have been paid by the customer to whom the agent has made the sales. Some other manufacturers will pay the agent before they have received any payment from the customer but if they do not eventually receive the value of sales from the purchaser they may deduct the already paid amount of commission to the agent from his future commissions. This is usually stated in the agent's contract, verbal or written.

Most manufacturers pay the agent on the fifteenth of the month following receipt of payment from the customer. The payments are invariably always in check. (1) Some manufacturers pay the agent but twice a year. The commission paid agents may be on gross sales or net sales, depending again upon previous arrangements. (2)

J. SIZE OF TERRITORIES

Here again is another question that has no specific answer. Agent's territories may include as many as ten to twenty states or may be just one large city such as New York or Chicago.

2. Mr. Fred Harper, Professional Relations Service, personal interview
New York State is by many manufacturers and agents considered a territory. For some agents New York City is a complete territory.

The size of a territory will depend greatly upon type of product handled by the agent and the customers called upon. (1)

For example, an agent may be dealing in hardware products and be calling on dealers instead of jobbers, depending upon arrangements with his principal. By calling on dealers in New York City, he would not be able to cover any larger area than New York City alone, because of the vast number of hardware dealers in the area.

If the practice of the agent was to call on jobbers he would be able to expand the size of his territory to say, New York State, because the jobbers are not as numerous as dealers.

Through usage and convention of the trade, New England is considered as one territory for many products. The headquarters for agents covering it, is the City of Boston.

Agents traveling time spent away from his office is another varying factor. It cannot be said that agents spend any specific amount of time traveling. Some agents travel as much as forty weeks a year while others working

1. B. Asquith, Asquith Associates, personal interview
in the metropolitan area do not travel at all. (1)

K. THE COST OF AGENT DIPLOMACY

When a manufacturer's company man calls on the agent to see if all is going well, it usually means that the agent will have to spend one or two days around the office and entertain the manufacturer's official. This usually means lunches, dinners, a game of golf (agent paying green fees) a little talk on conditions and if an enjoyable time was had, then a favorable report about the agent goes into the company.

This practice of entertaining the company man is another "must" of doing business but it irritates many agents as a necessary evil that must be tolerated if they want to remain in the good graces of their principal.

One agent was interviewed who trimmed his office with the advertising matter of whichever principal is to arrive next. The theory was to make every principal feel that he was spending almost all his time on his line of goods.

L. COST OF AGENT PROMISES

Many agents make all types of promises to manufacturers to get a desirable line of goods. These promises are such that no one is capable of filling, yet manufacturers will insist upon such great expectations that the agent in his eagerness to get this desirable line will commit himself

1. Al Albee, partner, Albee-Campbell, Inc., letter to writer
to them. (1)

The cost of such promises are high, for agents lose a great deal of money trying to live up to them.

This happens in some cases when agents are not experienced enough and do not realize fully what it is costing them to do some business.

Some of the more experienced agents who have realized this, feel that the manufacturers should recognize what it costs agents to do business and not make these impossible demands upon them.

The way of overcoming that sometimes high cost of doing business for agents appear to line in:

1. Avoid making impossible promises to the manufacturer and to sit down and talk over these matters with the principal and tell him first what he(agent) can actually do for him. If the manufacturer wants to keep his account he will.

2. Discounting all unprofitable lines because it costs money to keep an account in the office. If it is not paying it should be discounted.

It is apparent from the foregoing that the method of operation that manufacturers' agents follows no set procedure but is very diverse and complex.

It is the great flexibility that these agents possess that makes it possible for them to fill in at places of

1. "Why Merchandise Brokers are Going Broke", Printers Ink, June 7, 1923, p.143
our distribution system that no other type of middlemen would be capable. (1)
VII SERVICES PERFORMED

A. PROMOTIONAL GOOD WILL

The manufacturers' agent performs many non-selling functions. One of the most valuable is promoting goodwill. When the agent has a new line he is attempting to introduce in his area, he will very often have to make several sales attempts for his new line before he achieves results. He has to promote the new line by explaining the new features and advantages of the product, establish the reputation of his principal, explain the history of the new manufacturer's company, (if he is not well known), make price quotations, and perform a limited advertising function. (1) The agent does all of these things even though he only gets paid for actual sales.

B. ADVERTISING

When the agent operates strictly in the capacity of a manufacturers' agent as defined legally and academically he will in about ninety-five percent of the cases not do any widespread advertising out of his own finances. The other five percent of the agents under some agreements offer or are asked to do certain amount of newspaper or local trade journal advertising.

1. "What is a Manufacturers' Representative", Domestic Engineering, December, 1945, p.186
Most all agents do, however, distribute advertising material that is supplied to them by the manufacturer. This material for the most part takes the form of jobber catalogue sheets, pamphlets, price lists, posters, and samples. The agent gets no extra compensation for these services and his sole regard is his commission.

On the following two pages are samples of jobber catalogue sheets that the manufacturers' agent is responsible for distributing to wholesalers and large dealers or whoever he is attempting to make a sale to. These sheets are to uniform size and are put in a "ring folder" upon the receipt of them. New sheets can be added and old ones replaced when the occasion demands. (1)

When the principal the agent is representing desires to have any jobber he does business with do some local advertising on his (jobbers) own account, it is the agent that handles the agreements and explains the principal's terms to the jobber and how much advertising will be expected. The agent is the liaison man between principal and his customers.

Agents, of course, always prefer to handle a line that is well advertised for they meet less sales resistance this way and the customer will be less hesitant in purchasing.

C. INSTALLATIONS

Quite often agents found handling technical pro-

1. G. W. Swanson, Manufacturers' agent, personal interview
ducts or machinery will help install and set up goods. When a manufacturer employs agents to handle technical goods he will use agents who specialize in the distribution of such products and who are familiar with such a line. The selection of technically trained agents is a great advantage to the manufacturer because it saves him the expense of having to teach them about his complex line.

If the manufacturer is located reasonably close to the area the agent covers, the manufacturer may send out company men to perform the installations of machinery or heavy equipment. When the principal seeks representation in a far off territory he will have to rely on the agent to perform installation services. (1)

D. SERVICING OF GOODS

The amount of servicing done by agents on goods varies with the manufacturer's policies, contractual agreements, proximity of manufacturer, value and character of the goods involved.

The agents that service goods are the ones who handle technical lines and the servicing is usually the result of either:

1. The fact that the manufacturer is located a considerable distance from the customer and the goods cannot be serviced within thirty-six to twenty-four hours. Or

1. Fred Chamberlin, Manufacturers' Agent, personal interview
LIPSTICK and MIRROR COMBINATION

STOCK NO. 1800

Smart accessory for the fair sex. Saves space in purse or pocket. Lipstick fits in the handle. Beautiful and dainty scroll pattern. The lipstick is supplied in medium red of finest quality. Plastic frame comes in following soft pastel colors:
Mottled ivory
Mottled pink
Mottled blue
Mottled green

Retail price $.75 each
Individually boxed 12 to carton.
1 gross to shipping carton.

Individually packed in attractive and colorful box in modern design. Ideal for display on counters, in windows, etc.
JUNIOR PLASTIC EYE

UNBREAKABLE
(Ethyl Cellulose) PLASTIC
FLASHLIGHTS

STRAIGHT 2-CELL
JUNIOR MODELS

Stock No. 200
Stock No. 200C — with clip

Here is the really modern flashlight with longer life, new utility, eye appeal and pleasant warmth of touch. Three-way signalling and positive switch always works! Two cell, pre-focused with brilliant reflector, straight 2-cell "Plastic Eye" Model.

Stock No. 200 (without clip) retails at $1.00
Stock No. 200K (with belt clip) retails at $1.20

COLORS
RED, BLACK, BLUE, IVORY, GREEN and TRANSPARENT

Packed 24 to a shipping carton (including one display) — 4 cartons to a bundle (96).
Weight: 96 No. 200 — 25 pounds.

DAINTY and CONVENIENT SIZE FOR USE BY CHILDREN and GROWN-UPS

SAFE! PLASTIC CASE IS NON-CONDUCTING (you can’t electrocute yourself)

GITS THE WORLDS FINEST FLASHLIGHTS!
as a result of,

2. The agreement made between the agent and his principal whereby the agent regardless of the proximity of the company has agreed to do all the necessary servicing and rendering of technical advice.

Most all of these agents are sales engineers who have had formal training in such work.

