1965 MAREMONT / LELAND MARKETING PLAN

I. PRESENT SITUATION

A. PRODUCT

The Leland Brake, Suspension, and other Heavy-Duty Component Parts have been marketed under the Leland Brand name for about thirteen years. Acquired by Maremont in 1959, it has been supplying the heavy-duty truck, trailer, and bus after-market with replacement parts since 1950. Leland did not manufacture any parts; it operated solely as a packaging house but did own various patterns, tooling, and molds.

The original goal was to supply heavy-duty distributors with the most popular interchangeable brake parts for Timken, Shuler, and Standard Forge axles, and the channel of distribution was to be direct from Leland to the distributor who, in turn, sold directly to the fleet Those selected to handle the line were to be distributors of Bendix Westinghouse and other air brake manufacturers, axle manufacturers such as Shuler and Timken, Wheel and Rim Association distributors, and major truck parts distributors of which there were a limited number at that time. Of all of these accounts, 75% became distributors for Leland, and even though the heavy-duty after-market has come up with many competitive suppliers, well over 75% of the major distributors in the country are still selling the Leland Product Line.

The opportunity of developing and selling a product line of this type was made possible by two outstanding features:

1. The demand for more cross-country trailer-type equipment that could travel many miles presented itself immediately after World War II. This equipment would require maintenance at points other than their home shops, and the ever growing hunt for parts to repair equipment began. It was impossible prior to the late 1940s to buy a

part for a trailer, suspension, or an axle from anyone other than the distributor for said part.

2. As the number of fleets in the country expanded, the size of fleets themselves expanded and many fleets now had 3,000 or 4,000 units. The competition between axle, trailer, and suspension manufacturers became intense, and the result was that many fleets who had previously had but one trailer type or suspension or axle now had many. It was impossible for a major truck repair center to operate efficiently because it had to buy from so many sources at prohibitive costs. Original Equipment Manufacturers only added fuel to the fire by being completely indifferent to the after-market and shipping orders as much as 90 to 120 days late. It became next to impossible to procure parts and to develop an intelligent maintenance program.

Within a year's time the product line was broadened to include all parts on an axle, including axle nuts and seals. These parts are still the biggest movers. Other parts added after the first year were hit and miss; and all wear parts of a unit were not put in the line, the result being that there are many holes in the product line. In many instances a nut for a bolt might be missing, or other rubber parts in the same suspension were not put in the product line.

The product line presently consists of the following types of parts:

1. Brake Replacement Parts such as Anchor Pins, Roller Pins, etc.
2. Suspension Parts consisting of Rubber Bushings, Torque Arm Bolts, Nuts, etc.
3. Wheel and Rim Attaching Parts
4. Diesel Engine Gaskets

5. Diesel Engine Replacement Parts such as Cam Followers, Push Rods, etc.
6. Water Pump Replacement Kits
7. Air Compressor Replacement Parts including Connecting Rod Bearings
8. Motor Mounts
9. Wheel Spacers
10. Other small incidental parts too numerous to mention.

The major changes in the product line which have resulted from a change in industry have been:

1. Heavy cast shoes to light-weight cast shoes;
2. Design changes to improve wear characteristics;
3. Suspension systems have experienced a transition from springs to equalizing systems incorporating springs, with this latest transition being to rubber pads and rubber bearings. Some of the suspensions now have inflatable air bag systems.
4. The balance of the parts in the product line, of course, have been improved on as O.E.M. made changes in their products.

The parts in the product line have been sold as replacement parts only in the past. There is a definite market for the part to be sold as original equipment if and when we are able to manufacture the various parts at our facilities. There is still another possibility of selling the replacement parts to competition in the same product line such as Euclid, Brake and Wheel Parts, and Transit Parts.

B. <u>PRODUCTION</u>

Inasmuch as we do not manufacture most of the parts in the product line, the most important aspect of production then is our quality control program which we have been working on for well over a year. This was slow in developing because parts were not blueprinted, and this program will not be finished for approximately three months.

The product line itself can be further analyzed, and many changes can be made in parts to reduce manufacturing costs as engineering becomes more aware of what the requirements and functions are of each part when in use. It is possible to reduce our cost by arriving at a common finish on the hard parts that would give us the proper wear factors and lubricity.

The biggest factor that could affect costs is the possibility of increasing our buying power by becoming a supplier to other O.E.M. accounts and replacement packaging houses. Some parts in the product line would be too costly to transfer to Saco because their movement is limited, but supplemental orders from O.E.M. would make it profitable to manufacture and help reduce Leland's costs. Other parts such as those supplied by Standard Forge require much study and consideration before we could produce these in the corporate structure.

C. PACKAGING HISTORY

Packaging practice by the industry prior to the time Leland went into the replacement parts business was limited to dipping parts in cosmoline and putting them into cardboard boxes. Leland established the first program of putting a finish on parts such as cadium, copper, or zinc and then putting them into a carton and labeling them with the proper interchange information. Cardboard boxes and chipboard boxes in fifteen different sizes are used in the product line. The only change in cartons was caused by changes in standard packages.

There are only two different size labels in the product line. The labels are very suitable for display as are the cartons. At one time there was considerable damage in transit to the cartons, but this has been practically eliminated by better packing and shipping standards.

D. PRICING HISTORY

The current price and industry trend of prices is being greatly affected by original equipment manufacturers becoming very active in the after-market. It has become very apparent to the original equipment manufacturers that this is a lucrative market, one that they had overlooked in the past. O.E.M. was not considered effective competition ten years ago, but now they are the prime factor in pricing. The large dollar volume parts such as brake shoes, camshafts, and slack adjusters have been used by original equipment manufacturers as footballs in the pricing program, and the selling prices of these parts in the after-market have gone downhill in the last four or five years.

The history of prices was greatly affected when Leland got into the picture and set jobber net costs much lower than the original equipment manufacturer had been using in the past. The original equipment manufacturer did not change his pricing structure over a period of years, and Leland continued to enjoy a marked difference in their selling prices, and consequently got a firm hold on the after-market.

The original equipment manufacturers decided that the only way to break the hold on the after-market was to take the same large dollar volume parts and reduce their selling price to the distributor to a level much lower than Leland's, thereby drawing in the small parts sales and breaking Leland's hold on the market.

There had been no increases in selling prices in the past. However, rising material costs and manufacturing costs have recently affected the selling prices, and it was necessary to raise prices in order to keep in the profit picture. Although there has been a steady increase in the cost of procuring parts for the product line, some of these costs have been offset by finding more direct sources on such large dollar volume items as pressed steel shoes, slack adjusters, landing gear wheels, etc. The profit picture has changed very little in the last five or six years, at which time the profits hit their all-time high.

