MINUTES OF THE MERCHANDISING & ADVERTISING

COMMITTEE MEETING

T. H. T.
JAN 19 1948

Date: January 8, 1948

Time: 1:00 P.M.

Place: Mr. Dwight P. Joyce's Office

Present: Messrs:	Dwight P. Joyce	A. D. Duncan
	P. E. Sprague	J. A. Califf
	L. Y. Pulliam	P. D. Hursh
	C. M. Kolb	E. L. Weber
	N. B. Betzold	

Present Part Time: Mr. H. W. Caton

Not Present: Mr. L. S. Fulton and Mr. T. H. Turney

This was the fifth meeting of the Merchandising and Advertising Committee.

Mr. Dwight P. Joyce opened the meeting and asked all members if they approved of the previous minutes which had been distributed. The members of the committee had no further comment, and those minutes were approved as submitted. Mr. Weber reviewed the old business and conclusions that were reached as a result of previous minutes, and Mr. Joyce asked that a constant follow-up be instituted for the fulfillment of those assignments.

CREDIT POLICY

Mr. H. W. Caton was asked to sit in on this meeting to give his views on future credit policies in connection with expansion of our distribution. It was explained that many of our distributors are now in the position of straining their credit limits and, with the advent of carrying more inventory because of Mayonnaise and Salad Dressing plans, will have to have an extended line of credit.

Mr. Caton said that to begin with the basic policy upon which he operates is to have secured arrangements on all credit extensions, and that recently he has extended additional credit but in each case he has secured this additional credit with various chattel mortgages and even to mortgages on homes.

Mr. Caton mentioned that the entire credit losses for The Glidden Company last year amounted to $79,000.

Mr. Joyce stated that there have been cases in the past where low credit losses have been criticized because of too conservative a company policy, which may have restricted an expansion of distribution plans. He felt that there is a possibility of a more liberal policy with certain accounts that have good potentials would be in order particularly with the view of building our distribution for the future.

Mr. Betzold mentioned that it is very necessary that our distribution be increased and that it poses a very difficult problem in many of our districts on the basis of present credit limits because of higher prices and additional products.

It was also mentioned that there is a need for good strong local credit managers in the different divisional points who can operate with more authority in their local problems, which statement was supported by Mr. Califf who felt that now that our business has grown considerably that more and more of this type of authority will have to be vested with the local credit manager.

It was also revealed that Mr. Caton has gone over all of the questionable accounts in the Central Margarine Division with Mr. Califf, and that they have come to an agreement with what to do about certain of these accounts as far as extension of credit is concerned.

On recommendation of Mr. Kolb, it was concluded that: THE VARIOUS CREDIT DEPARTMENTS UNDER MR. CATON'S DIRECTION CONTINUE TO OPERATE AS USUAL BASED ON OUR PRESENT CREDIT POLICIES BUT THAT WHENEVER IT IS NECESSARY IN ANY OF THE DIVISIONS TO CONSIDER ADDITIONAL CREDIT LINES FOR ACCOUNTS THAT A LIST OF THOSE ACCOUNTS BE SUBMITTED TO MR. CATON AND, IF FURTHER AUTHORITY IS NEEDED FOR CREDIT EXTENSION, THAT HE REFER THESE TO MR. HORSBURGH AND SUBSEQUENTLY TO THE EXECUTIVE COMMITTEE, AT WHICH TIME THEY WILL BE GIVEN CONSIDERATION FOR APPROVAL.

REGULAR MONTHLY REPORTS ARE TO BE SUBMITTED ON ALL SPECIAL CASES REQUIRING EXTENDED CREDIT.

MR. CALIFF WILL RESUBMIT THE LIST THAT HE HAS RECENTLY CHECKED WITH MR. CATON, AND MR. CATON WILL CHECK WITH THE NORWALK DIVISION WHENEVER THEY HAVE OBTAINED FINANCIAL STATEMENTS OF THE DIFFERENT ACCOUNTS IN QUESTION.

A discussion of the Vermilion Foods plan followed, and which involved their need of two new trucks for better coverage of the Cleveland territory. Mr. Caton was of the opinion that in order to properly finance this account it was more satisfactory to loan Vermilion Foods the necessary funds to purchase the trucks, which will amount to approximately $5,500, and The Glidden Company to hold the insurance on the trucks. Mr. Caton felt that this was much more desirable than to bring a third party like a bank into the picture, because arrangements have already been made with Vermilion Foods to amortize this loan with regular payments in the same way they would pay the bank and that if their profit picture improved, to double up on the payments where possible in order to liquidate the loan as quickly as possible. It was also mentioned that this same plan is going to be followed in the case of R. C. Powers, our new distributor in Lima, Ohio

CURRENT PLANS ON SALAD DRESSING AND MAYONNAISE

Mr. J. A. Califf reported on the current plans for marketing Mayonnaise and Salad Dressing. He stated that as far as the Central Division is concerned their plans are being made to conduct test advertising campaigns in two markets involving about five cities. Inasmuch as there had never been any definite advertising appropriation for the merchandising plans involving these two new products, he wanted to know how far we could go in the further plans for advertising and merchandising.