The more servicing functions performed by an agent the more likely is his commission rate to be a higher one.

(1)

When properly trained the manufacturers' agent can be a trouble shooter of the first order and a marvelous goodwill breeder.

When repairs to a certain machine or measuring instrument are necessary, it is rarely profitable to send an engineer from say, New York City to Chicago. The other alternative is to train the company's agent so that he can repair the machine in the customer's plant. If that is impossible the machine should be returned to the manufacturers' plant. In instances such as these, the agent deserves and often receives half of the repair charge. (2) Some companies just pay the agent a stipulated commission rate and nothing extra for repair service while other companies give

1. Ibid.

2. Victor Maynard, Manufacturers' Representative, personal interview
the agent a certain percent of the estimated repair charge.

E. STOCKS CARRIED

Stocks are carried by agents who are a considerable distance away from the manufacturer they represent when the goods are such that have to be supplied soon after the demand originates or utility of them will be lost. The greatest number of agents that carry stocks are to be found in the machinery equipment and supply lines, with those agents handling electrical goods in second place. When a machine breaks down or a manufacturers' piece of equipment wears out or is damaged he desires an immediate replacement so as not to tie up production. If the agent does not have immediately available stocks the manufacturer or user of the agent's type of goods will look elsewhere for the filling of his order.

(1)

Other types of goods that agents carry in stock are those types that are of not uniform sizes and the made to order types of goods. If a demand arises from a customer for a type of goods that will have to be made up special by the manufacturer and then shipped, a considerable amount of time may elapse before the customer receives the goods. To offset this an agent will keep a wide assortment of goods on hand and be able to meet his customers' needs immediately and replenish his stock at a later date.

1. Arthur Hall, A. Hall Co., personal interview
Actually the carrying of stocks by agents is due to pressure of competition. If a manufacturer is located a great distance from a territory and his agent secures an order for products but not in a large enough quantity to warrant a "freight allowance" by the manufacturer the customer will be reluctant to purchase from him and pay the freight costs. (1) The customer will be more likely to look for a nearby source of supply for the goods where he does not have to pay any freight charges. In this case, the agent will find it to his advantage to stock goods that he can use in filling orders.

It is apparent that the carrying of stocks by agents to a necessity in some cases, so as to enable the agent to compete successfully in his area.

F. EXPENSE

Agents who carry stocks average higher operating expenses than those who do not. The difference between operating expenses is almost two to one for the agents who carry stock as opposed to those who do not. When stocks are carried they are received by the agent on a consignment basis. Some agents were found however, who had purchased goods in their own name and proceeded to distribute them. This goes back to chapter one and the confusion in defining agents and independent dealers. As agents are classified in the strict sense they do not purchase stocks in their own name. Some

1. Mrs. C. Turner, Alvin Products, Inc., personal interview
will practice this procedure of buying and selling their own name and still use the title of agent.

Agents that carry stocks usually have a higher commission rate for the goods they sell. This is only fair because it costs the agent more money to carry stocks than it would if all his orders were drop-shipped.

Another expense item for agents carrying stocks is a delivery expense. Some of the agents who carry stocks maintain a vehicle of some description to move goods to purchasers from their place of storage. Some other agents may have the delivery service performed by a commercial delivery agency but the expense for this service still exists and must not be ignored.

G. WHERE GOODS ARE STORED

The agents that carry stocks usually try to find storage space for such goods in or near their place of business. When possible, the agent for economy reasons will try to attempt avoiding renting space for storage. Often times agents store their goods (when feasible) in their office, home or an empty garage. This, of course, is only possible when the goods are small in size and much stock is not required. Of course, at times when the commodity stocked by the agent is large and bulky and storage space found wanting the agent will resort to a public warehouse for storage. This is done usually only by the more financially able agents. This practice is most common among agents dealing in such goods as
machinery, equipment, and supplies also in farm equipment. These are just a few examples where public warehouse rentals are used when other facilities are not available to the agent.

II. CREDIT INFORMATION, BILLING, AND COLLECTIONS

Many manufacturers request their agents to make a credit investigation of the prospective customer before any sales on credit will be allowed. The agent will be requested to investigate the customers credit standing and send the information on to the manufacturer for a credit allowance to the buyer of the principal's goods. (1)

The billing is invariably done by the manufacturer and not the agent. Some agents stated that they do know of instances when agents have done the billing due to some unorthodox business arrangement between the agent and principal. As was cited earlier this field of business is very diversified and complex and strict adherence to any one set procedure in uncommon.

The agent when he receives an order must forward the original order copy to the manufacturer so the principal will have a record of the requested order in case of any dispute over goods ordered.

The agent receives a copy of all the invoices that pertain to sales coming out of his territory. This is a record for the agent and he can keep these copies to check on his commission that the principal pays to him.

1. J. Walker, Purchasing Agent, personal interview
When a customer is late in making his payments on previous credit sales, it is usually the agent's job to drop around and attempt to stimulate payment by the customer. The agent does this very readily in a great many cases for often times it has been included in the agent's contract that he will receive commission on all sales that have been paid for only. As to whether or not gross sales or net sales are to be used for a commission computation basis will vary with the manufacturer's policy.

I. LEGAL ASPECTS OF CONSIGNED GOODS

When the manufacturers' agent receives goods on consignment the manufacturer retains title to his goods and, bears numerous risks while they are in the hands of his agent including the risks of loss, deterioration, non-sale and eventually of failure to collect the purchase price from the ultimate buyer. These risks are normally shifted to the independent dealer where he is interposed. The seller becomes involved by the law of warranty in a legal relation with the purchaser when he sells through an agent; there is no warranty to a subvendee with the independent dealer intervening. On the other hand in selling to a jobber, the manufacturer loses control over resale prices and limits his power control over sales policies and concurrent activities, such as the handling of competing lines; he has abundant control in these matters when he works through a representative whom the law
brands as an agent. (1)

**J. BUYERS ATTITUDE TOWARD AGENTS**

The service the agent performs is held in much higher esteem than that of the salesman by many buyers. (2) When a salesman from a certain company is outside waiting for admittance into the buyer's office he (the buyer) will be more likely not to see the salesman at that particular time if he feels that he has an adequate supply of the goods on hand that the waiting salesman carries. If an agent is waiting for admittance to see a buyer he (the buyer) will be more likely to desire an audience with the agent for the manufacturer's representative will be carrying several lines and the buyer feels that the time spent with an agent may possess more utility than time spent with a salesman who has but one product or line. This is not an absolute rule but an impression gathered from speaking to a few buyers and from periodicals written by men in buying positions.

The agent is generally looked upon in a favorable light by all those that deal with him. The buyer is also considered to feel that an agent will be more conscientious in his business transactions than a salesman for the agent gets nothing but commission and will always try harder to

2. J. Walker, *Purchasing Agent*, personal interview
keep his customers satisfied and well served.

It is the many services that the agent performs other than selling that gives him a worthy position in our distribution system. He depends upon customer satisfactions to maintain his position and must work long and hard to keep his place in our economy.
Once a manufacturer has decided to use manufacturers' agents instead of a salaried sales force, he is faced with a problem not of locating men but locating suitable ones who are best equipped with contacts and knowledge of the market to sell his products on a satisfactory scale.

Many manufacturers use several methods but there is no one method which will fill every manufacturer's needs. The following methods are some of the more important ones mentioned by John Frederick in an article appearing in Sales Management. (1)

1. Requesting manufacturers of other products supplementary to, but not competitive with those of the manufacturer seeking manufacturers' agents to suggest qualified men. These other manufacturers are usually glad to cooperate with information of this sort, and the chances are than at agent who is already representing an outstanding account will be an effective salesman.

2. Corresponding with the most important buyers of a manufacturer's line of products. These buyers are well posted on the best equipped and best liked manufacturers' agents who may be recommended for such work.

3. Frequently a manufacturer may obtain some good

names of agents to contact through asking his present representative to suggest possible men in other territories. This is usually a good method because of the opportunity it presents for obtaining complete information on the men suggested.

4. Using lists compiled by trade journal publishers. When these lists are up-to-date and show territory covered, number of salesmen, employed, and lines handled, they are valuable because an agent handling one or two high grade lines probably has desirable trade contacts. The greatest defect in this suggested method is that there is no personal sponsorship on the part of the publishers for the men included therein, and the best agents may sometime not be included for one reason or another.