E. SALES HISTORY

As mentioned in the history of the product line, the plan to sell heavy-duty replacement parts in the after-market through original equipment manufacturers distributors was accomplished; and well over 75% of all the major O.E.M. distributors such as axles, suspensions, air systems, and wheel and rim distributors are buying the product line from Leland at the present time. The sales records indicate that any part put in the product line was sold automatically by most of the distributors in a direct relationship to its popularity in the original equipment field. There has been a marked effect upon the product line in not having competent salesmen in the last three or four years because the needed close contact we had with the distributors has been lost. Trends in marketing caused by O.E.M. becoming active have had the biggest impact in that for the first time in Leland's history there is strong competition, competition much more versed in heavy-duty selling than we are.

Sales figures for Leland since its acquisition by Maremont in 1959 are as follows:

1961 - $1,659,319 (November 30 - November 30)

1962 - $1,926,624 (November 30 - November 30)

1963 - $1,887,000 (Fiscal year was adjusted to correspond with Maremont's January 1 - December 31. December, 1963 was $87,251; this was not included in the '63 figure.)

1964 - $1,831,000 (January 1 - December 31)

The budget for 1965 is $2,149,900

The above figures do not indicate any improvement in sales over this period of time; however, there is satisfaction to be taken because there are many factors that could have depreciated the overall sales by approximately one-half million dollars. These factors involve a loss of approximately one-quarter million dollars worth of bus business caused by an out-of-date bus product line and other much stronger competition entering into the bus after-market. Muncie Reclamation played the biggest part in this respect. Lack of quality control and lack of a sales force during this period of time had a tremendous impact on our failure to keep our hold on this bus business. This is the same time that Metropolitan Transit Authorities and other large bus corporations resorted to bidding on replacement parts, and parts on which Leland had previously enjoyed all of the business now were being served by some of the basic manufacturers directly as a result of this bidding business.

This was the period of time also that original equipment manufacturers such as Fruehauf, Trailmobile, and Shuler for the first time had started marketing replacement parts and developing full-time sales forces to capture the heavy-duty parts after-market.

The Canadian market was affected by Shuler, who moved part of their manufacturing facilities to Canada, thereby by-passing freight costs and import duties, and the net result was an almost complete loss of our sales on hard parts such as camshafts, brake shoes, slack adjusters.

There was a considerable decrease in the Mexican business due to the stringent import requirements made by the Mexican government which reduced the business that our Texas distributors had previously been enjoying in Mexico. We had lost almost all contacts in Mexico as a result of this.

Brakeblock bolt business was the second biggest factor in business loss due to the fact that there were now numerous manufacturers, and those who could not sell companies such as Leland went directly to our distributors and sold them at special prices on bulk purchases. This is particularly true of large metropolitan areas. The net result was that we lost sales of almost one-half million bolts. The bolt business is now stabilized, and we should be able to regain a small portion of this loss business if we are able to develop a program that is conducive to the distributor in buying all parts in the product line. It is not practical for us to attempt to recover business by lowering prices to some of the major accounts that switched to this direct buying.

The slack adjuster and pressed steel shoe business was greatly affected by surplus materials flooding the major metropolitan marketing centers. We lost approximately $20,000 worth of slack adjuster business alone in this period; however, we did not have a respectable cost and could not stop this gradual decrease in sales because we could not reduce our selling price to be competitive. This has now been accomplished, and the decrease has not only been stopped, but there are indications that we will not only regain our lost sales but also have plus business.

Pressed steel shoes being relatively new in the market did not have a big impact in sales reductions. Nevertheless, we not only had loss of previous sales but had failed to gain business that we should have had if we had proper procurement costs and were we able to sell them at a competitive price. The procurement and cost problem has now been almost completely stabilized and sales figures now indicate a marked increase in sales on those parts. The net result of the aforementioned difficulties was that while our total sales stayed at the same level over a period of four years, it was in spite of the fact that we lost one-half million dollars in sales on the parts as mentioned above.

F. COMPETITION

There are two types of competition. One is the Original Equipment Manufacturer and the other being Replacement Parts Houses such as Leland. The more prominent names of O.E. Manufacturers are Shuler, Timken, and Standard Forge for axles; Reyco, Hutchins, and Neway for suspensions; trailer manufacturers such as Fruehauf, Trailmobile, Dorsey, Highway, etc. The leading O.E.M. competitor on wheel parts, of course, is the Wheel and Rim Industry incorporating such names as Budd, Kelsey-Hayes, Gunite, Dayton, and so forth.

The history of the original equipment manufacturer supplying the after-market can be summed up in that it had very limited availability, no after-market sales policies, no packaging policies, and no after-market marketing plan whatsoever until the replacement parts houses such as Leland entered into the picture. The entire industry then followed the lead of Leland, but on a smaller level and to a lesser degree for the first seven or eight years of this type product line.

The major competition in the Replacement Parts Houses are Euclid, Transit Parts, and Merit Automotive (Brake and Wheel Parts) in brake and suspension; General Motors and Muncie Reclamation in the bus parts replacement. Muncie specializes in reclaiming the same parts that Leland sells new. The process is to chrome-plate parts for longer wear by taking in a core, a used original part, grinding to specifications, and chrome-plating.

Transit Parts was the most formidable competitor; however, they failed to follow through with a good sales force, eventually were relegated to selling bus accounts only, and are now practically out of the picture.

Euclid Automatic Machining started out much slower but had been supplying original equipment with some wheel parts for years, then patterned themselves after Leland and went into the replacement parts business. Some six or seven years ago they took the iniative to go into the wheel parts business on the replacement level and became very strong competition because they broadened their line at a time when Leland was standing still. They now are the leading competitors of Leland and do business of approximately one million dollars a year.

Merit Automotive has been in business for five years and has been guided by a man who worked for Leland originally and formed most of Leland's engineering and marketing plans while working for the original owner, Mr. Miller. Personal differences forced him to leave Leland; he waited through a five-year period of inactivity as agreed upon by the parties involved, and eventually came back with Merit Automotive. Having the knowledge that he did have, plus getting into the wheel parts business at the time that Leland should have gotten into it (which was the time that Maremont acquired Leland), and having endless sources of supply of surplus material, he built Merit into a formidable competitor.

Both Euclid and Merit have seen fit to take on passenger car wheel parts lines as well as some electrical parts and air brake system parts. They consequently have a line much broader, but only Euclid has come near to meeting Leland in its original plans of selling replacement parts for axles and suspensions.

The only product characteristic difference of our competitors is that Euclid Automatic chrome-plates parts, and this was in conjunction with an advertising program two or three years ago at a time when preventive maintenance was rearing its head. They enjoyed some success from this program.

The package sizes of the competitive brands are almost identical to the Leland product line. There were no marked changes in competitive packaging until Merit Automotive went to a very expensive chipboard box designed for display purposes. Clear plastic bags for such parts as seals were also added.

The prices of all competitors were identical until approximately 3½ years ago, at which time Euclid deviated from the distributor net such parts as camshafts and slack adjusters, and started following the pattern of the original equipment manufacturer in trying to undermine Leland's grip on the market by selling high dollar volume parts at reduced prices. This was quite costly but it did give them some inroads against Leland; however, they were not affecting the real competitor, the original equipment manufacturer.

