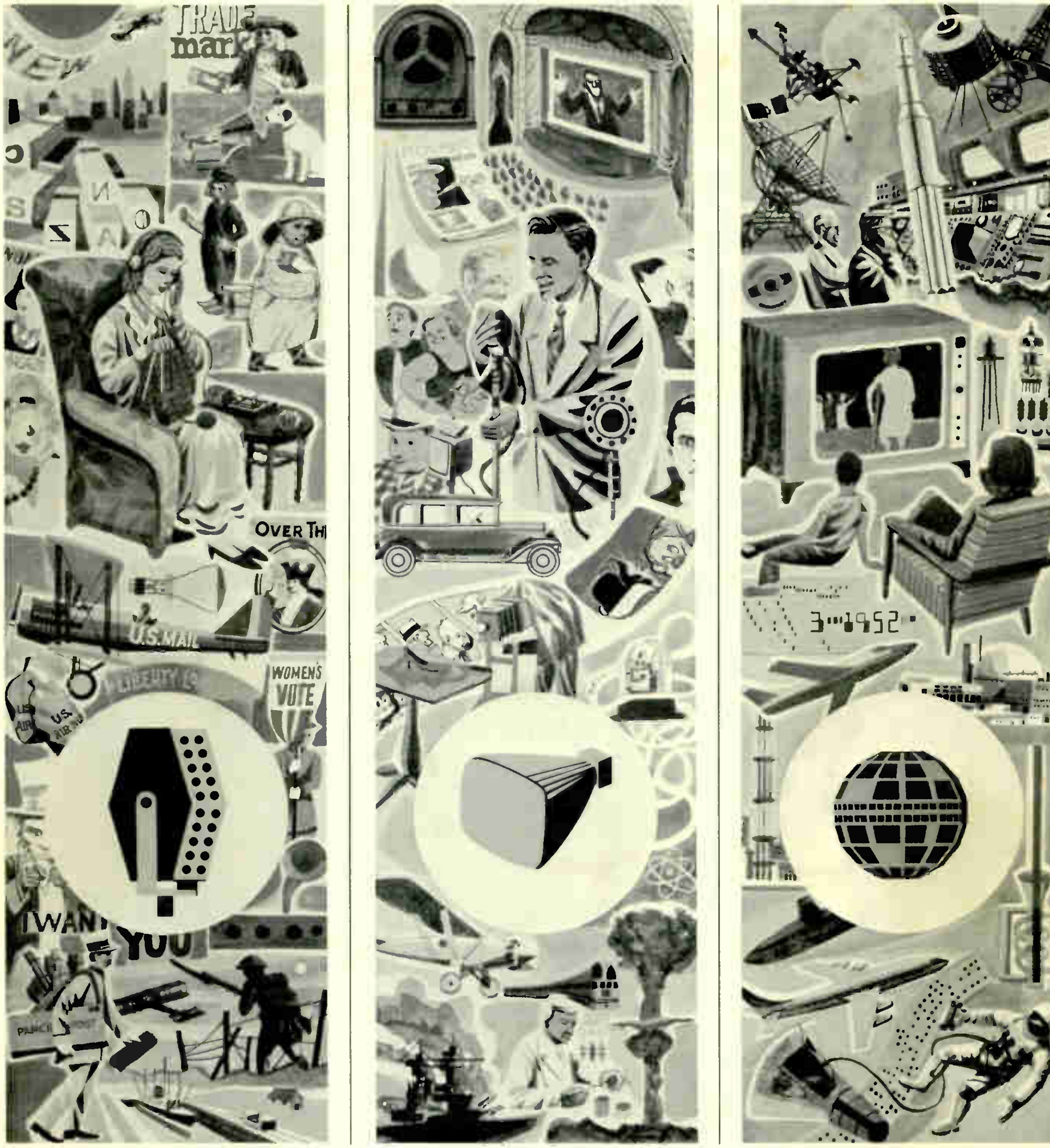

SRDS

Kenneth H. Myers Jr.

Addendum

THIS BOOK WAS PLANNED as a study of the origin, the growth and the management of an owner-managed business of moderate size and to explore its development from inception to the present.

Covering the period from the founding of SRDS in 1919 to 1965, the manuscript has been subjected to extensive editing and revision. The final form of the book was completed in 1968, when the decision was made to set the publication date to coincide with the celebration of the fiftieth anniversary of the establishment of SRDS during 1969.

During the period from 1965, when the narrative ended, to 1969, several important changes have been made to strengthen and broaden the operations of the corporation. During 1965 it became apparent that SRDS-Data, Inc. had been pursuing an objective for which the industry was not yet wholly ready and the project was abandoned in June, 1966.

In February 1967 SRDS installed an IBM 360 Computer, essentially to handle its internal needs. However, sensing a trend toward agency use of computers for statistical media information, CARDS Division was announced early in 1968 with the offering of computer-sensible basic information on media. The first offering was Newspaper rates and circulation and this will be followed by data on other media when justified by demand. SRDS is ideally equipped to gather such data and to keep them up to date.

(Continued on back flap)

(Continued from front flap)

In January 1968 SRDS inaugurated a new semi-annual catalog—Direct Mail List Rates and Data—providing users of the medium with the first comprehensive catalog of available lists.

This was followed in December 1968 with Print Media Production Data containing in a single reference volume mechanical and production information formerly only available in the three print media buyers' catalogs. This will be published twice a year.

In January 1969 Media-Scope adopted a new saddle-stitched format in an 11¼ x 15 page size and added four-color lithography for much of the editorial content.

National Register Publishing Company, in 1967, published the first of the Directory of Corporate Affiliations, to meet the needs of executives for current information on who owns whom and who is owned by whom in a business community in which there are five thousand mergers every year.