5. Answering the advertisements of agents seeking lines to handle. Some manufacturers have found this the best way to contact desirable agents. The fact that a man has been willing to spend his own money in order to make desirable connections seems to place him above the general run of agents.

6. Some manufacturers maintain that the only way to secure first class agents is to send a man from the factory into the territory to inquire of the trade regarding established agents who may be contacted in order to ascertain which would be best for a particular line. Some of these agents may already be carrying too many lines to do justice to another.
In other cases new men may be coming into the field who have but one or two lines and are, therefore, in a position to give more time to an added line. It is felt by some manufacturers that this sort of information can best be ascertained through personal contact. (1)

Other methods for locating agents are used: placing wants ads in the classified columns of trade journals and newspapers, contacting desirable agents through their attendance at conventions of national trade bodies, trade shows and the like, and receiving requests from agents directly to handle the company's lines.

A manufacturer may utilize the services of one of the organizations specializing in placing agents. Recently a number of these organizations have sprung up and operate so as to place agents and manufacturers in contact with one another on a fee basis. One of these, Eiseman Industrial Corporation, New York City, a management and consulting firm, has about one-third of all manufacturers' agents in the country registered by name, history, territory experience, qualifications and the lines carried. (2) This source if properly utilized is likely to be a most effective way of contacting an agent. The Eiseman Corporation thoroughly

2. Ibid.
investigates each agent's background before listing him. Therefore, the manufacturer can be assured of dealing with high calibre representatives.

Another source for manufacturers' agents to make contact with a manufacturer is the various Chambers of Commerce in many of the larger cities in the United States who provide such a service for agents. Many of these Chambers of Commerce maintain classified lists of such representatives. The manufacturer merely indicates the qualifications he desires and the Chamber does the rest. Many of the leading cities of the country that have this service, free of charge, are: Albany, Baltimore, Boston, Birmingham, Cincinnati, Chicago, Dallas, Denver, Minneapolis, New York, Los Angeles, Philadelphia, Portland, St. Louis, Toledo and Tulsa. There are other large important centers in the country that maintain this service but those listed are the larger most important ones.

A. DETERMINING SUITABILITY OF THE AGENT

Once a manufacturer has located an agent, the most important task of determining if the agent can handle his product satisfactorily is the problem that the manufacturer is then confronted with. According to an article recently appearing in Domestic Commerce, selection of a manufacturers' agent should depend on these considerations: (1)

1. The agent's past record of achievement including his record of sales and performance. The length of time the agent has been in business for himself and the length of time he has retained specific lines should be given careful attention. Sometimes manufacturers' agents while they are thoroughly familiar with the line and its sales outlet have been in business for themselves a short while. They may not as yet have shown their ability to manage a business of their own. The manufacturer must appraise the agent capabilities very shrewdly if he is not to be caught with an inferior representative. The length of time an agent has maintained specified lines is a good indication of his ability and his familiarity with the sales outlets and markets for these products.

2. The customers that the agent regularly contacts in his territory should be carefully considered as to their desirability. Are these customers the most satisfactory ones for the manufacturer's product?

3. A manufacturer should always find out how the other principals of his agent feel about him taking on another product. Some principals may object to an agent handling any additional products, particularly if the product has shown little merit of inducing combined orders.

4. One of the most important factors that should be considered is the agent's financial ability. A great many men are attracted to this field, while they may be excellent
salesmen they may be totally lacking in the ability to manage and maintain their financial stability.

5. Is the agent covering his territory adequately? Are the results satisfactory? Is the agent concentrating his sales in only one section or is he giving the whole territory adequate coverage? Many agents attempt to acquire as large an exclusive territory as is possible in dealing with a manufacturer. Because the agent is financing himself, he will probably just skim the area contacting only the customers at easily accessible points and not even touching customers at outlying points in the area.

6. Lines that are now handled by the agent must be scrutinized. The manufacturer must be able to make certain that the currently handled lines are not competing goods. Sometimes agents are allowed to carry goods that are competing but with wide variations in price. This is not such a good idea because the agent very often eventually concentrates on either one or the other of the price brackets, ignoring the remaining one.

Some of the other points that manufacturers should consider are: the character of the concerns the agent represents, the similarity of commissions on goods handled, and the character of the agent in general.

B. AGENT CHECKS ON MANUFACTURER

The manufacturer investigates the agent as carefully as possible to get the most profitable selection. While
this is common practice among some companies, it is likewise accepted practice for the agent to investigate his principal.

The agent wants to determine if the product is a good one and worthy of his attention and efforts. Often times some manufacturers are found merely trying to unload inferior products by selling through agents who have "connections" with prospective customers.

If the agent feels the product is a worthy one, he must then decide if he can sell it successfully in his territory. Some products that sell extremely well in one territory will have no sales potentials at all in another area because of such factors as local customs and traditions, the income and education of the area's inhabitants, the nationalities and religions predominate, weather conditions and other influential factors.

Agents analyze the product in question, sales potentialities, financial standing of the principal, policies of the manufacturer and reputation of the company.

C. INQUIRIES FOR BEST RESULTS

For better principal-agent relationships that will be more lasting and beneficial both parties should investigate each other's suitability for the proposed distribution scheme in question.

If the principal selects only those agents that appear the most suitable for his products and policies and
the agent in turn follows the same procedure the chances that both parties will benefit the maximum amount are greatly enhanced.
IX CONDITIONS FAVORING THE USE OF MANUFACTURERS’ AGENTS

Many manufacturers in the distribution of their products are confronted with the problem of whether to hire their own sales force or to sell through agents and brokers. The answer to this problem depends upon many factors peculiar to the type of business, its size, financial status, products, location and personnel. The use of manufacturers’ agents has certain inherent advantages which may be true regardless of the kind of business and its individuality.

We shall discuss some of the advantages of the manufacturers’ agent operation.

A. ADVANTAGES OF USING AGENTS

When a manufacturer hires a sales force he automatically takes upon himself much additional effort and work. The manufacturer must decide upon the size and quality of his sales force, he must also hire, fire and train and instill confidence in these very same men. Along with the mentioned duties, he must know the markets for his products, where the sales potential is to be found, and also under what circumstances his salesmen must make calls. There is a great deal of extra added bookkeeping and clerical work that is added to his office costs by maintaining his own sales force.

With all these and so many variable factors such as traveling expenses, correspondence, and telephone costs making up his selling costs it is extremely difficult if not impossible
to estimate his cost of sales in advance, especially if a new product is to be marketed.

Using manufacturers' agents in such cases would eliminate these disadvantages to the manufacturer and the selling costs would bear a more definite relationship to sales volume, since the commissions on sales made by the manufacturers' agent would be the only major selling expense borne by the manufacturer.

It is the manufacturers' agent who cannot ascertain his variable selling costs in advance since most of the selling expenses fall to him. In short, the risks and the fixed costs involved in selling activities are passed from the manufacturer to his agent.

B. USING AGENTS FOR A NEW PRODUCT

Manufacturers' agents may successfully be used when a manufacturer wishes to introduce a new product which is so different from the regular line he produces that any attempt to use the regular salesman would seriously disrupt or put out of balance the sales force. (1) The product produced may be one that is so non-compatible with the lines the company salesmen are pushing that the manufacturer may feel it best to seek other outlets for it than the ones already used for products manufactured in the past.

The agent who has many contacts in the area can

get into see the necessary people to consumata a sale. The manufacturer of the new product may find that if he attempted to use his regular salesmen for distributing the product a disproportionate amount of time and effort will be spent and neglect of normal lines will be the result. By engaging manufacturers' agent familiar with the outlets and market for the new product a stabilizing effect may be had on the sales force.

C. NARROW LINES OF GOODS

When a manufacturer produces a narrow line of goods with low unit value he may find the cost of maintaining a separate sales force prohibitive. The manufacturer may be a small company trying to get started with the costs and problems that will be encountered in setting up a company sales force would not be expensive and troublesome.

D. STANDARDIZED SALES COSTS

According to an opinion survey among thirty-five manufacturers made by the Dartnell Staff to determine the most successful reasons for using agents, one of the most important was the desire for standardized sales cost. (1) A manufacturer will want to know how much expense will go toward selling and to other manufacturing and distribution efforts so as to be able to project his operation plans into the future with as little uncertainty as possible. By using agents the manufacturer only pays commission on sales that

1. Ibid., P.4
are made and collected for. There is no guess work or arbitrary allowances made for unpredictable selling expenses that company salesmen may incur.