The replacement competition continues to hold their share of the market which is rather limited on the overall but does represent approximately 30% of the after-market business held by replacement parts houses such as Leland.

If we were to consider the potential market of the popular part numbers of the type we carry now, this market would be worth approximately 20 million dollars.* We are currently enjoying 10% of this after-market business; however, we have many parts that are yet to be developed to fulfill our real potential.

G. <u>INDUSTRY PRACTICES</u>

The most prominent deviation from normal industry practices that can be attributed to the heavy-duty industry is the fact that the manufacturer goes directly to a distributor who in turn sells directly to a fleet.

The marked difference from automotive practices is the lack of

* See Exhibit A

control over original equipment parts sold for the purpose of being installed on original equipment but finding their way back to the replacement after-market at prices far below those available to the replacement distributors. Market areas such as Detroit, Chicago, and Los Angeles have surplus materials that have been written off, purchased through devious ways, or dumped on the market for the expressed purpose of keeping the market flooded with parts of any one manufacture. This makes it almost impossible for any major market area in the country to be controlled by distributors and presents a constant price war.

Another factor in the heavy-duty after-market business is the practice of selling any one part in large quantities at large discounts, thereby putting the small heavy-duty jobber at a competitive disadvantage.

The most outstanding deviation from normal industry practices in the bus replacement parts business is that the manufacturer sells the replacement parts directly to the fleet, and most of the parts are purchased on a competitive bid basis only. There are also such large buying powers as National City Lines, American Transit, and Greyhound Lines as well as Transit Authorities representing metropolitan areas.

H. <u>THE MARKET</u>

Original equipment manufacturers are attempting to better identify themselves by using a process of different finishes on their hard parts such as color and plating.

The distribution and pattern by geographical area as mentioned before is to have small distributors in the outlying rural areas and one or two large distributors or warehouses in metropolitan areas. This was complicated by dumping surplus materials in large metropolitan areas which in turn practically eliminates any control over a distributor in such market areas as Chicago.

The general attitude of the industry toward the name Leland is quite favorable from the distributor level, but very negative on the part of the original equipment manufacturer. The original equipment manufacturer is well aware of the fact that he was remiss in handling the replacement after-market, and he himself developed the need for a supplier such as Leland. Consequently, these manufacturers are taking any and all steps to make sure that no one can duplicate any changes they have in the product line and are constantly trying to cover them with patents. This was unheard-of five or ten years ago. They are making many parts that become almost prohibitive to manufacture unless produced in large quantities and are sacrificing profits on some of these parts in order to control the balance of the profitable items in the product line and keep Leland from being able to supply the parts across the board.

The margin of profits in the product line is a little more substantial than the competitor's inasmuch as the buying power is much larger; consequently, the original costs are held down. Any advertising programs that the competitors have, especially in the replacement after-market, are quite expensive, and they tend to give away anything such as parts bins, etc., just to get their foothold into an account; and this, of course, reduces their profits considerably. We have a far better control over our margin of profit and will continue to do so as we manufacture more of our product line.

Our sales coverage is wholly inadequate in that the accounts that we service do not require that we check stock as done on the automotive car distributor level, but that we contact customers' fleets with salesmen that have a good maintenance background and can converse on a maintenance level. It sometimes takes two or three calls and six months in order to get parts into a fleet, but when this is accomplished, many hundreds of dollars worth of parts have been sold, and possibly the acceptance of the entire product line. If success was measured by the number of calls made, stock checks made, orders taken, etc., there would be almost 100% efficiency as far as sales are concerned. (CHECKING STOCK AND TAKING ORDERS REPRESENT APPROXIMATELY 10% OF THE SERVICE THAT A HEAVY-DUTY DISTRIBUTOR SHOULD BE GIVEN.)

The best procedure that can be used when calling on an account is to constantly broaden the amount of coverage that he carries and acquaint him with the replacement parts business that is unfamiliar to him. Many of our accounts are used to servicing air brake systems or axles only and know nothing about suspensions. Therefore, it is the job of the salesman to acquaint them with suspensions, identification, replacement parts, and the wherewithal to contact fleets in order to sell these replacement parts.

The wheel and rim distributor who usually has a suspension line of one manufacture is aware that suspensions are important but knows little or nothing about the balance of the suspension types not carried by him. The salesman must therefore acquaint him with the potential of other replacement parts and again, work with him on how to sell them.

A truck parts equipment distributor might know all about lights, signals, and saddle tanks but nothing about axles and less about suspensions. Again, this is an education that he must be given so that he can go out and sell the product line. The biggest shortcoming to a product line of this type is that less than 10% of the distributors, regardless of how good they are, will stock the entire product line because of their lack of knowledge of what these parts can do for them and what their applications are.

The heavy-duty after-market of replacement parts sales is yet in its infancy and is very uncontrolled, and most distributors are in the business because they left the company they were with and opened up a new company selling replacement parts. An expert in the heavy-duty after-market would have only a maximum of fifteen years of knowledge of replacement parts.

Sales costs per call have not been figured inasmuch as we have had three or four changeovers in sales personnel. If we were to consider just selling the Leland type product line, the cost would be prohibitive since there would be four or five accounts in the metropolitan area; and these would be limited to small dollar sales in proportion to the expense of having a salesman in the area. As the product line develops and broadens, sales costs would reduce due to the fact that he would have much better coverage and could pull more dollars out of that area he is working.

The most important factor in favor of the heavy-duty program at Maremont is being able to have at your fingertips various heavy-duty lines such as shock absorbers, brake blocks, and oil filters. Then, there is at least a four-to-one chance, an opportunity of working on four lines, not just one, pulling in more dollars and having more reasons for distributors to carry the product line. It is inconceivable that a man could carry the Leland product line and not carry brake blocks, so why not carry the Grizzly line? Most equipment uses parts carried in more than just one of our product lines. A brake block and the hard parts replacement line of Leland must be put together under one marketing plan so that we can better reap the harvest that is awaiting an intelligent sales program.

Replacement house competitive sales coverage is quite limited in that they use manufacturers' representatives and very few direct salesmen. They are consequently burdened with other product lines not necessarily related and never have the opportunity of really knowing the product line completely. The number of salesmen representing any one company has increased in the last two or three years, and whereas we had five to ten manufacturers' representatives at the competitive level five years ago, we now have well over a hundred in the replacement parts houses alone.

The major market for replacement parts is centered in the East and represents approximately 25% of sales of the product line. Second in importance would be the Midwest market; third would be the ever-growing Southern market, and fourth is the West. The West is a completely different market handled by a different distribution pattern and equipment manufacturers, and there has been little similarity between original equipment axles or suspensions as we knew them and what the West has produced. Trailers consequently had few interchangeable parts with anything east of Denver. The sales trend in the East is being affected somewhat by the surplus market, but not nearly as much as the Midwestern area centered around Chicago. There is a history of good distributors covering many lines with good sales forces in the South, and consequently, this is one area that has increased considerably in the last two or three years, even though Maremont has given it little or no attention.

