

Ardmore

1-17-62

General Sales

Mr. A. I. Meyer

**BESTWALL - JOHNS-MANVILLE CONTRACT
ON GYPSUM PRODUCTS**

C. E. Abbey - dkp

Re: Suggestions for 1962

cc: Mr. Malcolm Meyer - Ardmore
Mr. C. E. Berselius - Ardmore
Mr. R. L. Smith - Ardmore Legal

See 7-10-46 - Richard

As you know, during the 1961 year I worked closely under the subject contract to be sure that everything possible was done to make it work. This included getting proper packaging, labels, stocks and following through to be sure all details were properly carried out.

An analysis of the shipments compared to contract quantities by plant on a day, week, month and year has been made.

Each month J-M quantities have increased to the point where they are approaching nationally, the minimum quantities provided in the contract. For instance, in the month of December, J-M sales on a 3/8" basis amount to 85% of the contract minimum for all of the plants around the country including, New Orleans and Wilmington. You realize that Wilmington is not yet in operation and the shipment of material out of New Orleans no where approaches what it should be due to the late start. It should be apparent then that J-M sales are going very well in other areas. Referring to the December performance by plants, J-M exceeded their minimums out of Akron by about 6%; by 4% out of Ft. Dodge; by approximately 27% out of Grand Rapids and by over 100% out of Sigurd. J-M sold approximately 50% of their minimum out of Acme; 45% of the minimum out of Blue Rapids; 71% of the minimum out of Brunswick and about 60% of the minimum out of New Orleans. A study of these quantities indicate about 95% of J-M sales is in four products, 3/8" and 1/2" wallboard, 3/8" lath and 5/8" Firetard (Firestop). While the proportions vary, 1/2" wallboard has been generally 50% of the sales, 3/8" lath 10% to 20%, 3/8" board 18% to 23% and 5/8" Firetard, 5% to 17%.

Conversely, J-M's performance on Joint System materials and Plaster Products other than gypsum lath, was for practical purposes, nil.

I would suggest consideration be given to some changes in 1962 in the contract, if necessary to gain the best advantage possible for Bestwall.

1. Change the cash discount policy of the Bestwall Gypsum Company from 2% on the 10th of the month following invoicing to 2% 45 days from date of invoice. This of

PLAINTIFF'S EXHIBIT

GP-2121

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course effects the entire operation of Bestwall but it would help on two scores. Most important and insofar as the Bestwall J-M arrangement is concerned, it would help alleviate the pressure on the plants that has occurred at the end of the month since August in 1961 at three of the plants and which I feel will occur starting probably in April or definitely no later than May at those same plants and be a very difficult problem at practically all Bestwall plants in August for the remainder of 1962. The 2% 10th has a tendency to force dealers to buy late in the month in an effort to take advantage of the discounting set up. The suggested change would take any incentive away from the dealers to place their orders at a certain time and it would give each dealer the same terms insofar as when he had his material ordered and shipped.

The problem of course is tied in with competitive gypsum manufacturers, but in this regard Bestwall would be answering to a degree the pressure of Bestwall salesmen to offer extended terms to meet competition and at the same time would not be developing excessive extended terms. In other words, this change would be helpful in meeting the continued request to offer 60 day terms. It will also help insofar as the tendency on the part of the customer to send their checks in on the 11th and 12th and still take the discount.

Finally, it seems possible that such a change in the terms would distribute the load in the Accounting Department.

2. It is suggested that penalties insofar as the first year of the contract against J-M for failure to sell the minimum quantities of wallboard should be cancelled but only on the basis of the problems J-M had in getting started. Penalties should be enforced for 1962 and the years following.
3. It is suggested that the question of penalties be reviewed to allow J-M some credit for taking more than the minimums out of some plant to compensate for not taking the minimums out of all plants. The penalty by plants forces J-M to sell out of all plants and is desirable in the successful operation of Bestwall. However, giving J-M possibly 25% credit on their plus sales out of some plants against their poor sales out of other plants would alleviate some difficult situations.
4. It is suggested a penalty arrangement should be set up to cover bag goods. J-M has done nothing on plaster. Their sales to date seem to reflect acceptance by a salesman of a plaster order if it is offered to him but no solicitation. Analyzing the sale of board products, lath represents 15%

of their total sales in December and from the study of their performance in the past several months, it is possible J-M's sale of lath will commence to approach Bestwall's proportion of lath to board sales and probably be near 20% in 1962. Certainly J-M ought to make an effort to sell the plaster over J-M lath.

5. Whether it is put in the contract or in a separate letter, something should be put in writing to cover the point that is discussed so much by J-M people as to their "guaranteed profit". They have periodically referred to this as 18%. It is impossible to establish this in view of the many items involved. It would seem they take the attitude that if they don't make 18% on an item, then Bestwall does not want J-M to sell it. Again analysing their sales in the past year, they talk a great deal about their poor profit on sheathing, wood grain, foil boards, etc., yet their sale of these items on a total footage amounts to less than 5% of the total boards sold. It can be assumed that if J-M wishes to get more board business, they are going to be forced to sell the low profit items to get carload orders, but on the other hand, it should be emphasized somehow that they must sell these low profit items to help in the balancing of stock. This includes Joint System material and plaster.

If this cannot be worked out in some manner as indicated above, it is suggested that the contract be altered and J-M be required to pay for the packages including bags, tapes, labels as well as storage space on the slow moving items to the extent that it will compensate Bestwall for stocking them. Furthermore, with J-M making this payment, Bestwall should refuse to make shipment of these items except under J-M label and should have them under J-M label to take care of such requirements.

6. Finally, it is suggested that the Gypsum Plant Managers meeting would be an excellent time for Mr. Malcolm Meyer to make some remarks before the entire group along the lines of the meeting of November 1, 1961. As I recall, Mr. Meyer expressed the idea that ultimately Johns-Manville would have every item available from the Gypsum Plants to Bestwall under J-M labels.

*1/21/62
Meyer
J.M.*