E. WHEN CUSTOMERS ARE NOT READILY ACCESSIBLE

A manufacturers' salesman may find it very difficult to reach certain customers in a territory because he is not familiar with it or not in possession of the many contacts that most manufacturers' agents have in the areas they operate in. This circumstance would be particularly valid in the case of rural areas and small communities where distinctive customs, nationalities or religious faiths exist. A native born or native reared manufacturers' agent would have a great advantage over any outside salesman attempting to penetrate the market. Not only would the manufacturers' agent be likely to attain more sales but he would be in a position to know the best advertising methods to employ in the area.

F. FAR FLUNG REPRESENTATIVES DESIRED

When there is an area a manufacturer desires to reach with his product but the potential or actual customers of the company are located a considerable distance apart from each other and the expense of keeping company salesmen in this market which is sparsely populated and widespread is prohibitive, the manufacturer may profitably use agents. (1)

A territory where customers are few and far between would call for a tremendous amount of traveling and the company salesman having only one line to spread his expenses on would be a very uneconomical representative. The manufacturers' agent on the other hand who carries several lines would be much more practical in a situation such as this because he has more than one line to show his prospective buyers and can spread out his expenses over his many lines.

If a company salesman selling a line of electrical fuses made a trip of fifty miles to call on a prospective customer and was turned down for a sale he will have wasted all that time and effort (except for the good will) trying for a sale. Now, if a manufacturers' agent carrying fuses made the same trip and found that he could not make a sale of fuses he [the agent] may find himself able to sell one, two or three of his other lines, and his trip will not have been in vain.

G. WHEN MARKET EXPANSION IS DESIRED

A very common reason for employing agents by already established companies is the desire for expanded distribution. (1) A manufacturer does not have to be a small one to utilize agents satisfactorily and very often large concerns will be found with agent representation. When a company desires representation of its product in an area not yet covered by its own sales representatives and desires to

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1. Ibid., P. 296
avoid the expense that will go with keeping salesmen in a distant territory he may contact an already established manufacturers' agent in the area. The agent who is well situated in the market can distribute the manufacturers' product at a little expense as opposed to what the costs of maintaining company salesmen in the new area would be. In cases such as this, the manufacturers' agent may develop the territory for the principal who may then undertake to sell his goods through a controlled sales force of his own without incurring any undue risk.

II. CONTINUOUS REPRESENTATION DESIRED

Another condition under which manufacturers' agents are found to be very profitable is when a continuous representation in the market is necessary and brokers cannot be used to advantage. (1) As was discussed much earlier, one of the chief differences between a broker and agent is the continuity of relationship between each of these representatives and the manufacturer they represent. The relations between manufacturer and broker are not nearly as continuous as those between agent and principal. A manufacturer may desire more control over price and his representatives' activities than a broker had been furnishing him. He may turn to the services of an agent.

J. SEASONAL PRODUCTS

Many producers such as food packers having seasonal

1. Ibid., P.296
products find they cannot employ their own salesmen on a full time basis. By using manufacturers' agents who carry several lines the manufacturer finds he has a very excellent method for selling his product. The agent who handles seasonal products can be carefully selecting his lines balance out his sales efforts throughout the year.

K. SALES MEN WITH TECHNICAL KNOWLEDGE REQUIRED

When a manufacturer desires to have his product distributed in a certain area and the type of product in question needs salesmen with technical training, the use of manufacturers' agents in a situation such as this can be very economical to the user. The expense of training company salesmen is immediately eliminated. As for the ability of a manufacturers' agent to do an engineering sales job. The best way to answer this question is to take apart a definite group of manufacturers' agents and see of what they are composed. Walter Amory Allen in his pamphlet on Effective Distribution Through Manufacturers' Agents has evidence of just such a question being answered. (1) An Ohio manufacturer had employed a sales force of manufacturers' agents to sell his technical line of goods.

The New England representative of this manufacturer was a graduate of Yale's engineering school. Since gradu-

ating he has served as production manager of two plants.
Eleven years ago he decided he wanted to sell. He can sell
and did a fine job for his factories.

The Chicago representative of the manufacturer was
a production man for a well known New England manufacturer.
Quite by chance he became a salesman for them. Later the lure
of larger earnings as a manufacturers' agent got him and he
has been earning from twelve to fifteen thousand dollars
practically every year since.

This manufacturer has two representatives on the
West Coast. One was a factory production man and the other
was chief engineer in the same plant. They decided they
could make more money selling, moved to California and are
doing just that.

The Philadelphia salesman for this manufacturer
'taught engineering in a school in New Jersey before becoming
a manufacturers' agent.

The three southern salesmen of this manufacturer
are just industrial salesmen who have sold industrial pro-
ducts so long that they have absorbed all the knowledge they
need to do a fine engineering sales job.

It can be seen from the cross section of these
manufacturers' agents that they as a whole possessed a very
good technical background and most of these men were of high
calibre having worked at very responsible positions.
L. FINANCIAL STATUS OF MANUFACTURER

When a manufacturer is small and does not have but limited capital he may find that a salaried sales force would place a hazardous drain on the company’s finances.

In such cases the employment of manufacturers' agents may prove to be the solution to the companies' sales problems. By using agents the company is able to avoid the fixed overhead in sales expense that is always attendant when you are operating your own selling organizations.

By careful selection of agents in geographical areas the company can avoid the expense of maintaining sales branches and costs of initial sales that are usually expensive in new areas. Some of the situations that are forwarded for the utilization of manufacturers' agents have been mentioned but these by no means exhaust the multitude of possibilities that do exist for profitably employing these agents.

In summary, the manufacturers' agent is most successfully employed when standardized sales cost is important, when territories are too extensive to be profitably worked by one line, and when agents' recommendations will aid in establishing a market for a product.
X CONDITIONS UNFAVORABLE TO THE USE OF MANUFACTURERS' AGENTS

The manufacturers' agent has an important place in the distribution system but regardless of all his favorable points there are some limitations and disadvantages to his employment for some manufacturers.

A. DIFFICULTY OF CONTROLLING AGENTS

The main disadvantage of using agents instead of a company sales force is the lack of control the manufacturer may have over his agents. The manufacturers' property depends upon the sale of the products. If manufacturers' agents are used exclusively the life blood of the company will be dependent on these independent sellers. (1) The agent is an independent businessman and his welfare does not depend on any one company (in most cases) but on the lines of many. If the manufacturer was using company salesmen, the salesmen would be under tighter control and would realize that their welfare was dependent upon the one company and they would be less prone to an indifferent attitude than an agent may or can take once he has taken on the company's line.

This disadvantage can be reduced to a certain extent very easily. If the manufacturer will be more selective of his agents he may very easily be able to get men that are responsible and conscientious.

B. MULTIPLICITY OF LINES

Many agents want to carry too many lines and sometimes are not in a position to push any one line, especially if other companies start to exert pressure due to seasonal trends. The company salesman spends all his time on one company line while the manufacturers' agent divides up about the same amount of time on four or five lines. It is this number of lines that gives the agent his advantages because of the economy involved. It is these very same advantages that also act as a disadvantage. Each and every manufacturer who employs the agents' services expects all of the agents' time forgetting the agents' other obligations. The agent is limited in the amount of time he apparently can spend on each line of goods. This factor is a disadvantage for the company desiring an intensive selling campaign on the part of the representative. Because the agent has so many lines he is unable to become familiar with any one of them.

Some manufacturers also feel that the agent does not spend sufficient time and effort to learn the products.

Then along with the multiplicity of lines is the obvious disadvantage of trying to serve several masters.

C. LINE FAVORITISM

Some agents promote the more lucrative lines, and

do not work on the items where good selling is essential. (1) Some manufacturers feel that this practice among some unscrupulous representatives is the most severe objection to using agents. Agents will occasionally refuse to give their better lines to distributors unless their poorer lines of goods are distributed. In this way they use their good lines as levers to sell the less popular ones. The agents like many salesmen will always seek to sell the products that meet the least resistance in the market. The more advertised a product and the more luck an agent has with it, the more he will concentrate on it at the expense of the other products.

