NATIONAL LEAD COMPANY

ADVERTISING DEPARTMENT
T. HOWARD SARINE, MANAGER

111 BROADWAY
NEW YORK 6

October 21, 1953

APPROVED BY:
EXECUTIVE COMMITTEE

NOV 4 1953

Mr. D. A. Merson, Vice President
National Lead Company
Building

Dear Mr. Merson:

I am submitting herewith the proposed paint advertising program and budget for 1954.

The proposal sets forth in full detail the reasons for the recommendations made. These have been discussed with the Sales Department and have their complete approval. If you have questions, we shall only be too glad to discuss the whole subject with you.

The appropriation requested totals $1,627,182 as compared with a budgeted $1,368,113 for 1953, an increase of $259,069.

Very truly yours,

T Howard Sarine

Encls.

"DUTCH BOY" PAINT ADVERTISING

1954

The basic recommendation for 1954 is a stepping-up of advertising activity...more consumer impressions for "Dutch Boy".

The seriousness of our present situation, competitively, is clearly indicated by the facts contained in my memorandum of July 31, 1953. They can be summarized as follows:

1. Since 1947, when we entered the ready mixed paint business, our space advertising has shown a fairly consistent reduction in number of pages...an actual dollar expenditure decrease of 15%.

2. During this same period the other nationally advertised paint brands have shown a correspondingly consistent <u>increase</u> in advertising expenditures. Eight companies in 1947 spent $1,748,200. Last year the same eight spent $4,608,000. Here are the actual percentage increases shown by competition:

Sherwin-Williams	147%
Pittsburgh	199%
Glidden	56%
Patterson-Sargent	131%
DeVoe	115%
Dupont	750%
U. S. Gypsum	43%

3. Our competitive ranking in dollar expenditure for space advertising has gone from third place in 1947 to a tie for seventh in 1952.

   No reliable figures are yet available for 1954, but we do know that Sherwin-Williams has already contracted for a network television program that will involve a maximum expenditure of more than $2,000,000 or a minimum of $1,500,000.

We all recognize that, due to consistent advertising over the years, the "Dutch Boy" name and trademark have become a priceless asset to help the Company secure its share of the consumer paint business. It is the one important reason why a dealer is willing to add the "Dutch Boy" line and in most cases displace a lesser-known competitive line.

However, this advantage can be seriously reduced--and even lost--if we continue to fall so far behind competitive promotional pressure. It has happened before to others. It can happen again...to us.

There is another important basis for our recommendation. Since 1947, when we started from scratch to develop a line and get distribution, a great deal of progress has been made.

Especially this year, the Sales Department has done an outstanding job of getting new dealers and converting part-line dealers to full-line. What this means is that we are not only increasing our actual and potential dollar volume but we are also giving our advertising a chance to be more effective. More and more people, influenced by "Dutch Boy" advertising, are going to be able to find convenient dealer outlets where they can buy the type of "Dutch Boy" Paint they need.

At the same time, we are going to need more advertising impressions to keep these new dealers and these expanded dealers happy with the "Dutch Boy" line.

There is still another sound argument for increasing advertising pressure in these times. That is the tremendous expansion in potential market. While not specific to our business, it applies just as effectively. Disposable income has increased from 169.5 billion in 1947 to 234 billion in 1952. Of course, all advertisers are shooting at this increased buying power but some of it is definitely going into paint. Our objective should be to divert a larger and larger share to "Dutch Boy". This can only be done effectively by an expanding program of promotion and sales effort.

<u>The Advertising Theme</u>

Last year, in view of the need for directing attention to the interior line, it was agreed that 1953 advertising should be devoted almost exclusively to the promotion of interior paints using the Color Gallery as the vehicle. The soundness of this plan was demonstrated by the sales increases of many "Dutch Boy" dealers, the greatly increased volume of consumer inquiries, and by the rapid extension in the distribution of Color Galleries among representative paint outlets.

