BOARD OF DIRECTORS' MEETING
July 28, 1964
C&R GROUP - INDUSTRIAL DIVISION

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The Industrial Division of the Coatings and Resins Group is primarily engaged in the development, sale and service of specially formulated coatings and resins for original equipment manufacturers. Further sales are in specialty markets such as industrial maintenance, aviation, marine and railroad which require special formulation, sales and service. Industrial sales have historically accounted for 40% of the Group total sales volume.

The chemical coatings or industrial market is estimated by NPVLA at $750,000,000 and our share of this potential is about 4.5%.

Industrial business is reasonably stable in good times or bad and brims with rich potential for us. However, it is a highly technical and competitive field which requires competent personnel in both product development and sales.

Our industrial organization encompasses both staff and line functions. The National Industrial Headquarters staff of ten men reports to me. The attached organization chart is self-explanatory.

The Manager-Industrial Marketing and five Product Managers reporting to him are technically oriented specialists covering new markets of opportunity for profitable growth. This group has close liaison with research and development projects at both the Research Center and regional laboratories. They are charged with coordinating and implementing programs to bring these specialized products to sales maturity in as short a period of time as possible.

Our National Industrial Sales Manager is responsible for establishing national policies and procedures for industrial sales operations. He is also charged with the development and training of industrial personnel.

Regional Industrial Departments are headed by an Industrial Sales Manager reporting to the Regional Vice President or Director. As a line function, their responsibility is to implement those policies and procedures established by headquarters.

The industrial field organization of 215 people is broken down as follows:

Industrial Sales Managers	8
Assistant Industrial Sales Managers	3
District Sales Managers	3
Sales Representatives	127
Technical Service	35
Administrative Personnel	39

The past six years have been years of considerable change for us in both marketing emphasis and organization.

Sales during this period have been on a relative plateau while profits first swung down and now have returned to their original levels.

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Table I
Total Dollar Sales and Net Profit

	1958	1959	1960	1961	1962	1963	(10 mos.) 1964
Net Sales	27,815,133	33,026,009	33,185,029	32,385,003	34,684,886	34,355,321	29,060,110
Net Profit	1,323,571	3,254,834	2,597,062	2,091,062	1,876,434	2,419,699	2,383,228
	4.8%	9.9%	7.8%	6.5%	5.4%	7.0%	8.2%

Internally we have used this period to revitalize our sales force and reorient our market emphasis.

To take advantage of new growth markets we have set up six fields of specialization, each with a Product Manager coordinating product development and sales programs.

Table II
Fields of Specialization - Dollar Sales

	1958	1959	1960	1961	1962	1963
Polyester	1,695,601	2,723,826	3,782,625	3,134,049	3,125,714	3,620,357
Metal Decorating	3,703,494	4,245,578	4,250,610	4,661,742	5,109,275	5,891,979
Wood	1,220,391	1,495,409	1,545,794	1,425,559	1,955,168	2,234,968
Coil and Strip	152,723	244,596	246,635	520,839	590,901	434,101
Paper	663,804	819,381	786,087	1,074,760	1,044,146	1,129,126
Foam	-	-	-	50,111	656,022	798,105
	7,436,013	9,528,790	10,611,751	10,866,960	12,481,226	14,108,636

Table III
Fields of Specialization - % of Sales

1958	1959	1960	1961	1962	1963
30.1%	31.6%	35.3%	36.6%	38.3%	43.4%

Every year since 1958 independent of the level of our overall business, we have shown an increase in the fields of specialization. In 1958 they constituted only 30.1% of our business; in 1963 they constituted 43.4% of our

GLD014272

business and the trend continues upward. These areas offer prime possibility for continued growth and profit.

However, in many cases they represent fields and technologies where our experience was limited. This has necessitated educating and regrouping of our sales organization. Since 1958 we have revitalized our sales force:

1. Replaced 48% of our 1958 sales representatives.
2. Increased volume per territory 22%.
3. Decreased average age from over 48 to 43 years.

We have stabilized our sales force by:

1. Increased average income.
2. Placing greater responsibility on younger men.
3. Training through product seminars.
4. Increased and strengthened regional management.

We now have a well trained group with over 71% of our territorial business being produced by the productive 35-54 year age bracket. This compared to 51% in 1958.

Table IV
Redistribution of Territorial Business

Age Grouping		1958	Salesmen	1963	Salesmen
25-34	Sales	$ 3,203,901	24	$ 4,273,840	21
	% of Business	14%		16%	
	Volume per Man	133,000		204,000	
35-44	Sales	$ 6,813,394	39	$ 8,254,220	38
	% of Business	30%		32%	
	Volume per Man	175,000		217,000	
45-54	Sales	$ 5,262,023	29	$10,231,196	41
	% of Business	23%		39%	
	Volume per Man	181,000		250,000	
55-Up	Sales	$ 7,576,098	35	$ 3,219,737	16
	% of Business	33%		13%	
	Volume per Man	217,000		201,000	
		$22,855,416		$25,978,993	

Our Glidden industrial representative had this profile at the end of the last fiscal year:

Average age - 43 years
Average years Glidden territory - 9.5 years
Average compensation - $15,400

GLD014273

We feel this level of compensation, tied to volume and profit, insures a continued high caliber sales group, and ultimately a continued profitable operation.

To make our efforts more productive, considerable time has been expended in concentrating our efforts on worthwhile accounts. The continued expansion of our Trade Sales Branch organization has allowed many smaller accounts to be transferred for more economical handling. Thus, while our volume has increased our number of accounts has steadily decreased, allowing more time for concentration on large volume users.