D. SPECIALIZED SALES EFFORT

Some manufacturers feel that a grave disadvantage to using agents is that they will not push a product as aggressively as the company’s own sales force since the agent spreads his sales effort over several products. (2)

A manufacturer with a product requiring specialized and extensive promotional activity may find these agents unsatisfactory. When the product requires much and frequent servicing the manufacturer will find his own salesmen a more satisfactory medium for promoting his interests. Opposed to this viewpoint is the contention that agents are ideal for

1. Ibid.
a new type of product because of the "connections" they have and also are ideal for some technical products because many of them are high class sales engineers.

E. LIMITED COVERAGE

Due to the fact that the manufacturers' agent must pay all of his own expenses he may be unwilling to make long and frequent trips into outlying districts and areas of his territory.

When a company is using its own salesmen (and paying their expenses) it can be assured that all corners of the territory will be covered because the company salesman is not paying for his traveling expenses. (1)

It is this expense factor that should cause manufacturers to investigate very carefully the ability of the agent to finance himself when they are selecting their representatives.

F. TERRITORY SIZE

The agent may be attempting to cover too wide an area and regardless of his sincerity and efforts may find it impossible to do so successfully.

Of course, the manufacturer faces this same problem even when using his own sales force. What the manufacturer strives for is to get the area to as small a size as is necessary to get the maximum sales penetration. The company will

1. J. Walker, Purchasing Agent, personal interview
be able to do this with his own salesmen but will very rarely
be able to get a manufacturers' agent to reduce the size of
his area.

In summary, the principal objections to employing
manufacturers' agents are the lack of company control; the
inability of the agent handling a number of lines to become
thoroughly familiar with any one; a tendency on the part of
the agents to take on too many lines, and occasionally com-
 peting lines; and the natural suspicion, voiced by manu-
facturers, that their agents were not pushing their products
as hard as they might.

All the disadvantages of manufacturers' agents
mentioned can be easily overcome by having the manufacturer
be more selective of his agents and conduct an investigation
into the agent's ability and character before contracting
with them. Another way that the manufacturer can overcome
the disadvantages in using agents is to have the agent rep-
resent his product in a territory for a trial period before
signing any contract with the agent.
XI AGENTS' COMPLAINTS AGAINST MANUFACTURERS

According to Al Albee, a partner in the firm of Albee-Campbell Incorporated, New York, in seven out of ten cases when a manufacturer finds himself dissatisfied with a sales representative it usually turns out to be the fault of the manufacturer that the relationship is terminated. The company of Albee-Campbell is a clearing house for manufacturers' agents and in the firm files are listed the names of eight thousand agents who are their clients and willing to pay a fee. This company helps to bring together manufacturers seeking sales representatives and agents seeking lines. (1)

Mr. Albee said that his opinion about the manufacturers being at fault in the majority of cases is based on an investigation of a great many cases handled by his firm. In such an analysis of a situation, Albee feels facts such as the ones below will be uncovered:

1. Manufacturers' merchandise priced above competition.
2. His packing is in the wrong quantities.
3. He fails to furnish the agent with necessary sales material.
4. He is slow in handling correspondence.
5. He does not have an adequate promotion program.

1. Al Albee, partner in Albee-Campbell, Inc. of New York, a letter to writer
6. He does not provide for cooperative ads, mats, dealer aids, or a demonstration program where one is called for.

Mr. Albee feels that it can be stated generally that manufacturers often fail to give their representatives the tools to work with. Nevertheless, there are a great many manufacturers seeking to change their sales representatives or jobbers these days. Mr. Albee stated this activity is reflected in Albee-Campbell's business which is up five hundred percent so far this year compared with the same period last year.

A. AGENT'S EXPLOITATION

Some agents have stated that certain unethical or ill informed manufacturers will deliberately keep their turnover of agents high in a territory so as to get as many new customers as is possible. A manufacturer may contract with an agent and after a short time cancel the contract in accordance with stipulated terms. The manufacturer will then employ another agent in this territory for a few months and repeat the same process again. The idea behind this is to keep changing agents because each new agent possesses "contact" that others do not and with the use of each new agent the company will get three, four or more new customers' accounts. (1) The constant injection of "new blood" brings

1. Mrs. C. Turner, Alvin Products, Inc., personal interview
with it new accounts. Of course, this practice is not widespread and is fraught with dangerous possibilities for the manufacturer.

Agents because they are not organized on any scale other than occasional local organizations can be taken advantage of by manufacturers.

**B. COMMISSION RATES CHANGED**

Another common complaint against manufacturers by agents is the practice of some companies to change commission rates of agents. (1) The manufacturers' agent does not design the product, does not manufacture the product, does not control the advertising of the product, does not share in dividends from production, and consequently should not be asked to alter his commission rate every time the manufacturer has a fire, a strike, and an increase in cost of raw materials, or a change in sales managers. Manufacturers' agents commissions should be a pretty well known percentage for any given product or line, in any given locality or area, and the manufacturer should have that information and be willing and able to assume that cost as a fixed cost, more or less, of his distribution burden. Working within some known range, the manufacturers' agent can with confidence proceed to make the manufacturer's interest his interest, and when that is done

1. E. A. Wilcox, President of NAMA, Los Angeles, California, a letter to writer
satisfactory results usually follow. (1)

C. LACK OF SALES MATERIAL

Another very common complaint against manufacturers by agents is that the most common cause for a of sales for any one principal is usually due to the fact that not enough sales information was provided. Walter Amory Allen in his pamphlet on "Effective Distribution Through Manufacturers' agents" states a typical attitude of a dissatisfied manufacturer. Mr. Allen states that some manufacturers will often ask the question, "What is the matter with agents? I hire the best I can find but they can't sell my products."

These same manufacturers go on and add, "I can sell my line any day of the week. I never go out, but I bring back a bunch of orders and yet when my agents are out they fall down on the job, I can't understand it." What the manufacturers are really saying is that they know their products but they are not capable of conveying that knowledge, or at least have not conveyed that knowledge to other sales force. They appear to be making a confession of their own weakness rather than proving a case against the sales force or indicating any weakness on their part. The manufacturers' agents must be given a sufficient amount of information about the product and the company they represent if they are going to sell effectively.

1. Ibid.
Mr. Allen goes on to state that the lack of attention and understanding of this factor of providing proper sales tools for the sales force is responsible for the tremendous turn-over of sales organization of manufacturers' agents. There is yet, states Mr. Allen, to be found a complaint against manufacturers' agents that did not disclose a sad lack of proper selling material.

D. VAGUE AGREEMENTS

Some of the agents interviewed felt that often times the manufacturers they contracted with always tried to be as nebulous as possible in committing themselves to any form of binding contract. The agents felt that the manufacturer would try to omit as many binding factors from the contract as possible.

Several agents said that they did business with principals on a verbal contract basis only.

E. NON-PROTECTION OF TERRITORIES

Agents are found complaining about the practice among some manufacturers to give the line being handled by them to other agents in the territory or even send salesmen into the territory.

The complaints made by agents against manufacturers are valid ones in many cases. These complaints could be eliminated in great part if the agents were a little more careful about the principals they were willing to represent and should use more common sense and past business experience
when contemplating a representation of a new principal's line in a territory. The agents, it seems, would do well to investigate the manufacturer's past business practices in regards to selling policy and previous agents, if any were used.
XII MANUFACTURERS' COMPLAINTS AGAINST AGENTS

The manufacturers' agent is not the only party that has any complaints in an agent principal relationship. Manufacturers are to be found expressing their unfavorable attitude toward many of the practices that some agents partake of. Some of the more common ones we shall mention here.

The Darnell Staff uncovered some basic complaints against agents by manufacturers. From this source and work in the field the writer managed to assemble some "typical" objections to agents' practices. (1)

A. SLOW IN RENDERING SERVICE

Some manufacturers complain that agents are just interested in the commission they can get them in rendering any useful service to customers. These agents have been accused of being primarily interested in selling their own names, and will, therefore, pass the blame on any unpleasant business relation on to the manufacturer. Manufacturers claim that when an agent picks up an order and is late in turning it in to the company, causing a late delivery to the customer the agent will tell the customer that it is because of an inefficient office policy at the plant. The agent feels that his chief interest is to get as many contacts as possible and feels that in order to keep them he cannot afford

to shoulder the blame for any unpleasantness. This he passes to the manufacturer even when he is at fault.

This complaint though a very valid one sounds like an isolated case and very extreme to be spoken of in general terms.