CONCLUSION: THAT BOTH THE IRON STREET DIVISION AND NORWALK DIVISION DRAW UP THE REQUIREMENTS FOR THE ADVERTISING PLANS IN THE PROJECTED MARKETS ON A QUARTERLY BASIS AND SUBMIT THESE THROUGH MR. BETZOLD TO THE EXECUTIVE COMMITTEE FOR APPROVAL.

EXPANSION OF PASTRY BUSINESS

Mr. Califf mentioned that the pastry business has had continued growth over the past several years, but that the current facilities are not adequate for further expansion. Mr. Califf read a report from Mr. Miles on the subject which stated that our present capacity is approximately 750,000 pounds monthly and that this production is seriously impaired because of lack of modern equipment. The report further indicated that it would be possible to increase this tonnage to approximately a million and a quarter pounds by the addition of some new equipment particularly in the form of trucks which would help to eliminate much hand labor in the form of shoveling and which would increase production approximately seventy percent. The cost of this new equipment would be approximately twenty-one to twenty-two thousand dollars and that it would be very desirable to have two MorPak machines to make up five pound prints of this product and that additional cost would be approximately an additional $24,000.

It was pointed out that pastry production calls for special equipment and that no effort had been made recently to increase the pastry business because of the antiquated equipment as mentioned above. The Central Division is currently making puff pastry for Berkeley and Elmhurst, but it has been necessary to allocate this tonnage even in the face of greater demands by these two divisions. It was reported that we have approximately 2000 accounts in this pastry business with approximately one-half of them being in the Chicago area. It was reported that it is a very profitable business, and that last month's operations showed a $50,000 net profit. There are very few manufacturing concerns in the business, and it was Mr. Califf's belief that we could get a much larger share of this very steady business particularly with industrial users if we had expanded production facilities.

Mr. Dwight P. Joyce brought up the question about our ability to hold the increased volume on present margins if other manufacturers become aware of our more aggressive activity in the field. However, Mr. Califf did not feel that this would be too obvious because the additional volume would be obtained over a much wider territory, plus the fact that with population increase and the expansion of the natural market we could grow with it.

CONCLUSION: MR. CALIFF IS TO SUBMIT A COMPLETE REPORT WITH A P.F.E. STRESSING THE NEED FOR IMPROVED LABOR SAVING EQUIPMENT TOGETHER WITH THE PRESENT PROFIT PICTURE AND LARGER MARKET POTENTIAL AND IT WILL BE SUBMITTED TO THE EXECUTIVE COMMITTEE. ALL MEMBERS OF THE M&A COMMITTEE WERE IN COMPLETE AGREEMENT THAT THIS NEW EQUIPMENT WAS NECESSARY IN ORDER TO HOLD AND INCREASE OUR POSITION IN THIS FIELD AND TO SO RECOMMEND THE PLAN TO THE P&M COMMITTEE.

EUSTON LEAD PLANS

Mr. A. D. Duncan read a letter from Mr. L. S. Fulton on their desire to have a clarification of subsequent plans on Euston Lead. Briefly, the report covered the lack of lead-in-oil for our trade sales Paint Division, and the fact that we are losing prestige in the field because of our inability to supply our customers.

Mr. Dwight P. Joyce reviewed briefly the history of Euston Lead by stating that they were acquired originally to produce lead-in-oil and dry lead. It was reported that through Mr. P. E. Sprague's direction an outstanding product was developed and which was subsequently placed in the hands of the Paint Division for distribution. The Paint Division bought this product at cost from the Lead Division, and the sales profit was made by the Paint Division. The Paint Division were never too happy with this arrangement because of the small profit margin, plus the fact that the trend in outside paints had definitely swung to prepared paints which is a more profitable product. This trend is further established by the large Lead in Oil Manufacturers such as National Lead and Eagle-Picher entering the prepared house paint field.

However, during the war, lead became extremely scarce and it was more profitable to sell dry lead to other accounts and we found that the entire production could be sold to outside accounts and which was a more profitable arrangement from the standpoint of the Glidden stockholder.

In view of the existent lead shortage, and which promises to be a shortage for quite sometime, it was questionable whether this was the time to consider the question of supplying more lead-in-oil to Paint Division accounts.

Mr. Sprague reported that Euston Lead sold annually about four to five thousand tons to the Paint Division and that gross profit on this amounted to one hundred to one hundred and fifty thousand dollars per year. A letter was read from Mr. Knight on the lead situation as it affected the Paint Division, and arrangements were made through Mr. Knight, Mr. Fulton and Mr. Wismar to supply the Paint Division with a certain quantity for their purposes.