Product performance in the overall market is very outstanding and is approached in this category only by Euclid Automatic Machining. Inasmuch as most of the parts in the product line are made to the same specifications as the original equipment, but have better appearances because of improved finished and wear characteristics, the performance of the product is very acceptable.

The competition, namely Euclid, made some impact with their chrome-plated rollers and pins and are living off of the introduction to the industry of chrome-plating by Muncie Reclamation. It is becoming obvious, however, in the last year's time that chrome is not necessarily the answer, due to the fact that it does chip and will not heal, such as zinc or cadmium. A portion of the distributors believed that our finishes were not proper and did turn to the chrome finish mostly because the fleets demanded it. This feeling has held firm but has failed to spread through the industry; and now is the time for us to come up with better engineering information and a uniform finish to sell a package program, not only to better identify the product line, but one also with better wear characteristics that can be sold.

Customer habits are unlike the automotive jobbers in that the amount of money and stock invested in proportion to the sales of the product line is considerably less. The average yearly turnover of stock at the distributor level is between six and eight times a year.

The average order is approximately $170 in total value, and the customer orders on the average of once every two weeks. The customers were very loyal to Leland, but due to management inactivity from one year after the acquisition of the line until a year ago and the deterrent attention given to the customer, the loyalty has subsided a great deal.

The Leland numbering system is the most prominent in the industry, and even though surplus material or competitor's material is purchased, they sell it under the Leland product number. All of the original equipment manufacturers' parts that are carried by a distributor are sold under the Leland part number.

The biggest factor affecting customer habits in purchasing is not being able to anticipate the parts they must stock (the amount of each part number), because of unwieldy maintenance programs of major fleets. The practice of changing or repairing some one part on all equipment in a fleet at the same time has been prevalent in the industry since its inception. Consequently, even though a distributor carried the product line across the board, he could have an order for seven or eight parts way out of proportion to what he would normally stock. It is not inconceivable to sell 5,000 brake block bolts of one or two sizes and not have sold any in the previous two or three months. If a fleet decides to change all of the rubber parts in their suspensions at one time of the year, it is not inconceivable to get an order for more bushings than have been sold in the last two or three years. The distributors plan very poorly; they are aware that there are seasons in the year when they should stock more than others, but they fail to stock until the demand for the parts is almost prohibitive. The peak months are March to June and September to November inclusive.

Another factor in motivating customer habits is the fact that one part of a fleet's replacement parts business could be controlled by a distributor, but no distributor is able to sell all of the replacement parts within the fleet. Consequently, any change in the buying habits of the fleet can have an adverse effect on the sales of the distributor.

The customer likes the packaging and the availability. There is some concern because personal attention given in the past on rush orders is no longer possible during peak seasons. It is impossible to give any account personal attention as far as shipping is concerned and still be able to maintain an efficient packaging and shipping department. Our competitors operating on a smaller level or being located in other metropolitan areas will service any account locally first, and will go out of their way to give them a pick-up service, and of course the account does not have to stock as much as he did previously. This has caused some lost sales.

The advantages that the customer had in his favor prior to the last two or three years were the best product line available and the quickest service. This picture, of course, changed from the time that Maremont acquired Leland, and the coverage in the depth of the line deteriorated considerably because proper expansion plans were not made. The customer advantage has decreased in the last two or three years in that there are other competitors with good coverage and good advertising programs and also because original equipment manufacturers have come into the picture with intelligent sales promotions.

The outstanding advantage that a distributor has at the present time is availability, if he is near a marketing center, of not only the Leland type line but other associated lines such as Block. Currently, the distributor is enjoying a catalog and price advantage on most of the product line. We can recapture other customer advantages for him by broadening the product line to develop the real potential of this yet untapped market. We are getting geared to do so, but the period of two or three years needed to endoctrinate Management caused major delays in the program.

The biggest disadvantage that the customer has at the present time is the fact that surplus material has reaked havoc with his pricing structure, and any one distributor can purchase large quantities of parts at big discounts and can control any one or all parts sales as he so desires. There is a possibility that this problem is going to be corrected by the original equipment manufacturer.

Another outstanding disadvantage that a customer has is that he cannot sell the truck dealer or small jobber because there is not a redistribution pricing concept built into the product line; therefore, the dealer or the small jobber is sold on a direct basis by our competitors. Solving this problem can be the ace in the hole that Maremont needs to better control the heavy-duty after-market. An intelligent reported sales program would allow us to better control the purchasing habits of the customer; but the real answer is an incentive program.

I. ADVERTISING HISTORY

The only advertising that Leland had up to last year was catalogs, price sheets, and wall charts. The total amount of dollars spent was usually less than 1% of net sales. There has not been any regional advertising program whatsoever, nor any seasonal one. The product line had not even been advertised in such major publications as Fleet Owners. The competitor's advertising ranged from envelope stuffers, ads and telephone directories, direct mail coverage of one part or sale of a part, and advertising in the major journals.

The only merchandising of the product line was personal contact from its owner, Mr. Miller, or his representative. The selling program featured no handling charges on returned goods, 100% credit on obsolescent returns, and a good warranty program. It was also possible to give customers parts for testing purposes for the fleets in order to entice them to buy the product line.

The trade opinion of the material was exceptionally high with everyone in the trailer and truck industry and at one time with the bus accounts. The quality of the product line became very questionable, and the merchandising program, limited as it was, fell on its face due to many failures of parts on busses. A result of this was that at the time that Maremont acquired Leland, the trailer and truck trade acceptance was at its all-time high, and the bus operators' acceptance was at an all-time low.

J. REVIEW OF PREVIOUS MARKETING PLANS

The marketing plan was devised in its simplicity for truck and trailers allowing the distributors to have the availability of broad-form coverage, good packaging, good cataloging, and better operational parts. The marketing concept as it applied to the bus parts business was completely unrealistic in that there was limited know-how in engineering application and little information available from the original equipment manufacturers on trailers and trucks, let alone from bus companies. Inasmuch as the only source for parts in different categories was Leland, the company itself became successful. However, the line became quite extensive due to the addition of so many different parts, and it was next to impossible to develop the potential of so many products.

The object of the original plan was to get major distributors throughout the country to carry the product line and sell replacement parts for axles and eventually suspensions, and this was achieved. Selling bus parts for profit was successful, but selling the Leland name to the industry was not. The company was responsible for the development of the lines of competitors such as Muncie Reclamation, Nycal, Transit Parts, and Euclid.

The end result of the marketing plans as conceived by the corporation years ago was that they were able to make the name of Leland outstanding originally in the after-market but failed to expand on and live up to the expectations of the industry, resulting in the need for competitive lines that could develop and live off of the errors of the original management. The lack of firm direction in the last three or four years only supplemented the lack of imagination on the part of the previous owner.