In December 1968 this subsidiary published the first edition of an annual overseas media/market guide, Newspaper International. This directory is for U. S. advertising agencies and advertisers which market overseas and contains basic information on newspapers and news weeklies in 79 countries.

The front cover illustration of this dust-jacket is a one color reproduction of three panels in a full color print, 21¾" x 27¼", containing in seven panels and accompanying text the "Story of the Communication Arts" from 1400 through 1969. The three which are reproduced cover the period from 1910 to the present, bracketing the period covered in this book.

SRDS

The National Authority Serving the Media-Buying Function

KENNETH H. MYERS, JR.

Northwestern University Press
EVANSTON 1968

Library of Congress Catalogue Card Number 64-22713
Manufactured in the United States of America

Foreword

IN THESE DAYS when it is impossible even with the aid of computers to organize and use all the data about advertising media that are available, it is hard for anyone of the present generation to appreciate the paucity of information that existed half a century ago.

It is remarkable, in that context, that a media-information service as basic as anything in advertising today has succeeded over 50 years in maintaining a high level of usefulness and acceptance among those concerned with the buying of space and time; this is without doubt the result of the firm direction that Mr. Walter Botthof has applied to his enterprise. Standard Rate & Data Service has always grown with the industry, both in scope and in concepts. As such new media as radio and television have been developed, SRDS has produced volumes that carried their vital statistics. As advertising has developed overseas, SRDS has been alert to publish volumes that give media data for the most active centers. Each new volume has been compiled with meticulous care, for the correctness of the data therein is essential to fruitful expenditures by advertisers and sales by media.

Although Walter Botthof has now and has had many able associates, Standard Rate & Data Service is his own image. Someone once remarked that "Walter picked up a good idea and ran with it." This is literally true, for he once said that when selling space in his early years he would run from appointment to appointment so that he could crowd more calls into a single day.

To develop such a service requires great energy and dedication, and he has both. He is a big, strong man, a forceful and eloquent speaker before business associates and public meetings, and a prodigious writer of memoranda. He possesses illuminating insights as well as infinite patience for detail.

In effect, Walter Botthof is one of the great originals in advertising. For half a century he has provided an indispensable service for advertising men, one that has grown with the advertising business and in diverse ways has led it into new effectiveness. Others succeed in many ways, but Walter Botthof has succeeded because he has rendered superb service to the business community of which he is a part.

ROGER BARTON

Contents

To those whose skills have raised the practice of media buying and selling to its present high level, this history is respectfully dedicated.

I

SRDS at Forty-five

Some forty-five years after its founding, Standard Rate and Data Service, Incorporated, is the publisher of more than a dozen "books," mainly of monthly issue, which are as well known in the advertising world as the *Wall Street Journal, Business Week,* or *Fortune* are to the business public. Ten of these publications report media-market information necessary to the media-buying function; an eleventh, *Media/scope,* is a journal devoted to the advancement of the art (and science) of media selection as part of the total marketing process. The *McKittrick Directory of Advertisers,* along with National Register Publishing Company, both 1963–64 SRDS acquisitions, now merged, provide complete directories of advertising agencies, their personnel and accounts, and also directories of more than 19,000 advertiser companies, classified in one directory according to product or industry and in another by geographic area.

The media-market information carried in the company's 10 media guides consists of more or less standardized, noncontroversial, and quantitative information that each of the media, print or broadcast, regularly makes available to parties interested in appraising its potential as an advertising vehicle, or in estimating the cost thereof, or in placing orders to buy. For example, the SRDS monthly publication *Newspaper Rates and Data* contains listings of some 2,400 newspapers published daily throughout the United States. Each listing contains about 16 categories of information, including advertising rates, mechanical requirements, closing time, and circulation.

These listings are grouped alphabetically by states, by towns or cities within states, and by titles of publications within towns and cities. The information is supplied to SRDS by the newspapers themselves and is organized by the Service into standard format so as to facilitate analysis, estimating, and inter-media comparison both by planners of promotional and marketing programs and by buyers of advertising space. When the newspapers alter any portion of this basic listing information, such as their advertising rates or their mechanical requirements, they report these changes to SRDS. The Service promptly makes the necessary alterations in its monthly SRDS *Newspaper Rates and Data*. In the intervals between monthly issues, subscribers are kept advised of changes in rates or other important data by means of bulletins mailed several times a week. The fact that some 1300 changes in *Newspaper Rates and Data* listings are processed by SRDS each month indicates the usefulness of the Service in providing up-to-date media information. To insure its own impartiality and objectivity, SRDS does not charge for printing a publication's listing or for changing that listing from time to time.

In addition to this quantitative information about individual newspapers, *Newspaper Rates and Data* provides a substantial body of quantitative market information in each issue. This includes state maps showing the location of major newspaper, radio, and television facilities. Also provided are more than 20 categories of data on population, income, and expenditure, classified by state, county, city, and metropolitan area. This information is presented in close proximity to the media rates and other data, thus facilitating promotional planning and media selection. As noted earlier, the combination of the two is aptly called media-market information.