B. UNFILLED PROMISES

Many times a common complaint among manufacturers seems to be one of promises made but never filled. Agents, it is claimed, will when being considered for territories in which they are to represent the manufacturer make exhorbitant promises about the things they will do for the manufacturer and his distribution scheme. The manufacturer will succumb to the agents blandishments and then sit back and wait for the promised results to materialize. After a year has elapsed (if the manufacturer waits that long) or several months the manufacturer may find that only a very minor amount of sales have been affected by the agent. Upon this the company terminates the relationship with the agent and questions all agents abilities. The difficulty in situations such as these are often the inability of the manufacturer to realize that the promises they exact from the agent are entirely beyond reason. The manufacturer must realize that the agent is not serving him alone and should not expect one hundred percent of his time.

C. TAKING ON COMPETING LINES

Manufacturers often complain that agents when ap-
plying for the company's line of goods will not disclose the fact that they are already carrying a competing line of the manufacturer. The agent will then have both competing lines and after a short period determine which is the more profitable line. This way the agent is tying up one line and not promoting it while he makes profits in the competing one.

If the manufacturer of the less profitable line learns of the situation he will immediately dispense with the agent's services.

C. LACK OF INFORMATION

Manufacturers complain that agents are reluctant to keep them informed of any difficulty they are having in selling the company's products. The agent if he experiences obstacles in selling will turn his attention to his other lines. The manufacturer will meanwhile not be notified of the particular difficulty the product is having in selling itself to potential buyers.

Sometimes the article is priced a little too high, not packaged properly, or has an inferior size container. The agent may not have enough incentive to take time out from his selling activity and write to the manufacturer explaining the situation so the company can take action to correct product defects or change its policies in regard to certain aspects of sale's terms or discounts that customers did not like.

D. INDIFFERENCE TO SUGGESTIONS

Because the agent is an independent salesman he is
not as easily controlled. Manufacturers state that sometimes ideas that are of proven value in increasing sales or suggestions for widening the market for a company's product will be ignored by the agent because his attention has been concentrated elsewhere. It should be remembered by the manufacturer as mentioned before that the agent has other principals to consider in dividing up his time.

E. ASKING FOR TOO HIGH MARGINS

Another complaint by manufacturers is that the agents ask for commission rates that are too large for the service they render.

Here we find the agent trying to get as much as he can and the manufacturer giving as little as he can get away with.

In looking over the manufacturers' complaints against the agents it appears that each manufacturer expects as much of his agent's time to be given his products as he would be getting with his own salaried salesmen in a territory.
Manufacturers' agents as a group have been backward in recognizing their strength as well as their weakness. Until very recently they had never given much thought to the advantages of an organization to protect their interest. Such an organization should not only help the agents but should also be of great aid to the manufacturers in the location and selection of representatives.

Practically all important social, scientific, commercial and industrial groups in the United States are organized into national associations or societies, to the obvious advantage of their members and the furtherance of their aims and objectives. These include manufacturers, suppliers and ever so many others.

Manufacturers' agents and sales agents of many kinds have hitherto constituted one of the very few remaining important unorganized groups. In recent years, however, agents have become increasingly aware of the advantages of such a trade association. They have organized a trade association, The Manufacturers' Agents National Association. Nearly every large city or marketing area has a local association of manufacturers' agents operating in the food and grocery field, have had an association of their own for a number of years.

Food brokers have had a national association of
their own since 1904, it was not until October, 1947 that a National Association of Manufacturers' Agents was organized by a group of individuals interested in the advancement of the business and professional interests of manufacturers' agents through cooperative efforts.

A. CHIEF REASONS FOR A NATIONAL ASSOCIATION

The chief reasons for the establishment of such an organization are below expressed in the words of the founders:

Perhaps the chief reason for a National Association at this time, is to bring disassociated and often inadequately planned and supervised activities of many manufacturers' agents and sales agents under the protective and guiding influence of a national program of cooperation and education in the hands of one central and properly equipped and constantly functioning authority.

Any criticism that the diversity of interests and the large number of manufacturers' agents operating in the field of national distribution may likely interfere with the success of such National Association, appears upon mature consideration to be wholly unfounded.

The fact is that the strength of most national associations rests on the organizing and fusing of many diverse interests into one broad and powerful common interest in which large numbers find suitable place for their individual talents and activities, and upon no one of which any burdensome dues or demands need ever be levied.

In reality, the broad field of national distribution is basically one subject, the study and development of which has not advanced to a point of supreme importance in the national economy. Consequently, a national assoc-
iation of manufacturers' agents was follow-

owing the destructive and disorganizing

effects of the World Wars within a quarter

century- a most logical and proper step,
as well as an inevitable one. (1)

The aims and objectives of the Manufacturers'

Agents National Association are:

1. To provide a perpetual national or-

ganization, through which, and by which, the

views of Manufacturers' Agents can be ex-

pressed and their interests adequately de-

veloped and protected.

2. To improve the standing of Manu-

facturers' Agents professionally, com-

mercially and financially.

3. To encourage meetings of local

groups of Manufacturers' Agents and

assist in organizing local associations,
either by industry interests or general

association membership.

4. To develop and lend support to a

fair code of ethics and establish

suitable rules of business and pro-

fessional conduct, as will better the

services rendered by Manufacturers' 

Agents.

5. To foster, develop and maintain

better relations between Manufacturers' 

Agents and their principals in the

mutual interests of greater permanency 

and economy.

6. To advocate local and national

legislation advantageous to Manufacturers' 

Agents.

7. To standardize the basic clauses in

agent and principal contracts, for better

protection of the interests of both parties.

1. Manufacturers' Agents National Association, Outline 
of Organization, Aims and Objectives, a pamphlet, F.5
8. To be of service to members on problems of suitable agency accounting and tax reports and records.

9. To be of service to members on matters of legal importance.

10. To compile a reliable directory of Manufacturers' Agents, properly classified and fully cross referenced.

11. To gather and distribute valuable information and statistics concerning the business and profession of Manufacturers' Agents, as an aid to more profitable and permanent operations.

12. To gather and publish news of vital concern and special interests to Manufacturers' Agents, as well as information on more effective and economical means of advertising and promoting their basic business interests.

13. To be of assistance to Manufacturers' Agents in securing, serving and preserving desirable accounts.

14. To be of help to new Manufacturers' Agents, in planning their intended operations and in avoiding pitfalls, in the overall interests of all Manufacturers' Agents.

15. To assist manufacturers and producers, chiefly through the advertising pages of "The Manufacturers' Agents" magazine, to locate and maintain suitable agency representation for their product and services.

16. To promote the general welfare of all members, in every way possible within the scope of the National Association's constitution and by-laws. (1)

A concerted effort to enlist the support of manu-
facturers' agents everywhere as members was undertaken during 1949, and now local chapters and regional divisions are in the process of being organized. A confidential publication entitled the "MAMA Bulletin" concerning the work, development and plans of the National Association is being published and distributed to members. A comprehensive monthly magazine, "The Manufacturers' Agent" is now being published. This magazine is devoted to the welfare of the manufacturers' agent and others engaged in the sale and distribution of products. Considering its relative infancy and the gigantic task of organizing agents with such heterogenous interests over such a vast area, the organization seems to be making some progress toward a full realization of its aims and objectives. Such a national organization could go a long way toward bringing about a greater understanding of the manufacturers' agent and his place in our distributive system.

B. DIFFICULTIES IN FORMING ORGANIZATIONS

Agents' opinions of such an organization are far from over enthusiastic. Eleven different agents expressed a similar attitude toward membership in such an undertaking. They felt that the organization could not directly benefit them very much and could see no real strong reasons for them to pay a membership feel to belong. All these agents were, however, well established and saw no need for any such assistance. These same agents did express the opinion that agents in the process of setting themselves up in an agency may benefit from the various services offered from the
National Association.

When a new agent enters this highly competitive field he finds his path rough for a period of months or one or two years until he has learned the "know-how" and established contacts. An association of this sort may be of considerable value to the new agents but the old timers who are well established do not show much eagerness in joining. The type of agent that will benefit most directly and in appreciable proportions would be the new agent not well established or an agent who is having difficulty in establishing contacts.