It is going to take another four to five months to get the line cleaned up and the corporate structure to decide what direction it wants to go with it. There are definite possibilities that we can regain the lost faith, expand the product line properly, and become a major supplier in the industry.

II. <u>OBJECTIVES</u>

A. <u>SPECIFIC PROBLEMS -- CORRECTIONS</u>		<u>TARGET DATE FOR COMPLETION</u>
1. Downhill trend of bus business.		
a. Update parts;	)	
b. Add new parts;	)	
c. Revise catalog;	)	
d. Adjust prices;	)	
e. Develop promotional material.	)	October 1, 1965
2. Limited wheel parts line.		
a. Expand;	)	
b. Improve cataloging and reference information;	)	
c. Develop bulk sales program with which to get our big distributors to purchase wheel parts. (They have not up to this time.)	)	February 1, 1966
3. Lack of depth in suspension parts and fifth wheels.		
a. Update replacement parts for all popular units up to and including 1964.	)	February 1, 1966

TARGET DATE FOR COMPLETION

4. Piece-buying by distributors.

   a. Reported sales program;)

   b. Heavy-duty incentive program. (See B.)) January 1, 1966

5. Automotive dealers -- heavy-duty dealers not carrying Leland product line. (Too small to be handled directly -- now they are competitor's accounts.)

   a. These accounts are part of NAPA and/or will be offset by NAPA-type distribution. Micro catalog (Micro to be brand name of NAPA for heavy-duty) to be developed along with the appropriate price sheets. New labels and standard package program should be developed to fit the Micro-type distribution.) June 1, 1965

6. Old wall charts did not give enough depth in coverage of the line.

   a. New wall charts covering brake parts, wheel parts, and suspension parts.

Brake parts	)	June 1, 1965
Wheel parts	)	October 1, 1965
Suspension parts	)	January 1, 1966

7. Lack of ready-made interchange and specifications information of parts.

   a. Obtention of O.E.M. data) January 1, 1966

8. Our biggest distributors are being approached by our competitors (such as Euclid is doing

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now) and are being promised special discounts in order to entice them to buy their product line. (There are no definite indications that this has been successful.) * #

a. Reported sales program.) January 1, 1966

B. OPPORTUNITIES THAT CAN BE EXPLOITED

1. Set a fixed cost on current advertising material including catalogs and price sheets for each heavy-duty line. This will help cost-justify an incentive program that could include local advertising, assistance from our Advertising Department, part bins, field maintenance programs, and additional assistance from our salesmen for distributors. An additional incentive could be built in for the distributor if he purchases more than one product line.

   I recommend that this course be taken because the thing most lacking in our heavy-duty product line is identification. There must be developed for the distributor an incentive-type program that would give him the vehicle with which to make better known his products and program to his customers. **

2. Get our Engineering Department in on the ground floor of the new Wedge-Type Brake which will completely replace the Cam-Type Brake in the next seven or eight years. With the know-how and the personnel that we have at Maremont, we could be the first one in the after-market with the replacement parts for this brake.

3. Develop cataloging and sales material for various parts in the Marwil line. There is a definite market for these parts and they fit into the Leland product line. There are approximately ten

* No. 8 applies to the Distributor Division only.
** No. 1 applies to the Distributor Division only. (See Exhibit B)
\# Additional problems pertaining to International are discussed on supplementary pages at the end of this Plan.

other part numbers now being made by Fargo Rubber and Cal-Val for O.E.M. that also fit into the product line and should be cataloged and made available.

4. We are currently adding to our line the replacement parts for rebuilding air compressors, check valves, etc., and these parts are to be supplied by Air Brake Rebuilders. This should give us new plus business and the exclusive line of replacement parts in this yet untapped market. There are various rebuilders of these whole units throughout the country, but their business is relegated to replacement of whole units only. We should have the opportunity of helping major fleets initiate their own rebuilding program.

   There is an additional market potential in being a national rebuilder of these same parts. There are various small companies throughout the country doing this, each having different specification requirements, and the programs they have are not uniform. Most of these rebuilders are distributors of Leland on at least some parts; and there are at least two or three of these companies that have very talented men, and both the companies and/or the men are available at a price. Our share of the replacement parts business alone is worth approximately one-quarter million dollars a year. We should look at the possibility of offering a uniform program of rebuilding in this very lucrative field. *

5. There are companies now in the after-market, namely Nycal and Muncie Reclamation, whose prime business is the rebuilding and reclaiming of expensive hard parts in large gas and diesel engines as well as truck brake camshafts, trunnions, etc. The impact of this business

* No. 4 does not necessarily apply to Micro at this time.

so far has not been serious due to the fact that the reclamation was on parts that we did not offer in our product line.

The preventive maintenance program heavy-dutywise originated with the bus companies some ten years ago, and it really never infiltrated the truck and trailer field on a large scale until the last three or four years. Nycal and Muncie did 90% of their reclamation for bus companies and as I mentioned before had no effect upon us. However, there are definite indications that reclamation can become a major factor in the truck and trailer industry.

I believe that it is absolutely necessary that we consider the rebuilding and reclaiming of parts along product lines similar to the subject companies or we could suffer a serious loss of hard parts business. These same two companies have now started adding <u>new</u> parts to their product line and have approached us about the possibility of our being their source for these new parts. I believe the potential of this business at the present time is $100,000 plus. (Of course, to be competitive these should be supplied out of Saco.) Both of these companies carry very prominent names in the heavy-duty truck, trailer, and bus after-market (particularly bus), and our association with or acquisition of either of the properties would be good business. Muncie Reclamation in a general discussion with me recently indicated that they might be interested in selling out and becoming associated with Maremont. A separate report will be made relating to this discussion.

6. Oil seals are fast replacing grease seals, and we are currently processing the information necessary to develop this entire product line which now covers most of the major trucks and trailers; this line could possibly be made available in early 1966. Inasmuch as

there are many replacement parts, most of which are multi-interchangeable, used in the entire heavy-duty industry, this should be a product line in itself and prove to be extremely lucrative.

7. A Gentlemen's Agreement between Mr. Miller of Leland and Mr. Berg of Berg Manufacturing was that Leland would stay in hard parts on the axle, and the air system parts up to and including those in the tractor cab and the replacement parts were to be made by Berg Manufacturing Company. These parts should be in the product line, and if they are not made available, will be made available by the competitors.

8. Set-up a library to maintain interchange information of O.E.M. for engineering use in developing new parts.

9. Acquire companies that sell related parts or contract the rights to sell their products representing popular truck replacement parts such as wheels, drums, whole suspensions, fifth wheels. These products can bear the Maremont/Leland name. Such people as Webb Wheel have shown interest in this type of program.

10. Leland has serviced the various bus properties, some 300 in total, for the past ten years and had enjoyed a profitable return due mostly to lack of competition. Our competitors in the replacement after-market had never sold bus companies directly except for a period some five to seven years ago when Transit Parts sold a limited line of hard-to-get parts on old obsolete equipment. Leland, as mentioned before, did not capitalize on their opportunity, and the results were Nycal and Muncie Reclamation coming into the picture.