Mr. Sprague felt that Euston Lead should give the Paint Division all the lead-in-oil possible in line with their ability to produce, and the supplies of pig lead available.

Mr. Duncan reported that the arrangement as covered in the letter from Mr. Knight has not been lived up to according to the most recent information he has.

CONCLUSION: THAT MR. SPRAGUE IS TO CHECK WITH MR. KNIGHT TO FIND OUT WHY THE PAINT DIVISION DID NOT RECEIVE THE LEAD-IN-OIL AS AGREED TO. FURTHERMORE, THAT MR. DUNCAN IS TO FIND OUT HOW MUCH LEAD IN OIL IS NECESSARY TO ACCOMPLISH THE PAINT DIVISION GOAL. WHEN THOSE FACTS ARE OBTAINED A COMPANY POLICY CAN THEN BE EFFECTED. MR. SPRAGUE IS TO OBTAIN A PROFIT PICTURE ON THE DIFFERENCE BETWEEN LEAD-IN-OIL AND DRY LEAD, AND SUBMIT IT TO THIS COMMITTEE.

ELIMINATING THE GLIDDEN NAME FROM AFFILIATED PAINT LABELS

A suggestion was made by Mr. Duncan and Mr. Fulton that we consider the possibility of eliminating The Glidden Company name on affiliated paint labels and to supplant that reference by carrying the new Glidden symbol.

It was reported that in our desire to get multiple distribution in certain areas where we cannot put more Glidden accounts that this move would be helpful. It appears that there have been several changes made in these labels over the years where the size of The Glidden Company name on the label has been altered from time to time and the recent decision was to reduce the size.

CONCLUSION: MR. DUNCAN IS TO SUPPLY MR. DWIGHT P. JOYCE WITH SAMPLES OF NEW AND OLD AMERICAN PAINT WORKS LABELS SHOWING HOW IT IS NOW BEING HANDLED. MR. KOLB IS TO CHECK THE POSSIBILITY OF USING THE SYMBOL ON THE LABEL IN PLACE OF THE REFERENCE "DIVISION OF THE GLIDDEN COMPANY."

Mr. Dwight P. Joyce wanted to make clear that he did not want the Paint Division to make a drive on obtaining new subsidiary accounts as long as we have large areas of the country in which we do not have any Glidden distribution.

PROGRESS REPORT ON PHILADELPHIA WAREHOUSE

Mr. Betzold read a letter from Mr. Wismer reporting on what has been accomplished to date in the warehouse recently established in Philadelphia for the Food and Paint Divisions. It was reported that both the Food and Paint Division stocks are now in the warehouse and that it has started to function.

CONCLUSION: THAT REGULAR REPORTS ARE TO BE SUBMITTED ON THE PROGRESS OF THIS WAREHOUSE OPERATION AS IT WILL FURNISH A GUIDE TO OUR SUBSEQUENT PLANS FOR DOING A COMPARABLE JOB IN OTHER MARKETS.

INTERIM REPORT ON BOSTON - PITTSBURGH - MINNEAPOLIS WAREHOUSE

Mr. Betzold read a report by Mr. B. W. Maxey and Mr. S. R. Firth on costs involved in opening warehouses in those markets. This report covered a study involving Pittsburgh, which showed that it would be necessary to have a three man crew to man this operation -- two in the stockroom and one to handle billings, 'phone calls and other clerical duties. This cost would be approximately a $9,000 yearly overhead, with another $9,000 yearly to cover rent and operating expenses, making a total overhead of approximately $18,000. It was further reported that in 1947 sales out of warehouse stocks located in Pittsburgh produced $55,940 gross profit amounting to 12.8% of sales, and that the cost of maintaining those stocks was $3,000.

This indicated that at the same gross profit additional sales of $117,000 would be required to absorb the extra cost.

The report for Minneapolis indicated that approximately $62,500 additional sales would be required to cover the additional overhead in this market and which is based on the same formula as indicated by the Pittsburgh report.

The Boston report from the standpoint of basic overhead cost was comparable to the other two markets.

It was pointed out that the basic reason for combined warehouses is not money saving so much as it offers us the opportunity of improving and expanding our distribution facilities. In other words, it offers a "home" for these various divisions who are carrying warehouse stocks and makes a much more business-like place of operation than out of the salesmen's homes.

Mr. Duncan reported that since the Philadelphia warehouse has been installed that eleven new full-line agents have been acquired.

CONCLUSION: THAT WE ARE TO CONTINUE THE STUDY IN THESE DIFFERENT MARKETS, GET AN ESTIMATE OF SQUARE FOOTAGE REQUIRED, AND THAT A COMPANY REPORT MIGHT THEN BE DEVELOPED. IN THE MEANTIME, WE ARE TO WATCH THE PROGRESS OF THE PHILADELPHIA VENTURE AS A GUIDE.