Still another feature of *Newspaper Rates and Data* is the qualitative information provided for the subscriber in what SRDS terms "Service-Ads." These advertisements usually carry information designed to show why a particular newspaper's circulation area is important or why a publication is a "best choice" as an advertising vehicle within the area it serves. Since this information is generally competitive in nature, it is not admissible in the free listings, and publications wishing to convey such qualitative media-market information may do so by purchasing advertising space on the covers or in the pages of *Newspaper Rates and Data.*

Termed variously a "guide," a "directory," a "reference book," and "the media buyer's bible," *Newspaper Rates and Data* is all these things and more. For the nearly 5,000 men and women who use SRDS and are engaged in the selection of national newspaper media it is a necessity. Published 12 times a year, averaging 750 pages and 2,400 listings an issue, printed by the d-i Offset process in an 11 by 11 inch, multicolored format, and nearly one and one-half inches thick, *Newspaper Rates and Data* has the appearance and heft of a jubilee edition of the Manhattan telephone directory. Approximately 4,750 copies are subscribed to at $32.50 a year. Of these about 69 per cent go to agencies, 10 per cent to national advertisers, and 18 per cent to publishers. Some 250 to 300 advertisers, mostly publishers, place nearly 100 pages of advertising in the average issue, for which they pay $390 or more a page. Space is also sold on the four covers and the back spine as well as on section dividers. Finally, charges are made for cross references, special listing heads, and the like.

Considering the volume of printed material thus prepared, it is not surprising that the costs of physical production—that is, the costs of producing and distributing the book, exclusive of editorial, selling, and administrative costs—are substantially greater than the subscription revenues. The additional costs, plus a profit, are provided by advertising revenues.

Of the remaining SRDS media guides, three are typically larger in volume than *Newspaper Rates and Data*. They are *Spot Radio Rates and Data, Spot Television Rates and Data*, and *Business Publication Rates and Data*. The others (see Figure I-1) are smaller in bulk and also in circulation. Regardless of the size of the book, the class of media reported on, the number of subscribers, or the advertising revenue, the general scope of the SRDS service in these many areas, both broadcast and print, parallels that of *Newspaper Rates and Data*.

In addition to the publications already mentioned, SRDS activity includes two other areas of service. One is the field of foreign media-market information, in which SRDS has a wholly-owned venture operating in Mexico and jointly owned publications in France, Italy, and the Federal Republic of Germany. The second is SRDS-Data, Incorporated, a wholly-owned subsidiary engaged in three aspects of the media-buying process to which electronic data-processing techniques are being applied. These are (1) the selection of particular media for an advertising program in accordance with a programed procedure for achieving optimum results; (2) commercial research designed to develop media-market information useful in these programs; and (3) automation of certain accounting-type agency routines, such as estimating costs of advertising programs, order placement, and bill-pay procedures. Main offices for both *Media/scope* and SRDS-Data, Inc., are in New York City.

Thus SRDS publishes some 14 domestic and overseas media guides, plus *Media/scope* and the Standard Directories of Advertising Agencies and Advertisers. The domestic publications are produced in the SRDS plant at Skokie, Illinois, where facilities include typesetting and plate-making equipment, several printing presses, among them a high-speed four-color, rotary web-fed offset machine; and folding, collating, and binding machinery. Moreover, the plating process employed was developed and patented by the company and has been licensed to others under the trade-mark of d-i Offset. Co-inventor of the d-i Offset proc-

FIGURE I-1

ess is C. Laury Botthof, SRDS president, whose search for a better way of dealing with the company's unusual printing requirements culminated in d-i Offset. Finally, with SRDS-Data, Inc., the company has become one of the pioneers in the field of applying EDP (electronic data processing) and the new decision-making techniques for developing and interpreting media-market information.

From the number and variety of activities just described, one might imagine that SRDS is a very large firm—the General Motors of media-market information. On the contrary, its 300 or so employees and $5,000,000 to $6,000,000 in annual sales place it, by most standards, in the category of a small corporation. Consequently, some of the semiautonomous segments within its corporate framework are very small indeed. In fact, one might think of SRDS as a collection of many enterprises, most of them extremely modest in scope. At the center of these activities is the corporate administrative body headed by four officers: Walter E. Botthof, chairman of the Board of Directors; C. Laury Botthof, president and publisher; Albert W. Moss, executive vice-president (New York), and Frank J. Ceithaml, senior vice-president and treasurer. Ownership also rests with Walter E. Botthof, C. Laury Botthof, Albert W. Moss and their immediate families.

Walter E. Botthof, who turned 76 during 1964, founded SRDS with a partner, Alvin E. Beirnes, in 1919. Albert H. Moss, father of the present Albert W. Moss, joined Botthof and Beirnes in 1920. Beirnes withdrew from the firm in 1937, and the second generation, represented by C. L. Botthof and A. W. Moss, joined the firm shortly thereafter.

Walter E. Botthof and SRDS are to this day alter egos. From the beginning, the challenges of SRDS have been Walter Botthof's challenges; its people, his people; its growth, his growth; its mistakes, his mistakes; its successes, his successes. As president and chairman of the Board from 1919 to 1943, and as chairman since that date, Walter Botthof has been the key policy-making officer throughout the company's existence and until quite recently the chief executive officer as well.

Thirty-one years old at the time of the founding of SRDS in 1919, Walter Botthof had already been selling advertising space, in one capacity or another, for nearly a decade. A successful salesman, he could be gracious or blustering, tactful or blunt, factual or emotional, as the occasion might require. Tipping the scales at around 190, and standing five feet nine in his stocking feet, he was powerful, big boned, and squarely built, with a thatch of sandy hair set off, in the fashion of the day, by black horn-rimmed pince-nez glasses.

During the late 1920's Walter Botthof often vacationed with his family in northern Wisconsin. When he was not fishing he might be found spading up his shoreside property at Lac du Flambeau, or high in an oak or pine tree, pruning saw in hand, or vigorously pursuing his sworn enemies —dandelions and chickweed—or perhaps projecting himself from a springboard in a very creditable jackknife. When not thus occupied, he generally would be closeted in his "vacation office." Even in the North Woods he received copies of all correspondence issued by the company's officers and frequently dictated enough work to keep at least one secretary fully occupied. At times two secretaries were needed to keep up with the flow of the vacationing president's correspondence. For urgent matters—and these seemed to occur daily—the telephone was indispensable.