It is not profitable at the present time to service all these bus companies directly as has been the policy in the past. I believe it is possible to make most of the product line available to the small bus companies through our regular distributor. This would give us some plus business to donate to our distributors which would help build customer relationships with them and reduce the necessity of our sending salesmen to these small accounts. I do believe, however, that it is necessary that we continue to deal directly with bus companies such as Greyhound, National City Lines, large transit authorities, and any other property having 300 or more busses. This policy could be accepted as part of an overall program which is explained in a separate report to management relating to recommended policies for a heavy-duty program.* #

III. STRATEGY

A. COPY PLATFORM

1. Analysis of audience to whom copy is directed.

   a. Heavy-duty distributors;

   b. Dealers;

   c. Heavy-duty fleets (the ultimate consumer).

2. Review product's consumer benefits.

   a. Outstanding quality and unmatched performance in the field as a result of excellent quality control and years of experience;

   b. Prices comparable to and/or better than all other leading manufacturers;

* No. 10 applies only to the Distributor Division at this time.
# Additional opportunities pertaining to International, O.E.M., and Double M Divisions are discussed on supplementary pages at the end of this Plan.

c. Availability of broad-line coverage;

d. The use of or the availability of the most advanced cataloging in the industry.

3. <u>Statement of basic selling ideas</u>.

a. A well staffed Engineering Department;

b. A growing Research Department;

c. The most complete parts coverage available for each individual unit;

d. Recognition by the original equipment manufacturers in their sales programs of our being the most formidable competition;*

e. Supplying some of the manufacturers of original equipment, including such companies as Standard Forge, Eaton Axle, and most trailer manufacturers through their branch outlets;*

f. Availability of descriptive cataloging and wall charts.

4. <u>Selection of benefits to be featured in copy</u>.*

a. Letters of testimonial from customers;

b. Warranty and guaranty;

c. Line coverage.

5. <u>Plans for developing copy strategy</u>.*

Handled by Advertising Department.

6. <u>Recommended art treatment</u>.*

The brand will be Maremont/Leland for the Distributor Division. The art design will follow the standards established for the other product lines.

B. <u>MEDIA STRATEGY</u>

1. Print

* Do not apply to Special Accounts and Double M, only to their supplier, Maremont/Leland.

a. Trade magazines;

b. Stuffers;

c. Catalogs;

d. Direct mail.

C. PROMOTION

There have been no previously developed programs in the past.

D. PUBLICITY TIMING

Not yet developed for 1965.

E. SALES EMPHASIS

Program not developed for 1965.

F. PRICING

1. Follow industry trends.

   a. We will continue to follow the generally accepted discounts of the heavy-duty industry.

2. Create industry trends.

   a. There will be a general increasing of our prices in the year of 1965 for the expressed purpose of retaining favorable profits in the product line.

   b. There will be an adjustment on prices of those parts in the product line that have been out-of-line and caused lack of line control and created the major reason for piece-buying by the distributors.

   c. The replacement house competition, if they follow reduction of prices on the highly competitive hard parts, will not be able to give specials on parts or programs; they will be forced to raise their prices on the small component parts due to the loss of revenue on the hard parts and their lesser buying power on same.#

Additional strategy pertaining to the Double M Division is duscussed on the supplementary page at the end of this Plan.

G. MERCHANDISING

Display programs and tie-ins with potential incentive plans will be part of 1966 Marketing Plan.*

IV. TACTICS

A. SELLING ACTIVITIES

1. Product sales aides offered.

Give to the heavy-duty industry assists by printed diagrams as well as engineering maintenance information so that they could better discuss and sell intelligently the component parts of whole units. A continuing program of regular maintenance bulletins should be made available to the distributors for use in their selling activities. Much of this information is available from trade publications as well as original equipment maintenance manuals.

B. REGIONAL DEVIATIONS FROM OVERALL PLAN

The only deviation necessary for the national program would be competitive advantages given to both our salesmen and the distributors for the parts of the product line that are used only in certain regions of the country.

C. RESEARCH PROJECTS RECOMMENDED

1. In order to take advantage of the ultimate potential of the product line, it is becoming necessary that we show all possible interchanges on each part by model number, axle number, manufacturer number, etc. This project will require the full-time efforts of at least one person in the Engineering Department; however, this same person could be the one that would be seeking interchange and application information for future expansion by same models, etc.

* Not applicable to Special Accounts and Double M.

2. There should be a classification of the type of distributors that are serviced by the product line and the part numbers that each one of them purchases. An IBM report showing the total dollars purchased by each distributor monthly must be supplemented by a report showing a breakdown of categories of parts bought at least every ninety days and a final report showing the total number of each part purchased every six months.

V. SUMMARY

A. PRODUCT P & L

The profit structure should remain the same for the year of 1965 due to the fact that increases in selling prices should offset increases in the procurement costs.

There will be a variation in unit sales, depending on the length of time the part has been in the product line, with an anticipated increase for all hard parts such as camshafts, brake shoes (cast and steel), slack adjusters, brake spiders, and a gradual decrease on such parts as brake block bolts and some of the component parts used on cast brake shoe assemblies. This is due to the fact that they no longer are a part of the original equipment. As soon as more of the parts are manufactured in the corporate structure and/or we get more solid sources on these parts, we should be able to develop a projection of the potential movement of each part based on market trends. The unit sales pertaining to engine parts of diesel engines will show a continued decrease until such time as this line is updated and a positive attitude is applied to the direction of the product line by management.

B. EXPLANATION OF RISKS

The only real risk involved in the entire program is that as we establish a more solid front, we are extremely vulnerable to any one original equipment manufacturer pot-shooting at us with special prices, or flooding the market with surplus material by by-passing distributor channels and selling directly to the fleets. This unfortunately is the risk that we have been running for three or four years, and to a certain degree has been successfully used by original equipment manufacturers to thwart the efforts of people such as ourselves in gaining a strong foothold in the after-market. This risk will be reduced considerably if we make honest efforts to manufacture more parts in the corporate structure and not leave ourselves open to sources using us and consequently dictating terms.

C. EXPLANATION OF DEVIATIONS FROM PREVIOUS YEAR'S P & L

The line should be re-evaluated and audited at the end of the fiscal year for purposes of measuring the success of the program.

D. TIMETABLE FOR AUDITING AND EVALUATION

Each of the programs being individual within themselves will be submitted for approval as the projects arrive at final development stages.

EXHIBIT A

MARKET POTENTIAL

The replacement figure takes into consideration the fact that some of the units do not use the specific part or assembly in question; however, the figure does show the actual potential as a replacement part in that part category. A part category for definition purposes is as follows:

> Example: Slack adjusters are of various manufacturers and types. We do carry the more popular types in our product line but do not necessarily and obviously don't carry all of the replacement types available.