EFFECT OF FEDERAL TRADE COMMISSION AND ANTI-TRUST LEGISLATION ON SALES POLICIES

Mr. Sprague reported that in such a diversified business as The Glidden Company, it is necessary that the heads of the different divisions be competent and well-rounded business men from the standpoint of being at all times completely aware of anti-trust problems. He cited several cases where he has noted a lack of knowledge on this important matter.

As a result, he had obtained a pamphlet put out by the Department of Commerce on "Small Business Guides for Pricing Practices."

CONCLUSION: THAT MR. KOLB IS TO DISTRIBUTE TO THE VICE PRESIDENTS AND THE UNIT HEADS OF OUR DIFFERENT DIVISIONS A COPY OF THIS PAMPHLET FOR THEIR PERUSAL.

AUTOMOBILE ALLOWANCES

Mr. Betzold brought up the point that there has been some complaint recently on the part of the food sales representatives that our present allowance of 5¢ per mile is inadequate.

Mr. Duncan submitted some figures that were based on the Dartnell report for proper automobile allowances and which is used as a guide by all large companies with problems comparable to ours. As a result of that, the Paint Division have adopted the following formula: Five and three-quarter cents per mile for salesmen who use their cars 1000 miles per month or less, and five and one-quarter cents per mile for those who drive 1000 miles or more.

Mr. Hursh reported that they give their salesmen the option of $3.50 per working day for city driving, or 5¢ per mile.

CONCLUDION: THAT IT WOULD NOT BE POSSIBLE FOR ALL DIVISIONS OF THE GLIDDEN COMPANY TO HAVE A STANDARD METHOD OF PAYING AUTOMOBILE ALLOWANCES AND THAT IT WOULD HAVE TO BE ADJUSTED IN CONFORMANCE WITH THE PARTICULAR PROBLEMS WHICH ARE ENCOUNTERED.

IT WAS AGREED THAT ARRANGEMENTS COULD BE MADE TO CHANGE EXISTING RATES AS LONG AS IT DID NOT EXCEED 6¢ PER MILE, AND THAT ANY OF THESE CHANGES MUST FIRST BE SUBMITTED TO THE DIVISIONAL HEADS AND CLEARED WITH HEADQUARTERS FOR APPROVAL. MR. DUNCAN IS TO ARRANGE TO SEND A COPY OF THE DARTNELL REPORT TO ALL MEMBERS OF THIS COMMITTEE FOR FURTHER STUDY.

ANTI-MARGARINE LEGISLATION MESSAGE

Mr. Califf suggested that because of the extreme importance of the impending anti-margarine legislation in the Federal Congress that arrangements be made to send a letter to our stockholders explaining the importance of their support of the bill. It was also suggested that this whole program be submitted to all the members of The Glidden Company to enlist their support.

CONCLUSION: THAT WE WOULD WAIT UNTIL THIS BILL HAS A HOUSE NUMBER AND AT WHICH TIME ARRANGEMENTS WILL BE MADE FOR THE STOCKHOLDERS' LETTER AS WELL AS GIVING MORE PERTINENT INFORMATION TO GLIDDEN EMPLOYEES.

EMULSIFYING AGENT

Mr. L. Y. Pulliam reported that because of some tests that have been made with a derivative of Lecithin as an emulsifying agent in Shortening products that we have a real sales advantage. Therefore, he would like to have the Soya Division hold up any sales effort to our competition on this product until such time as patent applications are obtained.

CONCLUSION: IT WAS AGREED BY MR. SPRAGUE THAT THIS WOULD BE DONE, AND A FURTHER REPORT WOULD BE FORTHCOMING, AND TO BE DISCUSSED AT THE NEXT MEETING OF THIS GROUP.

LICENSING THE FORMULA FOR SPRED LUSTER.

Mr. Duncan submitted the possibility of offering the formula for Spred Luster production to other paint manufacturers. His reason being that the use of Spred Luster from the consumer standpoint is still such an innovation that it does not have 100% acceptance. He mentioned that now that regular conventional oil paint stocks are in good supply in most retail outlets that the sale of Spred Luster has shown a reduced volume. It is Mr. Duncan's opinion that if more paint manufacturers had the same type of product it would help to educate the public and open up the market considerably for the use of such a product. He felt that we would maintain our advantage in the field because we are the originators of it, and that it would help to further emphasize the fact that the emulsion paints mixed with water are here to stay.

A discussion followed on this subject and a poll was taken of the committee to get their reaction. The vote was 5 to 4 in favor of retaining our present advantage on Spred Luster.

The meeting adjourned at 5 p.m.

ELW

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