Somewhat later, when Walter Botthof decided to take up the game that is played with a stick and an erratic little white ball, he attacked the new pastime, golf, with the same vigor he applied to business. For years he played one or two afternoons a week plus all day Saturdays, got professional advice and counsel, and even beat the "pro" on one occasion. In fact, with the pro as a partner, Walter often carded scores in the 80's. But when he took on his cronies for a round of golf, his urge to win skyrocketed, and the result was usually disastrous. The careful coaching of the morning round was forgotten, and the score mounted as his muscles tightened under competitive pressure.

In his chosen element, business, Walter Botthof was and is much the same man as the ardent North Woods vacationer. He has the ability to become thoroughly engrossed in a problem, to explore all the information available, to reach a decision, and to put that decision into effect—now! This done, Walter feels free to turn to another problem and to treat it in the same direct manner. When a discussion arouses his enthusiasm, as many discussions do, the result can be explosive. As the conversation progresses and he becomes increasingly engrossed, Walter's voice rises in both pitch and volume. Indeed in earlier days, office partitions seemed to be made of papier-mâché as that voice mounted higher, penetrating the length and breadth of the building. Occasionally table thumpings were heard also, recalling the rhythm of a bass drum as it accompanies a stirring wind passage. And naturally enough, expressions of disapproval were accorded equal time and treatment, somewhat to the dismay of those unfortunate enough to be involved.

But there are still other facets to Walter Botthof's nature. As sensitive to scenes of natural beauty as to human personalities, Walter early began to write descriptions of vistas and events that particularly stirred him. Most of these writings were intended solely for his family, but four of his works, including a collection of poetry, have been privately published. A lifelong interest in new ideas is another strong trait, and he explores ideas with which he does not agree as vigorously as those that appeal to him. For example, he recently read John Kenneth Galbraith's book, *The Affluent Society*, because he had been so disturbed by extracts from the book and diatribes against the author that he wished to judge for himself whether the disturbance was justified. Not surprisingly, he found unpalatable the author's recommendations that a greater portion of national income be invested in "social capital" (education, health, public works), though not as "radical" as he had been led to believe.

Another significant characteristic of Walter Botthof is his unfailing interest in assisting others, particularly with their education. Like many self-made men, Walter secured his advanced education mainly through night school and correspondence courses. Probably because his own education had been earned at such a heavy expense in time and energy, he has always stood ready to help others to advantages he did not himself enjoy. His gradual involvement with the Joseph Medill School of Journalism at Northwestern University indicates this interest in higher education. For some time prior to 1948, he had felt that too few college graduates were aware of opportunities in the business press. This impression was strengthened when, as a new member of the Committee on Education of Associated Business Publications, Incorporated, he found no academic work being offered in the Chicago area that was specifically directed toward the publication of business journals. When Walter discussed this finding with William K. Beard, president of the ABP, Beard suggested that he call on Kenneth E. Olson, dean of Northwestern's Medill School of Journalism. Walter did so, and from this discussion evolved a noncredit course, sponsored by ABP, devoted to business-paper publishing. As Walter recalls:

> Although Dean Olson and I became very good friends later on, this was something that grew out of our frequent association in regard to the ABP course. In the beginning, the ABP and I had to provide the funds to put on the course, the subject matter of the course, the lecturers for the course, and even some of the students. Stan Moses, director of promotion at SRDS, was one of the instructors, and quite a number of other business-paper executives in Chicago and elsewhere also responded to my appeal and came to Northwestern University to lecture.

This beginning whetted Walter Botthof's interest in higher education in the fields of advertising, publishing, and journalism. He became better acquainted with the faculty, the curriculum, and the student body at the Medill School and began to support the school's efforts through scholarships, advice and counsel in fund drives, and other means. So active was he that in 1955 the university made him an honorary life member of its alumni association. Seven years later, in 1962, Walter Botthof received the Joseph Medill Award for "Contributions to the Field of Journalism."

During the intervening years and thereafter Walter threw himself into the cause of higher education with notable (and characteristic) vigor and enthusiasm. He was chairman of the Education Committee of the Associated Business Publications (1956–59), a member of the Education Committee of the National Business Publications (1958–59), and chairman of the Education Committee of the Magazine Publishers Association (1960–64). In each of these capacities his interests were substantially the same—to improve understanding between faculty and students on the one hand and magazine publishers on the other and to render financial support both to worthy students and to significant educational programs. Nor were these interests narrowly confined. In his role as chairman or member of the committees on education of various associations he worked to extend association support to many schools of journalism. In so doing he became well acquainted with their programs, deans, and faculties and sought to encourage interest in preparation for careers in the field of publishing, particularly the business press.

Walter Botthof's interest in helping others to better their own prospects in life developed early. Its scope has been broad, even to the extent of assisting several young men and women who started work at SRDS but later decided to leave the company because they felt that their life objectives would be furthered by changing firms or shifting fields of business activity.

A final example: Late in 1963 a Chicago educational television station invited Walter Botthof to a luncheon at which the station director outlined to a number of Chicago business executives the service being performed by the station for the Chicago community. He then asked his guests to support a drive for funds with which to continue and expand the station's educational program. Walter not only gave his own support but offered to bring the station's needs to the attention of other businessmen. The station gladly accepted and sent him 10 names. Walter promptly dispatched personal letters to each of the 10 and asked the station for more names, eventually reaching more than 100 local business executives. Not only did he write each of them a personal letter, but if no reply was forthcoming he followed up with two, three, or even four letters and with telephone calls as well. When the station's fund-raising director saw some of those letters, he requested permission to reproduce them for use in the general campaign; for Walter Botthof is a master of effective persuasion, in writing as well as in person. Whatever leaves his office over his signature is couched in a style so direct, so personal, and so alive that it is as though he himself were present to deliver the message.