Each one of the various part categories lends to much additional potential over and above any potential already exploited. The ingredients necessary to arrive at these potentials are extensive cataloging, and interchange and application information heretofore not available to replacement houses such as Leland, Euclid, Merit, etc. This nevertheless does not deny the fact that the potential is there; and it only goes to prove that this product line has not yet been properly developed from the new parts replacement concept, and definitely not in the reclamation concept.

If we were to stabilize our projected potential, we should take into consideration the figures as they apply only to Combinations of 3, 4, and 5 or more axles. This would leave us with a market potential of $56,980,200. If we were to go still further toward our goal, we would have to be realistic and eliminate parts that do not lend themselves to reasonable profit, either because of limited sale or excessive manufacturing costs.

Exhibit A - Market Potential (Cont.)

In any combination due to a pattern of multiple interchangeability of most parts, we could consider that our parts could very readily be applicable to 80% of all the trailers and 50% of all the tractors, giving us an average potential of 65% of $56,980,200 or a market potential of $37,037,130. If we were to continue with just the product parts we have now and not expand the line, the true potential of this market would continue to be $20,000,000 of which we currently enjoy approximately 10%.

①	②	③	④	⑤	⑥	⑦
		TRUCKS (2 AXLES, 6 WHEELS) 3,750,000 UNITS		TRUCKS (3 AXLES) 213,000 UNITS		COMBINATI[illegible] 300,00[illegible]
PART/ASSY.	DIST. NET	REPLACEMENT	POTENTIAL	REPLACEMENT	POTENTIAL	REPLACEMENT
SLACK ADJUSTER	$ 7.00	468,750 1/8	$ 3,281,250	160,000 3/4	$ 1,120,000	350,000 1[illegible]
CAMSHAFT (BRAKE)	9.00	468,750 1/8	4,218,750	160,000 3/4	1,440,000	350,000 1[illegible]
BRAKE SHOE	9.00	468,750 1/8	4,218,750	160,000 3/4	1,440,000	350,000 1[illegible]
ANCHOR PIN	.70	892,500 1/4	624,750	213,000 1	149,100	600,000 2[illegible]
ROLLER [illegible]IN	.22	892,500 1/4	196,350	213,000 1	46,860	600,000 2
RETURN SPRING	.30	892,500 1/4	267,750	106,500 1/2	31,950	600,000 2
BUSHINGS	.15	1,785,000 1/2	267,750	426,000 2	63,900	1,350,000 4[illegible]
RUBBER AND CASTING PART ON SUSPENSION	→		—		—	300,000 1 $ 8.[illegible]
KING PIN AND 5TH WHEEL PART	→		—		—	300,000 1 $ 7.[illegible]
LANDING GEAR WHEEL	→		—		—	300,000 1 $ 5.00
[illegible]HEEL PART	→		—	213,000 1 $ 3.50	745,500	300,000 1 $ 4.75

* BASED ON NUMBER OF PARTS OR ASSEMBLIES REPLACED EACH YEAR, USING THE

EXHIBIT II

MARKET POTENTIAL*

8	9	10	11	12	13	14
(3 AXLES) UNITS	COMBINATIONS 327,000	(4 AXLES) UNITS	COMBINATIONS 116,000	(5 OR MORE AXLES) UNITS	4,526,000	TOTAL UNITS
POTENTIAL	REPLACEMENT	POTENTIAL	REPLACEMENT	POTENTIAL	REPLACEMENT	POTENTIAL
$ 2,450,000	654,000 2	$ 4,578,000	290,000 2½	$ 2,030,000	1,922,750	$ 13,459,25[illegible]
3,150,000	654,000 2	5,886,000	290,000 2½	2,610,000	1,922,750	17,304,75[illegible]
3,150,000	654,000 2	5,886,000	290,000 2½	2,610,000	1,922,750	17,304,75[illegible]
420,000	981,000 3	686,700	464,000 4	324,[illegible]	3,150,500	2,205,35[illegible]
152,000	981,000 3	215,[illegible]	464,000 4	10[illegible]	3,150,500	643,[illegible]
180,000	981,000 3	294,300	464,000 4	139,[illegible]	3,044,000	913,[illegible]
202,500	1,962,000 6	294,30[illegible]	870,000 7½	130,5[illegible]	6,393,000	958,[illegible]
2,100,000	327,000 1 $10.00	3,370,000	116,000 1 $12.50	1,450,000	745,000	7,120,000
2,100,000	327,000 1 $7.00	2,289,000	116,000 1 $7.5[illegible]	870,000	743,000	5,259,000
1,300,000	327,000 1 $6.00	1,962,000	116,000 1 $6.00	696,000	743,000	4,458,000
1,425,000	327,000 1 $7.00	2,289,000	116,000 1 $8.25	957,000	956,000	5,416,5[illegible]

[illegible]RACTION INDICATED. EX., 1/8 = ONE PART REPLACED FOR EVERY EIGHT UNITS.

MAR 001550

EXHIBIT B

RECOMMENDATIONS FOR CONSIDERATION
IN A HEAVY-DUTY PROGRAM

Some of the obstacles that must be confronted in heavy-duty that do not necessarily prevail in automotive (light truck and passenger car level) are as follows:

1. There are very few, if any, pure 100% warehouse distributors in the heavy-duty after-market. While it is true that a specific product line might be warehoused inside of a place of business and be handled under a strict warehouse program, there are a limited number of accounts who do nothing but warehouse, and even fewer that adhere to warehouse practices.

   Inasmuch as we are going to operate under the marketing center concept, it might be more to our advantage to revise our sales programs in all lines. We could follow a pattern of A and B distributorship and arrive at a common denominator that would allow us one sales program applicable to all heavy-duty products. Each of our lines (heavy-duty) should be made available at the marketing centers on one price level, and the net sheets and resale sheets in all product lines should be titled and priced giving the distributor an equal number of price sheets for each product line. We should then build added incentives in the line based on requirements, such as the A distributor reselling a minimum of X% of all merchandise purchased from us, plus the amount of total dollar stock he carries on hand at all times, and even a bulk shipment unlabelled; or special brands for the subject account could be offered.

2. Sales policies should be constructed that have the same prerequisites for qualification as a distributor for each product line. Example: Whereas there is now a brake block specialist getting a low-ball price on brake blocks, which would give him a distributor net price on Leland, it would not necessarily qualify him for the lowest price now available on shock absorbers or Winslow.

   On bus accounts Leland currently has a policy of selling them direct; and Grizzly does not, nor does Winslow. Again, we have no uniformity; we either sell them or we don't. The requirements must be the same.

3. The cataloging as it applies to heavy-duty products should be much more uniform, and there should be more descriptive information, engineering data and diagrams for product lines such as shock absorbers and Winslow. Most of our accounts have never handled these product lines because they know little or nothing about them. Again, just because a fleet has a tractor or trailer made by a specific manufacturer, it does not mean that there is any information available as to the specific part that goes on that equipment.

4. A film or educational slide program covering both Leland and Grizzly should be developed. There is no need for a separate program on brakes. What affects one product affects the other.