There is little reason to question that concentration on interior paints and the Color Gallery proved the right step to take in 1953, particularly in view of the limited number of insertions.

Along this line, I want to make the point that every brand name survey on paint shows "Dutch Boy" in an "also ran" position among interior paints (except on the Pacific Coast). It is a clear indication that we need a lot more promotion to bring home to people that we are not only makers of house paints but of inside paints, too.

In spite of this year's evident success of "Dutch Boy" advertising featuring the Color Gallery, there has been an expressed opinion that emphasis on the Color Gallery was obtained at the sacrifice of product emphasis.

The best way to settle this question was to go out into the field and find out what homeowners and paint buyers wanted to see in "Dutch Boy" advertising. That is what was done. Five different copy appeals for interior paints were tested among representative magazine readers both on the Eastern seaboard and on the Pacific Coast.

As a result, we have been able to develop a type of ad that gives major emphasis to Flat Wall Enamel, as a product, but at the same time features the Color Gallery as a useful tool in selecting appropriate color schemes.

We believe that some of our advertising in 1954 should be devoted to House Paint. This year we dropped exterior paint advertising, except in the Country Gentleman, because we felt all five ads were needed to push the interior story. It was never our intention, however, to make this a continued policy and the expanded schedule, now being recommended, enables us to restore the House Paint advertising without seriously handicapping our interior promotion.

Also tested was another series of advertisements devoted exclusively to selling "Dutch Boy" exterior paints to homeowners. Once again, we found that ads built around the thought "home, the place you love the best, deserves the best protection...'Dutch Boy'" have maximum homeowner appeal.

<u>Media Recommended</u>

With some of our most aggressive competitors investing heavily in other forms of advertising -- television, radio, and newspapers -- it becomes necessary to analyze the respective advantages of each type of medium.

National Lead Company has been a magazine advertiser for nearly half a century. The prestige and country-wide recognition given the "Dutch Boy" trademark is convincing proof of what magazine advertising can do.

Here are some noteworthy facts about magazine advertising:

1. In 1952, as for every year since 1939, magazines led all media in national advertising volume.

2. Of the total number of advertisers spending more than $25,000 in 1952, eight out of ten used magazines.

3. Of the total number of national advertisers spending $25,000 or more in 1952, 7 out of 10 invested the largest share of their budgets in magazines.

4. In 1952, nearly three out of four used only one advertising medium...and more than three-quarters of them chose magazines for that one medium.

5. Of the more than 31 million dollars spent by adver-

tisers in the Building Materials and Equipment field during 1952, more than 82% was spent in magazines.

While there is every reason to believe that other media - radio, television, newspapers, billboards - would be helpful in selling "Dutch Boy" Paints, there still can be no question but that magazines, with their well-printed color pages so ideal for visually showing the desirable effect of paint, should continue to be the primary medium for our advertising.

Since next year's advertising will feature both interior and exterior paints, it is essential that the magazines to be used reach both men and women. For survey after survey has indicated that men are the most important factor in the selection of exterior paints, and women occupy the same position when it comes to choosing an interior finish.

The problem of selecting the best magazines for "Dutch Boy" is greatly simplified by the fact that there are three large-circulation, immensely popular magazines that have almost equal man-and-woman readership. The Saturday Evening Post, Better Homes and Gardens, and American Home are all pre-eminent in the field of home maintenance and equipment.

The Saturday Evening Post has been the backbone of "Dutch Boy" advertising for more than 40 years. With 4,200,000 circulation, over 70% of these readers being homeowners, it is no wonder that paint dealers and salesmen alike, recognize The Post as the number one medium for promoting the sale of products going into the home.

Better Homes and Gardens grows and grows and grows. Better Homes is more than three and one-half million big -- one of the three biggest man-woman magazines. Three out of four Better Homes readers own their own homes. Better Homes leads all magazines in the amount of editorial lineage devoted to home and family subjects. Better Homes has more readership among dealers selling building materials and household equipment than any other magazine published.