In matters of correspondence, then, Walter Botthof is an expert and, to a degree, a perfectionist. To him correspondence has been not only a means of direct communication with others but also of keeping in touch with the business generally. Even while on vacation during the late 1920's, he received copies of the daily correspondence of his key lieutenants in the firm. This practice of maintaining contact through exchange of correspondence has continued to the present day. The four senior officers —Walter and Laury Botthof, Albert W. Moss, and Frank J. Ceithaml—still direct copies of all business correspondence to one another. In part, this is a reflection of one of Walter Botthof's firm convictions: "Details are important. It is easy to remember the big things but hard to keep track of the small ones."

Perhaps Walter Botthof's philosophy of business is best illustrated by some of the talks, the "inspirationals" that he has given over the years at SRDS sales conferences. When speaking of tact in customer relations, for example, he urges SRDS salesmen never to respond to an inquiry about SRDS practice or procedure by saying, "That is our policy; it can't be changed," or words to that effect. Instead, they should be able to explain the company's position fully, tact-fully, and to the satisfaction of the customer. Suppose, for instance, that a publisher desires some special treatment for his listing or advertisement. The salesman should explain the two criteria that govern SRDS decisions: (1) what is best for the buyer of media and (2) any change in policy or procedure will be made promptly available to all parties on an equal basis. If for some reason this explanation does not suffice, the problem should be taken to the sales manager, who will endeavor to resolve the matter satisfactorily. If that effort fails, higher management will pursue the question further.

In regard to the approach used by SRDS salesmen, Walter Botthof offers an invariable rule: "Expect respect as a salesman, *and deserve it!*" To this end, a salesman should never call on a customer unless he has something new and specific to offer, something that will be to the customer's advantage to consider. This approach requires a thorough knowledge not only of the SRDS product but also of the customer's business and the use it can profitably make of that product. Such knowledge is the key to faith in oneself, one's product, and one's company. It is also the key to enthusiasm —and without enthusiasm no one can really expect to succeed. Honesty and integrity of product, company, and salesman are absolutely essential. Finally hard work, self-discipline, and willingness "to walk the extra mile" are vital ingredients in successful selling. Walter concludes with the reminder that the SRDS sales approach requires that the company support its salesmen in the field in many ways—"and this is how we plan to improve our support of your efforts this coming year. . . ."

These ideas, which Walter Botthof illustrates with lively anecdotes drawn from many decades of personal salesmanship, are delivered with the warmth, fervor, and flavor of a topnotch evangelist. As a result, his addresses are generally looked forward to with pleasure, received with rapt attention, and savored long after the event. As one sales trainee told the author, "I'm looking forward to next year, when I hope to attend the annual sales meeting. I've heard so much about Walter Botthof's wonderful speeches that I want to hear some of them before he retires."

Three other aspects of Walter Botthof's many-sided personality are perhaps especially pertinent to this history of SRDS. First, like any businessman whose success has stood the test of time, he has the ability to be coldly objective and grimly determined when the occasion demands. In a competitive environment all is not sweetness and light, and at times his basic objectives for the company—be they profit, growth, control, or sheer survival—have required firm, calculated action. Such action, when called for, has generally, though perhaps not always, been forthcoming. And of course the same observation may be applied to Walter's dealings with individuals within the firm. Second, Walter Botthof has devoted nearly a lifetime to his chosen field of endeavor. For some 50 years he has been concerned with the problems of selecting or promoting advertising media—first as a newspaper representative, later with SRDS. During this long period he has not become active in other types of business enterprise in either a managerial or an ownership capacity. The field of advertising he knows and loves, and one of his fondest hopes is that SRDS will continue to contribute to advertising's role as a positive force in furthering the welfare of the nation.

Finally—with his expansive temperament, zest for life, vigor, and generous or even violent enthusiasms, plus his basic conservatism, consideration for others, and self-restraint at the key moments—Walter Botthof is the man who above all others has left his mark upon SRDS and, through it, upon the advertising world.

Many other personalities loom large in the SRDS story, prominent among them being the second generation of owner-managers: C. Laury Botthof, president since 1947, and Albert W. Moss, executive vice-president (New York) since 1943. Al Moss began his career with SRDS in 1937 and Laury shortly thereafter. In 1963 both had been with SRDS a quarter century or so, nearly all this time at the executive level. Their contributions have been significant indeed.

As an administrator, Laury has followed the general pattern established by his father, with two important exceptions. First, Laury is more inclined to work through an organizational framework, as opposed to involving himself directly in the affairs of the various administrative units. Second, one of Laury's prime interests has been to expand the scope of SRDS operations. Like his father, Laury is "action oriented" rather than contemplative. He is eager to push the investigative and analytical stages of a business venture as fast as possible so as to get into the operational phases. Almost completely absorbed in the business, as his father was in earlier years, Laury finds time for relatively few outside activities. When he does relax, it is likely to be at home with his family or with a "production-oriented" hobby such as photography or woodworking or assembling a miniature racing car, complete with working engine. With respect to business philosophy, Laury's views are much like his father's, though he is perhaps even more keenly aware of the public responsibilities of advertising and of the related responsibility that SRDS owes to those whom it serves.