5. A heavy-duty salesman must dedicate himself more to utilizing the time of the jobber salesman. He should spend 10% of his time in each account's place of business and 90% at the fleet or dealer level. A salesman that converses at a distributor level and practices stock-checking only is not doing an effective job. Most distributor salesmen in the heavy-duty after-market are not versed on how to sell a complete product line such as Leland; therefore, our real potential lies in the education of the jobber salesman.

One of the finest potentials that we should take advantage of is the tremendous desire of major heavy-duty accounts to be consulted by manufacturers and to be in their confidence. We should have an honorary heavy-duty marketing board made up of the leading distributors in the country as well as operators of bus properties. I personally have talked to various people about this over a period of years, and they have expressed their desire to be part of such a project. There are many parts and product lines that they would like to see be made available, and they would like to voice their opinions relative to the potential of them. This could be our field sounding board, and we should take advantage of it.

Many times a particular unit or part of a unit is not functioning properly, or conversely is exceptionally well accepted in its performance. We need to be aware of this down-to-earth inside information. In the past we have not been updated to the line potential because we did not make use of this communication. I feel that inasmuch as our heavy-duty sales force is not amply qualified to keep this pipeline filled, we should then listen to those who can. Some minor remuneration or honorary plaque should be made available to this board.

In addition to the comments mentioned above, I think we are extremely remiss in not offering annual awards in some form or another to leading distributors either on a national or regional basis. There is a need to develop more pride by product line, and what better way to help develop that pride and give us identity than to offer awards to those who so amply and successfully represent us!

There are going to be some circumstances arise whereby you might have complaints from some of your warehouse distributors currently servicing some of these product lines because they feel you are taking business away from them. I think that the legitimacy of these claims could be limited if we divide for all intents and purposes the Heavy-Duty Sales Division from the regular Distributor Sales Division, especially as far as sales policies and distribution concepts are concerned, so that the heavy-duty program might have its own personalized identity.

ADDITIONS TO THE MARKETING PLAN AS THEY APPLY TO THE INTERNATIONAL DIVISION

Under II. OBJECTIVES, A. SPECIAL PROBLEMS -- CORRECTIONS (pp. 23 and 24), there are four further problems as discussed below:

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9. The drastic reduction in sales on hard parts (cams, spiders, brake shoes, etc.) in the last three or four years due to the invasion of the Canadian market by Shuler and Ingersoll Steel.

   a. Ingersoll Steel, the licensed manufacturer of Standard Forge and Axle Parts in Canada could prove to be the key to the solution of the problem if they will supply us on a price basis comparable to Standard Forge. The groundwork is currently being laid by Standard Forge to help us become associated with Ingersoll so that we might properly solve this problem. We would them be able to by-pass import duties, freight, and various other burdensome costs which would allow us to become competitive to Shuler on our distributor net prices. The only burden, if it is to be considered a burden, would be the necessity of establishing a shipping point or warehouse in Canada so as to avail us the opportunity of shipping to our distributors from one focal point. It is very possible that other component parts in the product line could be procured in Canada, and the results would be an added reduction in

ADDITIONS TO THE MARKETING PLAN AS THEY APPLY TO THE INTERNATIONAL DIVISION (CONT.)

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procurement costs. There are at least three major wheel and rim distributors in Canada that could handle our product and would be more than willing to do so. The only risk entailed would be a lack of control of the resale prices offered by the warehouse selected to handle our product line. If these are not properly controlled, it could affect our smaller distributors.) Early 1966

10. Original equipment manufacturers offering quantity discounts on large quantity purchases, even resorting to bidding, in order to get a foothold in the foreign market.

    a. Develop a quantity discount program, bulk shipment only, with competitive prices in order to take advantage of this tremendously potential market.) Early 1966

11. Loss of business in Mexico previously enjoyed by us through our Texas distributors because of import restrictions.

    a. The solution is at the present time within the International Division, for them to contact the major distributors in Mexico of the original equipment manufacturers in the continental U.S.A., such as General Motors, Ford, International Harvester, axle manufacturers, etc.) Depending on information developed.

ADDITIONS TO THE MARKETING PLAN AS THEY APPLY TO THE INTERNATIONAL DIVISION (CONT.)

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b. There is a definite need for product knowledge and the use of any sales material developed by us, particularly application information of the descriptive type.) Depending on information developed.

c. Development of a warehouse strategically located and whose stock could, as in Canada, be made up of some parts manufactured in Mexico.) Depending on information developed.

12. Duplicate excise tax payments--both U.S.A. and Canadian--being paid by our distributors in Canada resulting in resale prices not being competitive, and their net costs excessive.

a. Establish common discount factor representing U.S. excise tax to be deducted from the face of the invoice. This money is recoverable from our supplier.) October 1, 1965

Under II. OBJECTIVES, B. OPPORTUNITIES THAT CAN BE EXPLOITED (pp. 24-28), the following recommendation is offered:

11. The only thing necessary to make the catalogs now offered applicable to the Mexican and South American markets is to use Spanish and any other language necessary in the description information in the catalog.

ADDITIONS TO THE MARKETING PLAN AS THEY APPLY TO THE O.E.M. DIVISION

Under II. OBJECTIVES, B. OPPORTUNITIES THAT CAN BE EXPLOITED (pp. 24-28), the following recommendation is offered:

11. The original equipment manufacturers of heavy-duty replacement parts should be solicited by Sales for the expressed purposes of our quoting on any and all parts that they procure from outside sources. This is possible due to the fact that most manufacturers such as Timken, Fruehauf, etc. do procure many of their hard parts from outside suppliers. This would give Maremont the opportunity of much added business in their respective properties and would be beneficial to Leland in having the same said parts available for distribution. On many of the parts, as mentioned previously in the Marketing Plan, it has not been profitable to transfer the manufacturing from our current supplier over to such places as Saco. If, however, we were to get orders from other O.E.M. customers on these same parts, it could be very profitable for Maremont to consider manufacturing.

    There should be a definite tie-in in product line planning between Saco and Leland and other Maremont properties when taking into consideration the possibility of manufacturing and/or distribution of like parts.

ADDITIONS TO THE MARKETING PLAN AS THEY APPLY TO THE DOUBLE M DIVISION

Under II. OBJECTIVES, B. OPPORTUNITIES THAT CAN BE EXPLOITED (pp. 24-28), the following recommendation is offered:

11. We could be the supplier to major tire manufacturers such as Firestone, Goodrich, etc. who market through major heavy-duty tire replacement centers. It is inconceivable that any heavy-duty tire shop would not have wheel parts for use as replacements.

Under III. STRATEGY, F. PRICING, 2. Create industry trends (p. 30), the following additional point is applicable to this Division:

d. If the recommended accounts were to carry the product line, their resale prices should be equivalent to the resale prices as used in the Distributor Division. These same recommended prices are the equivalent to resale prices now used by such accounts on parts supplied to them by the wheel and rim industry.