Thus, in the past ten years:

Table V
Trend to Larger Accounts

	Small Accounts (Under $5,000/Year)	Large Accounts (Over $5,000/Year)
1953	5,186 Accounts Amounted to $3,342,000	675 Accounts Amounted to $21,169,000
1963	3,699 Accounts Amounted to $3,125,000	907 Accounts Amounted to $32,454,000

By:

1. CONCENTRATION on large users;
2. SPECIALIZATION in volume fields; and
3. DIRECTION AND CONTROL of research and development;

We have:

1. INCREASED the number of large accounts 35%;
2. INCREASED volume per account 85%; and
3. INCREASED volume per salesman 27%.

Naturally the growth of our Industrial Division is directly connected to the successful development of new and improved products by our C&R research and development groups, both at the Research Center and in the regions. The increasing complexity of our business as well as our ventures into fields requiring new technologies, demands our continued growth in this area.

Careful programming and direction of development is being utilized to direct our research and development dollars into the most profitable fields. Continued regular review of research and development programs takes a good portion of our top management personnel's time and effort.

At this time there are many technological changes taking place in the industrial product finishing field.

1. Increased use of mill applied finishes to metal coil and strip, siding and paneling.

2. Continued increase in coating efficiency through:

   a. Electrostatic
   b. Flow coat
   c. Roll coat

3. Introduction of radical new coating methods such as electro-coating and radiation curing.

Our future in the industrial coatings and resins field depends on our adaptability to these technological changes as well as expansion into new fields with related technologies such as elastomerics and adhesives. Our Macco-Gates acquisition is a promising step in this direction.

G. S. FORBES

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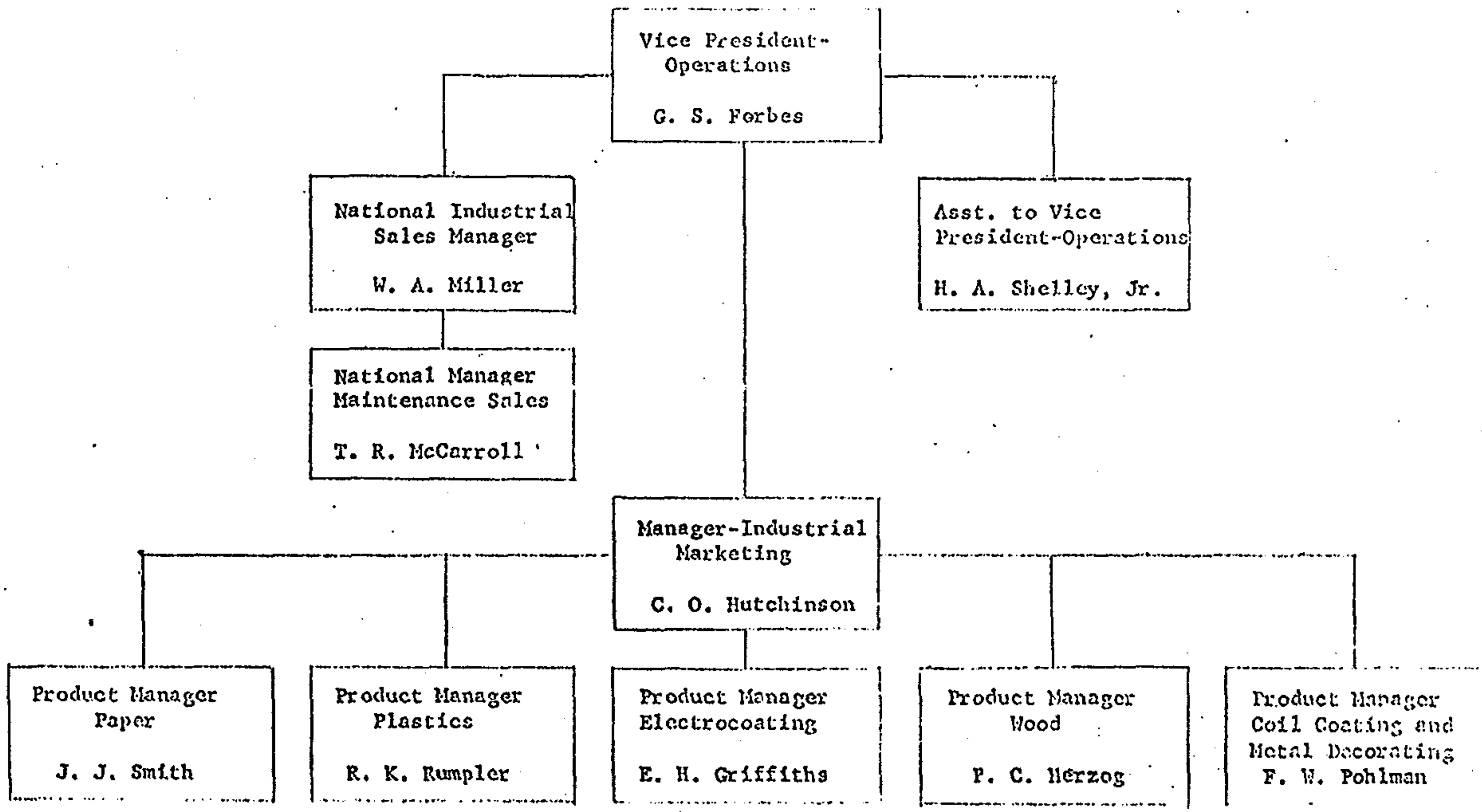
NATIONAL INDUSTRIAL SALES HEADQUARTERS



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