Of course, indirectly and directly such an organization would be a benefit to all agents, established and not yet established agents for their interests as a whole would be protected. The agent who today feels well established and secure may tomorrow find himself in dire need for such aid as the National Association will be able to render if it receives sufficient agent cooperation.
XIV MANUFACTURERS' AND AGENTS' RELATIONSHIPS IN GENERAL

There are many reasons why manufacturers' agents are used in lieu of a salaried salesforce. Whatever the reason for using manufacturers' agents, proper handling in order to maintain their interest and cooperation is essential. Some manufacturers regard their agents merely as excellent scouts, who can locate new accounts and get a line started. Later if business develops, salaried salesmen may be sent from the factory to follow up and complete what the representative has started. An attitude such as this is not one which will result in much cooperation from representatives. Fortunately, most manufacturers are understanding and cooperative to some extent.

In a letter from Mr. A. D. Albee, president of Albee-Campbell Corporation of New York, were some suggestions that can be used as basic points and if observed by manufacturers would lead to a smoother relationship between agents and manufacturers increasing agents' utility to sizeable proportions. (1)

A. MUTUAL UNDERSTANDING

Each and every manufacturer will naturally consider his own product and sales problems of prime importance but the agents regard each product handled as but one of several

1. A letter to writer, Al Albee, Albee-Campbell Corporation, New York, N.Y.
items which will be given the attention warranted according to the difficulties encountered in selling and profit derived from each sale.

On one side we have a group of manufacturers with their products bidding for a portion of the agent’s time and on the other side, representatives who desire to make money through the sale of products which are easy and profitable to handle. The extent of cooperation between a manufacturer and his agent may be dependent on the psychological relationship between them, aside from any profit motive. The fact that manufacturers’ agents are independent business men working on a commission basis they must be asked to do things and not ordered. The problem of obtaining their cooperation and maintaining their interest is the same one confronting the sales manager of any salaried sales organization. The following points suggested by Mr. Albee in handling manufacturers’ representatives may seem elementary but as stated by Mr. Albee are regarded as fundamental and very essential to success. (1)

1. **DEPENDABLE RATE OF COMMISSION**

The rate of commission paid might vary with the product; its character and price; the amount of competition from other similar products; amount of missionary work required from agents; size of average sale; the possibility

1. A. D. Albee, a letter to writer
of repeat business; and the expense to which the agent would be put in effectively covering the territory in which he operates.

If a manufacturer makes a lower price on a particular article to meet competition, or for some other reason he should not expect the agent to reduce his rate of commission. For example, if the maximum commission was ten percent on a certain item and the manufacturer reduced the list price, he should not be permitted to cut the commission to five percent on the reduced list price, as is sometimes attempted.

2. PROMPT PAYMENTS

Since the manufacturers representatives invariably operate on a straight commission basis, and as they must defray daily traveling expenses, to say nothing of their fixed obligations for office rent, payroll and personal expenses, it is only natural that receiving commissions is of paramount importance. Nothing annoys a representative more than to have his commissions held back.

3. EXCLUSIVE TERRITORY GUARANTEES

Manufacturers should protect their agents' territories and credit them with all sales. Agent and manufacturer should have a thorough understanding that the representative will be credited with all sales coming out of his territory.

Nothing makes an agent lose confidence in a manufacturer more quickly than failing to receive credit for
orders that he does not take personally. When an agent is sure that he will receive credit for all orders, he has the incentive to do missionary work which is often necessary to introduce a line, with full confidence that his interests will be cared for.

An agent selling industrials estimated that twenty-five percent of his time is effective in closing sales and that the remainder represents time spent on missionary and other work not immediately productive of sales.

4. GIVING THE AGENT SALES AIDS AND TOOLS

Sales aids are merely tools in the hands of representatives and no substitute for salesmanship. When it is recalled that manufacturers' agents handle more than one product, it will be seen that these products compete for the agents' attention chiefly from the profit angle. The products easiest to sell get the most attention. It is really the manufacturer's task to point out the merits of his products, where it can be sold, who prospective buyers may be, and to make suggestions as to how these buyers may be interested. All this requires constant unremitting supervision of the material that is sent to the sales field in the form of promotional literature.

5. PERIODIC INTERVIEWS

Mr. Albee feels it is often helpful to have the sales manager or some other executive from the factory make field trips to work with agents and their salesmen. This
type of contact work is especially valuable if the agent can be impressed with the fact that its purpose is to help him to do more business. Agents sometimes complain that these visits from factory executives are merely time wasters. It is also very helpful, though sometimes too expensive, to have the representative visit the factory and spend a few days there, so that he may gain a more intimate knowledge of the product, as well as personal contact with the organization.

6. HANDLING THE AGENTS’ MAIL

Agents sometimes feel that correspondence with the manufacturer they represent does not receive the attention it deserves and that there is an inadequate relaying of information between agents.

Agents feel that when a territory has been assigned to them they should be made a party to all matters arising therein.

The manufacturer, in answering letters from customers or prospects, should always send copies to the representative concerned, to enable the matter to be followed up. Such opportunities for availing themselves of all the various points of contact within their territories are always appreciated by agents.

7. GROUP SELLING

Mr. Albee suggested an idea of group selling of products by agents to increase the long run sales volume of agents. That is, wherever possible the agent may be asked
to present one product as a member of a group in which his customer may be interested. All successful manufacturers' agents represent a group of complementary products, any of which may act as an entering wedge for the rest, but the thought of presenting all of them as a group, for a prospect or customer to consider, has never been given the attention it deserves. In the industrial field, particularly, and individual product may not solve a customer's problem, but a combination of several may do so.

Here we have attempted to present some suggestions that if followed by manufacturers in their representative relations may very likely increase the utility of the manufacturers' agent in regards to each individual firm using agents and for the distribution system as a whole.
A. HOW IMPORTANT IS THE MANUFACTURERS' AGENT?

In 1939 the Census of Business showed a total of 9,778 manufacturers' agents in the United States. This figure was a 28 percent increase over the total of 6,987 found in the 1929 census.

This increase is shown in the table on the following page, along with changes in the number of other selected types of middlemen or distributors.

The conclusions to be drawn from these comparisons is that while manufacturers' agents showed a substantial increase in number during the decades of the thirties it was not far out of proportion to the general increase in other institutions engaged in selling. The 6,987 manufacturers' agents in 1929 had total sales amounting to $1,775,355,000 which was 2.5% of the entire wholesale trade for that year of 69 billion dollars. (1)

In 1939 sales of 9,778 manufacturers' agents fell to $1,397,017,000. However, the overall drop in business activity and in prices from 1929 to 1939 reduced total wholesale trade sales in 1939 to only 55 billion dollars. Comparing total sales of manufacturers' agents, with this figure we find manufacturers' agents had sales amounting to

### TABLE V

**NUMBER OF SELECTED TYPES OF MIDDLEMEN 1929-1939**

<table>
<thead>
<tr>
<th>TYPE</th>
<th>No. 1929</th>
<th>No. 1939</th>
<th>% INCREASED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturers' Agent</td>
<td>6,987</td>
<td>9,778</td>
<td>28</td>
</tr>
<tr>
<td>Wholesale Merchants (Full function wholesaler)</td>
<td>74,328</td>
<td>91,323</td>
<td>18</td>
</tr>
<tr>
<td>Broker (Merchandise)</td>
<td>3,689</td>
<td>4,710</td>
<td>22</td>
</tr>
<tr>
<td>Cash and Carry Wholesaler</td>
<td>756</td>
<td>1,198</td>
<td>36</td>
</tr>
<tr>
<td>Manufacturers' Sales Branches</td>
<td>16,515</td>
<td>18,096</td>
<td>9</td>
</tr>
<tr>
<td>Service and Limited Function Wholesalers (Total)</td>
<td>76,408</td>
<td>101,627</td>
<td>25</td>
</tr>
<tr>
<td>Petroleum Bulk Stations</td>
<td>19,587</td>
<td>30,825</td>
<td>31</td>
</tr>
</tbody>
</table>

**SOURCE:**


2.5% of the entire wholesale trade, or approximately the same percentage as for 1929.

Thus while manufacturers' agents increased in number during the decade the neither increased or decreased in relative importance as a class, but did about the same relative volume of business in 1939 as in 1929. Because of the increase in number of agents, their average size of individual volume of sales dropped.

These figures are up to 1939 but it is felt by key men in the distribution field that since World War II the number of agents has been increasing sharply.