American Home reaches homeowners at a lower cost per reader than any of the other magazines. American Home reaches more readers in the upper income groups than any of its rivals. American Home has been used consistently for many years by leading paint advertisers including Sherwin-Williams, Pittsburgh Plate Glass, Glidden, Devoe & Raynolds, Patterson-Sargent, Boston Varnish, and U. S. Gypsum.

In the farm paper field, a change is recommended. For many years, "Dutch Boy" has been a regular advertiser in The Country Gentleman. Recent changes in the farm paper set-up dictate the use of Farm Journal in place of Country Gentleman. Here are some of the reasons:

1. Farm Journal now has the largest circulation of any national farm magazine.

2. Farm Journal has the largest circulation among farmers in the upper income groups.

3. Farm Journal is edited on a sectional basis in order to guarantee editorial content custom-tailored to the area served.

4. Farm Journal has the largest circulation in those sections of the country where our distribution is best and where paint sales are highest.

5. Farm Journal carries a greater volume of advertising than any national farm magazine.

Space and Insertions

In view of the need for adequate representation for both the interior and exterior lines, it is recommended that insertions be increased from five to eight pages in each of the three general magazines and in the one farm magazine. This permits five advertisements devoted to interior paints and three to exterior.

It also provides enough flexibility to assure some "Dutch Boy" advertising every month of the year but one (December). It gives us a heavier concentration of advertisements in the spring and fall plus good representation throughout the rest of the year.

Program Cost

The amount budgeted for national magazines and trade advertising in 1953 was $389,313. Proposed budget for 1954 calls for an expenditure in this category of $603,182, an increase of $213,869 or approximately 54%. Part of this is increased space and production costs. This year's program, for example, would cost $15,000 more if repeated in 1954.

On the other hand, if we look at the total paint advertising budget, including the Pacific Coast, the increase is only about 20%.

Expenditures Other Than Space

Since we entered the mixed paint field an ever increasing percentage of our advertising budget has been diverted to miscellaneous purchases other than space media. In 1947 it was 63%. For the last four years it averaged 77%.

In the interest of making some of these funds available for the recommended increase in space advertising, each item has been carefully screened. Everything suggested is, in our judgment, necessary to the conduct of business.

Significant reductions have been made in the following:

Window & Store Displays	$10,000
Color Cards	$32,000
Color Gallery	$15,000

Cooperative Advertising

This has become a formidable slice of our budget. Starting in 1947 with an expenditure of $36,983, last year it reached $121,442. One of its bad features is the complete lack of control on our part of the amount of money spent. Once we have set the policy of offering a 2% allowance to all dealers, we have nothing to say as to how many dealers use their allowance. Of course, we can restrain our branches from pushing cooperative advertising. But, in our case, where we have no local newspaper advertising of our own - such as all our competitors do - I doubt the wisdom of putting on the brakes. Because it should be remembered that the Company is getting this local advertising at half price, since the dealer matches us dollar for dollar.

Due to the fact that we have added so many new dealers and others have become more active advertisers, I feel it is necessary to increase this part of the budget to $150,000.

T-V Cooperative

As part of the cooperative program next year we are suggesting the production of three 20-second television films that we plan to merchandise to "Dutch Boy" dealers in areas where stations are available.

It is our feeling that many of the new stations will be actively soliciting local advertising and this will give us some opportunities to observe the selling effect of T-V paint advertising at comparatively low cost.

Special Fund

Our budget has always provided a contingency fund but my experience has been that this has been needed to take care of price increases over original estimates and the many unexpected items that cannot be planned a year ahead.

Every year we are offered certain propositions that look like good possibilities, for example, an experimental T-V program. Or, it might be a likely plan to secure store traffic for dealers. Usually, only a few thousand dollars are involved but with the budget earmarked for other things and the contingency fund needed as stated above there is no opportunity to give these programs a try.