About the same height and physical configuration as his father, though presently somewhat more slim and athletic in appearance, Laury is considerably more reserved in manner. He has been remarkably successful in preserving his own identity and special point of view while working in harness with his father for nearly a quarter of a century. In view of the pitfalls that so often beset such father-and-son relationships, this is a feat in which both parties take justifiable pride.

Al Moss, the third member of the owner-manager triangle, has, like his father before him, operated exclusively from the New York office. Having been active in sales for almost 30 years, Moss is vitally interested in the relationships between SRDS and its subscribers and advertisers. Whether promoting SRDS to a client or an idea to the other executives, Moss can generate much the same volatile enthusiasm as the elder Botthof. Deeply concerned with the role of the salesman and the process of selling, his focus is largely on relationships between SRDS and its user-buyer publics.

As with Laury, hard work and constant attention to business are ingrained habits with Al Moss. Walter Botthof and the elder Moss set this example for their sons, and they expected them to follow it. In one respect, however, Al Moss has acquired interests foreign to this almost puritanical background. While attending Washington and Lee University, he developed a liking for horses, the hunt, and the social life he encountered there. He particularly enjoyed riding, as does Mrs. Moss. His vacations, therefore, are generally taken in the spring and involve several weeks with the "riding set."

Though the foregoing deals mainly with what SRDS "is," the major subject of this book is the process of its becoming. An understanding of that process requires answers to many questions. How did an idea that, at the outset, many thought impractical and visionary take concrete form and grow into the successful business of today? What personalities and policies guided the company's growth, and what circumstances of environment—social, economic, technological—made this growth possible? How has the character of the management function changed with growth and time? To what extent has the management been alert to the changing opportunities presented by our dynamic society? Have objectives, tactics, and procedures been successfully modified in the light of shifting situations? Are there any useful generalizations that might be drawn from the experience of this enterprise? These are some of the questions that will be raised and discussed as the SRDS story unfolds.

One generalization can be made at the outset. The story of SRDS is to a great extent the business biography of one man—Walter E. Botthof, co-founder and chief operating executive of SRDS for more than four decades. Walter Botthof's vision, drive, and dynamic personality are so closely interwoven with SRDS that the history of the man and that of the company are virtually inseparable.

II

The Opportunity

In September 1918, two young men became imbued with the idea that became *Standard Rate and Data Service*. Walter E. Botthof, age 29, was the Detroit representative of G. Logan Payne Company, a firm that solicited advertising for some 75 newspapers and had offices in New York and Chicago, as well as Detroit. Alvin E. Beirnes, somewhat younger, was space buyer for the Stalker Advertising Company of Toledo, Ohio.

Walter E. Botthof, born November 16, 1888, in Chicago (son of William and Alma, nee Stockmar), was orphaned at the age of two when his parents died of consumption within nine months of one another, leaving Walter and his four-year-old sister, Elsa. In keeping with a promise made to his mother, Walter went to live with his mother's family under the guardianship of a devoted aunt, Laura Stockmar. His sister was taken into the home of his paternal grandparents, Constantine and Minna Botthof. Both families, including the parents of Walter Botthof, migrated to the U.S. from Germany during the 1870's and came directly to the thriving German settlement on Chicago's near north side. The men in both families were skilled craftsmen, the Botthofs being lithographers and the Stockmars bookbinders, the latter specializing in fine hand-tooled leather work for bibliophiles and reference libraries such as the Newberry Library in Chicago. Thus pride in workmanship and in a skilled calling were key traits shared by the two families.

A modest legacy of $8,000 left by Walter's parents for the education of their two children was invested by the estate's executor and was lost during the depression of the 1890's. Thus it was that when Walter, at 15, moved to join his sister at the home of his paternal grandparents, he was already earning his own living. By then, however, several important influences had begun to mold his actions and ambitions. One was his own zest for language. At 12 or 13 he was writting letters for a business, and he frequently spent his evenings at home reading *Webster's Dictionary* as avidly as if it were a novel. This was the more significant because German was the language of the home, and Walter had learned English only upon entering public school. Another influence on the young Botthof was the prime goal of the elders in both families—economic independence, especially through a business of their own, and the boy was early imbued with the same ambition. Finally, the virtues of honesty, integrity, and hard work were stressed almost daily both by word and by deed.

It should be noted, however, that the Stockmar family tradition did not stress formal education. Both of Walter's young cousins joined their father in the family business at an early age, and neither pursued his studies beyond the required public schooling. In contrast, Walter's paternal grandparents were firmly convinced of the value of higher education—as had been, apparently, his own father and mother. Thus when Walter joined his sister at the home of the elder Botthofs, he began to think of continuing his schooling. But by this time, at age 15, he had already found employment with Wilson and Company, a wholesale men's furnishing house in Chicago. He had started as an errand boy and stockroom clerk at five dollars a week, and the prospect of returning to public school was not appealing.

A year later, however, he became restless and decided to improve both his earnings and his opportunities in life. He took a position as stockroom clerk with Keith Brothers, a wholesale hat concern, at better pay—nine dollars weekly. But, again, the dull, unchallenging routine tried his patience (and he in turn tried that of his employer). As a result, and perhaps as a blessing in disguise, he was discharged. At that time the young man's attention seemed to be focused on the wholesale apparel business, and he next found employment as a stock clerk with the Selz and Schwab Shoe Company. There he had a chance to see the trunks full of shoe samples brought in and taken out by traveling salesmen. This put ideas into his head. A whole new world seemed to beckon him. He envied the men who were charged with what he thought was a heavy responsibility—selling to retailers. He admired the fine clothes these men wore (they looked like real gentlemen), and he decided that some day he too would travel across the country as a salesman.