B. MANUFACTURERS' AGENTS INCREASE

Henry K. Astwood, of the Commerce and Industry Association of New York, directed a recent survey of the increase or decrease of manufacturers' agents in New York State. This survey disclosed that between 1940 and 1949, the number of companies supplementing their sales forces with manufacturers' agents increased by seventy-seven percent. (1)

The same survey shows the use of direct mail declining by fifty percent. It reveals, too, that many companies use salesmen only. However, the number of firms using salesmen only dropped in 1948 to forty-six and one tenth percent of the total compared to forty-nine and six tenths percent in 1940.

1. H. K. Astwood, Manager, Commerce and Industry Association of New York, a letter to writer
Mr. Astwood explains the increasing popularity of manufacturers' representatives this way: When the war ended sales forces generally were small. Then manufacturers found they could sell everything they made and neglected to build up their selling forces anew. When the buyers market finally arrived many organizations found their sales forces inadequate. The natural development was to seek out manufacturers' representatives who had going sales organizations and were trained to sell specialized products. Now, Mr. Astwood adds, the fact that competition is affecting sales is leading manufacturers to seek new markets for their products. Here again, he points out, manufacturers' representatives are prepared to do the job.

C. OTHER REASONS FOR MANUFACTURERS INCREASES IN NUMBER

Mr. Wilcox, president of the Manufacturers' Agents National Association states that the number of manufacturers' agents is at present but not very much out of proportion to the growth of manufacturing concerns and expansion of overall manufacturing activity to take care of one hundred forty million people here and the additional millions abroad since the end of the war. Mr. Wilcox feels that the reason for a high mortality of manufacturers' agents is at least partly due to the lack of organization and reliable information to guide them in setting themselves up and operating properly. Of course, most manufacturers' agents can be classed as small businessmen or small business and most people know that the
small businessmen are vulnerable in any event.

Another reason why the number of manufacturers' agents has been increasing is because manufacturers are constantly looking for more outlets, due to the intensive competition in the market. Manufacturers strive to cover as much territory and get the widest distribution and largeness of volume as is possible. By using manufacturers' agents the manufacturer is able to reach a wider market at a lower cost because the sales salary of the manufacturer is proportional to the amount of sales and where no sales are made no salary is paid.

Many manufacturers today combine the use of a sales force and manufacturers' agents in proportion to enable the maximum coverage of territories at a minimum of costs.

D. PRESENT OPPORTUNITIES IN THE FIELD

Present opportunities in the field of manufacturers' agents are considered to be comparable to those in the manufacturing field itself. (1)

Opportunities for newcomers in the field should be very good after the present abnormal demand for nearly all types of merchandise has been relieved. Many manufacturers find it necessary to refuse new accounts because they are unable to supply old customers with the quantities they order. Manufacturers are, however, planning well ahead for a competi-

1. P. Edwin Thomas, Executive Secretary, NAMA, a letter to writer
tive market and inaugurating elaborate, forceful, promotional campaigns. At present there are many new products and materials ready to go on the market and the manufacturers' agents will be largely responsible for their introduction and development. Capital required to establish a manufacturers' agency is usually quite less than that required to establish a manufacturing business. Salesmen and sales engineers are constantly shifting from their positions in industry to advanced positions of authority with their firms, or breaking away to establish themselves somewhere in commerce or industry as independent businessmen. (1)

E. STABILITY OF THE FIELD

Manufacturers' Agents National Association states that in time of depression manufacturers' agents do not fare badly. Many private sales organizations are given up due to lack of funds and efforts of manufacturers to curtail expenses. In such cases the manufacturers' agent becomes a popular method of selling. In this way past history has shown the field to be relatively stable.

F. MANUFACTURERS' AGENT AS AN AID TO LARGE PRODUCERS

Many large scale producers with established branch sales offices and using company salesmen profitably employ the services of manufacturers' agents. These companies may not cover all parts of the country and upon desiring more

extensive distribution will use agents in far flung potential sales areas. The company may feel that it has a possible market in a certain area. At the same time realizing that the volume of sales in the territory would not support a branch sales office and staff. Here is where the agent is the most expedient means of getting what sales are available out of the area without any risk or added expense.

Many companies by utilizing both agent and their own salesmen find in this combination an ideal balance of selling personnel for optimism distribution of company products.

G. EFFECT OF MANUFACTURERS' AGENT ON COMPETITION

The manufacturers' agent is a big help in making it possible for the small manufacturer to get started in business and to develop into a larger business. When a small new manufacturer goes into business he often cannot afford to maintain a hired salaried sales force with regional or national distribution facilities. It is here where the agent derives in what the writer believes, his greatest utility to the distribution system and economy of the country as a whole. The manufacturers' agent is in a position to take on a new line and distribute it more economically for the manufacturer than could a salaried sales force. The agents who are to be found in all parts of the country are ready made branch sales offices for the manufacturer and who will allow the manu-
facturer a fixed cost-sales ratio. The agent by being the more economical way of distributing a product for the small manufacturer is a great aid in enabling the small enterpriser to get himself established in business, develop his market, and compete with big business. Through the agent's service small firms can establish themselves much more easily and with a large number of independent business firms the country is kept on a more competitive basis than it would be with just a handful of large producers. The agent is an aid to making it possible for small manufacturers to compete with larger producers. Once the new firm is fully established it can then develop its own salaried sales force if the volume and density of business so warrants and operate on a larger scale with its own branch sales offices. But let us remember the fact that in many such cases it is the manufacturers' agent that has been of great help in giving the small independent producer his start by making for low cost economical distribution of his products.

II. THE FUTURE FOR THE MANUFACTURERS' AGENT

An analysis of the opportunities in this field would not be complete without investigating the future for the manufacturers' agent. Is the manufacturers' agent likely to play a greater part in our distributive system?

According to the Manufacturers' Agents National Association, the end of World War II introduced a definite trend of considerable size and importance toward manufactur-
ers' agents. The reasons for this trend are explained in the following passage:

The distribution of manufactured products is today a tremendous business. Away back in 1939, it amounted to over eighty-three billion dollars, with more than seven million persons then involved in the marketing field. Today, the network of industrial units comprising the marketing structure is more vast and complex than ever before. While the individual transaction, in spite of a tangle of taxes and hold-over rules and regulations, still remains relatively simple, the maze of channels through which products flow to market and the cross currents of impulse and interest influencing the direction and volume of their flow have become almost incredibly involved.

Radical re-adjustments were necessary at the end of the war throughout the whole marketing industry, in re-staffing and re-training and in adopting distribution policies to an increasingly competitive situation. And due to constantly mounting high costs of maintaining private sales organization by manufacturers and others, the situation operated to place manufacturers' agent and their facilities and services in greater demand than ever before, since, handling a number of related but non-competing accounts they could do the job in many cases more quickly and more economically. (1)

We may expect this source to present a somewhat biased viewpoint, since a national association will attempt in many cases to exaggerate its own position and that of its members. However, the reasoning in this instance is sound and indicates a hesitant if not definite trend toward the utilization of manufacturers' agents.

Other facts point to a possible greater utilization of manufacturers' agents in the future. There are indications that the company salesman of tomorrow is going to be a more expensive item than in previous years. In order to attract young men into the selling field today there has been a trend toward paying a salary and commission to the sales force. (1)

Salesmen on straight commissions often get discouraged when sales fail to materialize and they seek more secure employment. Security seems to be a prime desire of employees and many of them were not finishing it in the selling field. Therefore, many manufacturers have had to adopt the salary and commission plan to attract prospective salesmen. In most cases, selling costs have risen accordingly. In such a situation as this the manufacturers' agent has his place. He is the salesman who is willing to sell on strictly a commission basis and by spreading his costs over several manufacturers can operate more economically. Security to a manufacturers' agent is secondary to opportunity. To the extent that this situation is true and manufacturers are always seeking to reduce their selling costs. It seems plausible many of them will turn to manufacturers' agents as a more economical method of selling.

Another factor which may have an influence on in-

creasing the number and importance of manufacturers' agents in the future is the economic philosophy and legislative tendencies of our Federal and State government. Our legislation in recent years has ostensibly encouraged small business and favored the disintegration of big business.

The manufacturers' agent in most instances comes under the category of a small business man, and tax legislation has constantly in recent years favored the small business man. From available evidence it appears that the services of manufacturers' agents are coming to be more in demand and the continuance and increase of these middlemen a certainty for years to come.
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