I would like to set aside a special fund of $35,000 in the 1954 budget for such possible participations. It would be clearly understood that any use of this fund would require approval of top management for the specific proposal being suggested.

Pacific Coast Budget

The Pacific Coast Branch has submitted its suggested budget for 1954. Also included is the separate budget for Schorn Paint.

Practically all the items are standard expenditures that represent either their share of the items we provide such as display material, color booklets and other promotional material, or special material required for their stores and export activities. This, I approve and recommend.

The controversial item is the amount of $75,000 requested for supplemental consumer advertising in their territory.

I have had extended discussion on this with both Mr. Roberts and Mr. Harrier. I fully sympathize with their desire for this extra advertising which stems from the consistent advertising of their chief competitor, W. P. Fuller, and others, plus the fact that this year we featured Color Gallery while they felt the need of straight product promotion. However, I maintain, first, that the same amount invested in national advertising is much more vital to the Company's interests. And second, that our 1954 proposal answers any claim that "Dutch Boy" national magazine advertising does not do full justice to the needs of the Pacific area.

Actually, the four magazines we have selected deliver a total of over 2,000,000 copies in the Pacific Coast Branch territory. If the eight insertion program is approved that will make a total of 16,000,000 impressions.

This compares with the 500,000 circulation of Sunset Magazine being used by W. P. Fuller. Of course, Fuller is using other media as well but the total is not so overwhelming in the face of our proposed campaign.

Also, the type of advertisement we propose to use next year is in line with their request for specific product advertising.

For the past several years, the Pacific Coast Branch has borne its proportional share of expense on items such as color cards, displays and other promotional material which they have adopted from our Eastern production.

It is now suggested that a similar charge be made to the Pacific Coast operation for the share of space advertising going into their territory. It seems only equitable that the well-established Pacific Coast operation should absorb a 15% share (based upon percentage of circulation in the seven western states) of our national magazine expenditure, upon which they have been getting a "free ride".

This would approximately replace the $75,000 they request for regional advertising.

Summary

Advertising appropriations that were adequate in the immediate postwar period will no longer do the job of selling paint in an extremely competitive market. With rubber-base paints offering new, highly appealing advantages, with color systems blossoming on every hand, with dealers being given a choice of a half-dozen well-advertised brands, it's tougher than ever to keep pace.

While the "Dutch Boy" brand is one of the most honored in the paint industry, it has lost position in the last seven years; lost place in the very period when, for the first time, "Dutch Boy" was offering a full line of ready-mixed paints.

"Dutch Boy" is now in the position of needing new dealers, to a greater extent than ever, and depending upon the active interest and demand from the millions of homeowners who now do more of their own painting than ever before.

"Dutch Boy" interior finishes are an important part of the line, and since interior painting goes on the year round, it is extremely important that our advertising schedule be planned so that it continuously sells the paint buyer -- both dealer and consumer. This kind of consistent and persistent campaign calls for a minimum of eight insertions in leading magazines.

"Dutch Boy" can no longer afford to be out-advertised by paint companies with nowhere near the product nor the resources possessed by National Lead Company. We hope you will agree with us that the time has come to redouble our promotion effort behind the "Dutch Boy" line.

PAINT ADVERTISING - 1954

Eastern Budget

		1953 Budget
National Magazines	$ 463,708	$ 313,600
Trade Papers	64,474	75,713
Direct Mail	-----	35,000
Dealer Cooperative Advertising	150,000	110,000
Advertising Handbook	12,000	12,000
Classified Phone Book Listings	32,000	32,000
Dutch Boy Dealer Magazine	18,000	16,000
Color Cards	50,000	92,000
Booklets and Folders	68,000	60,000
Signs	50,000	31,000
Window and Store Displays	35,000	45,000
Painter Caps	5,000	5,000
Exhibits	15,000	15,000
Office Expense	4,000	4,000
Salaries	70,000	62,000
*Miscellaneous	15,000	10,000
Branch Expense	105,000	95,000
Rent, Light, Etc.	10,000	10,000
Contingency Fund	40,000	40,000
Special Fund	35,000	-----
	$1,242,182	$1,063,313
Color Gallery	35,000	50,300
	$1,277,182	$1,113,613
Pacific Coast Branch	310,500	220,000
Schorn Paint	39,500	34,500
	$1,627,182	$1,368,113

