

Many years of effort on the part of the National Lead Company in the production and sale of White Lead-in-Oil have resulted in our "Dutch Boy White Lead" becoming a standard product in the painting trade. Extensive national advertising has made it well known to practically every painter in the United States. Without restrictions of any sort it has been marketed through all jobbers and dealers who desire to sell it.

The trade in every locality is familiar with the dealers' resale price, as is natural with any article so universally acceptable and so generally used. "Dutch Boy White Lead" has all the necessary qualifications of what is called a "sales leader", and has been used as such in some sections of the country as far back as most of us can remember. The price has been cut by one dealer then another to the point that lead is some times sold even below the minimum cost to any dealer.

During the past few years this practice has spread to so many metropolitan centers that it can be said to exist in almost all communities where any considerable volume of business is done. It has become so prevalent that it is well known to all sellers of White Lead.

Under such conditions every dealer is forced to meet the cut price or allow his competitor to take away not only his business on lead but also on other materials that usually accompany its sale. It makes no difference how anxious he may be to market his goods on a basis that will provide a reasonable return for his effort and his investment.

How to correct this situation has been a problem that has given our company serious concern for years. Many suggestions have been made by our customers and all that held any hope of success have been tried. None of these has proved effective with the exception of a plan to sell through agencies, which was introduced in a limited territory at the beginning of this year.

Under this plan our lead is placed in the hands of our agents on a consignment basis, remaining our property until it is sold. This permits us to control the prices at which dealers' sales are made. The terms of our agency agreement require that our price schedule be observed. Dealers operating under it have been practically unanimous in enthusiastically approving the change from the conditions which formerly prevailed. Their margin of profit is not large when compared to other products they handle, but this margin has been assured and they are no longer losing money on their White Lead sales.

During the past few months nearly two hundred letters have been received at our New York office from dealers wishing to express their appreciation of our assistance in their effort to establish a more sound business structure by eliminating unfair practices from the trade. These letters tell their own story far better than we can do it so copies of a few of them are attached.

Our experience with the agency plan in the New York area since January 1st, and in Philadelphia, Baltimore and Washington over a slightly shorter period, has convinced us that it would be desirable to extend it to other territories. With this intention we notified our branch managers early in September to make arrangements to put the agency plan into effect on October 1st in the sections where they thought it would be beneficial. About September 20th representatives of the committee which drew up the code for the manufacturers of paint, varnish

and lacquer advised us that they would consider such an extension of this method of selling as a violation of the clause in their code which prohibits the establishment of consignment accounts not in existence at the time the code becomes effective.

Until this was called to our attention we had not given any particular thought to their code. We took no part in the discussions which were held while it was being made up because our sales of ready-for-use paint are comparatively small and we shall be very glad to conform to the practices referring to such products agreed upon by those whose interests are much greater than ours.

As soon as the National Industry Recovery Act was passed we started working on a code for the lead industry with the miners, smelters, refiners and manufacturers of all lead products of any importance. Our meetings were held under the supervision of the Lead Industries Association, an organization functioning for the members of the lead industry for several years in the same manner as the American Paint and Varnish Association does for its members. Our code covering wages and hours of labor was filed some time ago and we have almost completed the supplementary code covering fair practices in the various branches of our industry. Regulations for the sale of White Lead-in-Oil have been included with the other lead products where in our belief it properly belongs.

We are convinced that the consignment of White Lead-in-Oil differs from the consignment of mixed paint both in purpose and in effect. It has been introduced to give the dealers an opportunity to sell at a reasonable margin over cost. Under our agency agreement they are not restricted to handling our lead but may carry as many brands as they choose. No other manufacturer's products are excluded.

Naturally we do not want to take any step that will be injurious to any branch of the paint industry. For that reason we have postponed further extension of our plan until we have had time to give careful consideration to the objections expressed by the code committee of the paint, varnish and lacquer manufacturers. It is our desire to get all the information we can to help us decide whether or not the benefits of the agency plan to the trade as a whole are greater than the disadvantages that may accompany it.

We should like to have a frank expression of opinion from the dealers themselves, and the purpose of this letter is to ask you to get such an expression from several representative jobbers and dealers in your territory. All types of buyers, large and small, should be included, as we are anxious to make the survey as complete as possible. Anything they wish to tell us will be of interest but it is particularly important that they learn: (1) the effect of our agency method of selling White Lead in its relation to the general problem of merchandising, that is, is it a real influence in eliminating abuses that tend to weaken and destroy sound practices in the conduct of business; (2) the opinion of the trade as to whether the sale of White Lead, through agencies not exclusive, has resulted in results likely to bring about, because of the consignment feature, a further extension of the undesirable conditions which the mixed paint manufacturers tell us accompany the consignment of their products under the various plans they employ.