Unhappy now with his lot as a stock boy, Botthof looked around for an opportunity to sell. He applied at several retail stores but failed to get a job because he was too young. He was not yet 17 and in the eyes of his prospective employers probably did not have either the appearance or the presence to qualify as a salesman.

A classified ad in one of the local papers, seeking door-to-door salesmen to sell violins with accompanying sets of 12 free lessons, brought him his first chance to satisfy an urge that would not be denied. Young Botthof had sold one violin when his grandfather interceded on his behalf and helped him secure a "fine clerical position with the Chicago and North Western Railway."

Here it was that the young man was forcefully reminded of his educational shortcomings since, for the first time in his budding but already checkered career, his occupation called for more work with his head than with his hands. With the warm approval of his grandparents, he enrolled in a night course at the Bryant and Stratton business school. Meanwhile his stipend climbed to the sum of 45 dollars a month, plus a free lunch of cold corned beef and creamed potatoes five days a week.

Several years of rhetoric, composition, and business-letter writing whetted his hunger for further study as a step toward a higher vocation. The patient influence of his grandparents had by now been deeply impressed upon him, and Botthof continued to work during the day and attend school at night. But his efforts at self-improvement through education in the arts of business communication, though conscientious and even aggressive, were not directed toward any specific target or goal. During these years young Botthof was, in his own words, "floundering"; searching on every hand for living models on which to pattern himself; forming and re-forming opinions as to the type of business career that would satisfy his as yet undefined ambitions.

It is perhaps in the history of every man determined to improve his lot in life that somewhere, somehow he attracts the attention of older men who become his benefactors. Walter's experience supports this philosophy. Even today Walter Botthof never fails to point out to younger men a fact that has been repeatedly true in his long uphill climb: "The young man does not exist who, if he applies himself conscientiously and energetically, will fail to attract the attention of those ready to give him a helping hand."

Young Botthof's first experience in this respect came while he was still with the North Western railroad. One of the department heads took a "shine" to him, impressed with his business-and-school regime. This first benefactor guided and encouraged him, urged him to continue his studies, and was finally responsible for enrolling him at the Walton, James, and Ford Court Reporting School. "Good old Bill Haight," said Mr. Botthof in telling the story. "I don't know how differently my life might have turned out had it not been for the influence of this friend, a man at least 10 or 15 years my senior."

In 1906, after two years with the railroad, Botthof made his first contact with an advertising business:

I was about to graduate from this fine school [Walton, James, and Ford] in rapid shorthand, when Bill Haight (I see his kindly face even now—fifty years later—in my mind's eye, as clearly as if he were standing before me) played a most important part in my destiny. He had learned of an opening for a stenographer in the offices of O'Mara and Ormsbee, newspaper representatives. I applied and was hired. But it was only temporary, a vacation fill-in. Making the most of the situation, I was offered a permanent position at the end of two weeks, and that marked my entrance into the advertising and publishing business. Two years of stenographic work and secretarial duties served as indoctrination in the practice of newspaper representation. Then followed my first opportunity to sell advertising. One of the newspapers represented by O'Mara and Ormsbee was the St. Paul, Minnesota, *Farmer's Weekly Dispatch.*

Both Mr. O'Mara, benefactor number two, and Mr. A. E. Chamberlain, his western manager, gave me moral support and encouragement. When the opportunity came, Mr. O'Mara recommended me for the position as traveling representative of this weekly farm newspaper. Little though I realized it at the time, most of the farm weeklies published by the publishers of daily newspapers had seen better days and were now rapidly declining as attractive advertising media. But I subsequently proved that I could sell advertising space even under these adverse conditions.

When I moved to St. Paul about 1912, give or take a year, I had left behind a sweet little miss whom I could not get out of my mind. So I was happy to return to Chicago, where I secured a position as western advertising salesman of the *Moving Picture World.* Within the year a long illness terminated this connection. My next position was with the John Lee Mahin Advertising Agency, where I was to observe and learn much about the ethics of business management, my position being secretary to two account executives, Mr. Frank H. Moss and Mr. D. Minard Shaw. An economic recession brought about some changes in the agency, which resulted in Mr. Shaw's transfer to Williams and Cunningham (now Roche, Rickerd, and Cleary, Inc.), and Mr. Shaw insisted that I move over with him at an increase in salary.

During the following year (1913) Messrs. D. Minard Shaw, Kenyon Mix, a copywriter at the agency, and Harry Newman, an automobile distributor, organized the American Efficiency Survey of Motor Car Units. When their offices were opened in the Michigan Boulevard Building I was ensconced as correspondence and office manager. But it soon became apparent that the AESMCU was not destined to survive its first year in business, and I was obliged to look for yet another position.

Meantime, I had married Elsa Laury on April 2, 1914, the girl of my St. Paul dreams. The responsibility of a wife weighed heavily on my mind. It was also the force that goaded me not merely to find another position but to improve my financial circumstances in the process.

Seeking out anyone and everyone who might promise the slightest glimmer of hope, I chanced one day to call on my old friend, Elmer Bullis, then of the Lord and Thomas Advertising Agency. Bullis sent me over to the G. Logan Payne Company, where I was interviewed by Mr. Payne. Returning several days later to Payne's office by appointment, I was introduced to Mr. Stannard, business manager of the Peoria, Illinois, *Transcript.* The following day Mrs. Botthof and I were on our way to Peoria, where I took up my position as advertising manager. At first all went well. Mr. Stannard was an excellent man to work for, and I got off to a good start. But permanency apparently was not to be expected. Mr. Stannard left for another position, and his replacement, a Mr. Stevens, was not favorably disposed toward either Mr. Payne or, as it turned out, me. After transferring the *Transcript's* account to another newspaper representative, Mr. Stevens turned his attention to me, and I felt that my days on the *Transcript* were numbered. Mr. Payne counseled me to hold on as long as possible, saying that he would have another opportunity for me shortly. When the position at the *Transcript* finally became untenable, I left to enter the life insurance business with a Peoria firm. Somewhat to my own astonishment, within a few months I found myself doing quite well in this new line of business. Early in 1915 Mr. Payne asked me to return to take the position he had had in mind for me. He was opening an office of the G. Logan Payne Company in Detroit and offered me the post of Detroit manager.