* Label art work, ad proofs, cuts, travel expense

National Magazines - 1954

	Circulation	Space	Cost
Saturday Evening Post	4,620,479	8 4-color pages	$183,309
Better Homes & Gardens	3,782,049	8 4-color pages	137,620
American Home	3,130,746	8 4-color pages	106,164
Farm Journal	2,880,010	5 4-color 2/3 pages	54,950
		3 2-color 2/3 pages	
	14,413,284		$482,043
		Art, Cuts, Type-setting	56,665
			$538,708

Trade Papers - 1954

	Circulation	Space		Cost
Mixed Paint Line:				
American Paint and Wallpaper Dealer	27,018	10	2 pages	$ 6,600
Paint Logic	4,200	4	2 pages	1,360
Hardware Age	34,879	6	2 pages	3,887
Hardware Retailer	31,698	6	2 pages	4,256
American Lumberman	24,233	7	2 pages	4,679
Building Supply News	24,211	6	2 pages	4,200
American Painter & Decorator	68,364	8	2 pages	5,280
National Painters Magazine	58,338	8	1 page	3,264
Painter & Decorator	151,450	6	1 page	2,250
				$35,776
		Art, Cuts, Type-setting		12,500
				$48,276

	Circulation	Space		Cost
Dry Pigments and Oils:				
American Paint Journal	3,533	9	2 pages	$ 1,620
Oil, Paint & Drug Reporter	10,813	9	7"x10" units	964
Paint Industry Magazine	2,510	6	1 page	590
Paint, Oil & Chemical Review	2,332	9	1 page	1,008
Official Digest	4,384	12	1 page	1,020
Paint & Varnish Production	2,100	12	1 page	1,356
				$ 6,558
		Art, Cuts, Type-setting		2,640
				$ 9,198

Sweet's Architectural Catalog	$ 5,000
Miscellaneous Publications	2,000
Trade Papers (above)	57,474
	$64,474

Pacific Coast Branch

	1954	1953
Dealer Presentation	$ 7,000	$ 6,000
Dealer Aids	----	250
National Advertising Expense	----	500
Industrial Advertising	----	250
Painter Advertising	5,000	2,000
15% of National Advertising	75,000	----
Export Advertising	10,000	10,000
Hawaiian Island Advertising	5,000	5,000
Cooperative Advertising	45,000	42,500
Cooperative Adv. Production	5,500	5,500
Color Gallery Distribution	7,500	10,000
Dealer Merchandising Plans	7,500	----
Dealer Signs	20,000	16,500
Dealer Electric Signs	10,000	10,000
Telephone Book Listings	10,000	10,000
Window Displays	15,000	15,000
Cooperative Display Service	----	500
Color Planning Service	10,000	6,500
Cooperative Color Booklets	10,000	2,000
Stuffers and Mailers	5,000	2,000
Company Store Advertising	15,000	31,000
Company Store Displays	7,500	7,500
Company Store Signs	4,000	4,000
General Office	32,500	30,000
Contingency Fund	4,000	3,000
	$310,500	$220,000

Schorn Paint

	1954	1953
Dealer Presentation	$ 1,000	$ 500
Dealer Aids	2,500	1,000
General Advertising	18,000	20,300
Cooperative Advertising	3,000	2,000
Cooperative Adv. Production	500	500
Dealer Signs	1,000	1,000
Telephone Book Listings	500	500
Window Displays	3,000	3,000
Color Books and Folders	4,000	---
Company Store Advertising	3,000	1,500
Company Store Signs	800	800
Contingency Fund	2,200	3,400
	$39,500	$34,500