This was it. I wanted that post in Detroit. Even though my new employer in the insurance business told me that I already was selling at a better rate than any salesman on his staff and that a fine future in life insurance lay ahead, Mrs. Botthof and I packed our belongings and left for Detroit. This was to be my opportunity to make good as a newspaper representative, and to contribute to the success of the company. Years later I was still Detroit manager for the G. Logan Payne Company—but not altogether happy with my lot.

At that time, G. Logan Payne had offices in New York and Boston in addition to the home office in Chicago and the office Botthof headed in Detroit. The firm represented about 75 newspapers in as many large and middle-sized cities throughout the country. This was before the advent of radio and television, and even the smallest city on the Payne list had at least two competing newspapers, Payne's and one other. A large city like Chicago might have six or seven daily papers. The primary function of a newspaper representative, such as Payne, was to obtain advertising from manufacturers and other firms that distributed products on a regional or national scale. The competition for this advertising was extremely aggressive, though on a rather non-objective basis. It was this last circumstance, the absence of sufficient information to make sales on the basis of the intrinsic worth of Payne's list, that underlay Botthof's growing dissatisfaction. He himself has described the situation in early 1916:

The fight for the national advertising dollar (national, as distinguished from local, advertising) resolved itself largely into a matter of sheer leg work, personalities, and, to some extent, elbow bending. Never one to succeed very well at the competitive sport of cocktailing, I recognized from the outset that I would have to depend upon my willingness to work hard and to impress people with my desire to be of service in such small ways as were available to a representative. Though I was relatively successful in getting certain schedules for my newspapers, I did often fail in those areas where the human equation and the ability to be a good sport, either as a lavish entertainer or a good drinking pal, were essential.

Each of the 75 newspapers on the Payne list expected a share of every schedule that came out of Botthof's Detroit territory; yet like other newspaper "reps" of the day, Botthof had little information with which to assist the media buyer in making an objective choice of an advertising schedule. The G. Logan Payne Company and the newspapers it represented seemed equally oblivious of the information needs of media buyers. As Botthof gradually perceived the need for more and better information, he began to collect it himself and to organize it for the benefit of his prospective clients in the Detroit region:

My little black book contained the names of the newspapers that I represented, the names of the competitive papers in each town, in most instances their advertising rates (not always up to date), and in a few instances the circulation statistics.

This was far short of the information necessary to do a respectable selling job, and I finally resolved to do something about it.

Botthof's solution was to write to all the papers he represented for Payne, asking them to provide him with selected information on their local markets (for example, the number and type of retail outlets), their latest circulation figures and those of their competitors, the current advertising rates of the other local papers, and so forth. This effort did not work out well, possibly because it had been undertaken without the authority of the company's home office. Botthof was in despair.

I packed my bag, went to Chicago, walked into Mr. Payne's office unannounced, and laid the facts before him. His immediate response was that we had always gotten along without going into all this rigamarole and detail and that the best thing I could do would be to go back to my office in Detroit and really go to work.

Botthof keenly resented the implication that he was shirking his job. If there was any one thing upon which he prided himself, it was the vigor and enthusiasm with which he had pursued his work at G. Logan Payne. A rebuff for having attempted to inaugurate a practice that would benefit not only himself but the entire firm had the same effect on him as gasoline applied to a bonfire. The blaze must have impressed Mr. Payne:

When I made it clear that he would have to back me in getting the information I wanted or find someone else to take care of his Detroit office, he agreed to give the plan his blessing if I would execute the work. This I agreed to do.

All the publishers on the Payne list did not immediately supply the information requested, but a great many did. Those who did not were told that the sale of advertising in their publication would suffer until the firm was given enough information to do a constructive and intelligent selling job. In time most of them fell into line and profited thereby.

As the facts came in, the data were arranged alphabetically by cities and by newspapers within cities, in vertical columns. Thus opposite the name of each newspaper were arrayed its rates, circulation, and important market information. The actual tabulator of this information was Botthof's secretary in Detroit, Alvin E. Beirnes.

Al Beirnes, subsequently co-founder of SRDS, was a young Canadian of Scotch descent who had been employed by Botthof in late 1917. Previously a clerk or stenographer in a Detroit railroad office, Beirnes proved to be an alert young man who learned quickly and was eager to please.

Fortified with this newly completed data on rates, circulation, and markets, Botthof sallied forth with renewed confidence and vigor. Almost immediately he noticed a change in the attitude of people upon whom he had been calling:

> I was received more cordially and was given additional time to talk about my papers and my markets. I began to receive telephone calls from advertisers and members of advertising agencies, who asked questions about my papers and my markets.

Meanwhile, Beirnes had been of such valuable assistance in the Detroit office of G. Logan Payne that Botthof had recommended him for a raise. When Payne refused, Botthof assisted the younger man, for whom he had developed a strong liking, to find a position with the advertising agency of Herbert H. Stalker of Toledo. Beirnes became a space buyer for that firm.

Like Botthof, Beirnes's new employer had also been impelled by the lack of media-buying information to develop an information service for his clients. It consisted of a tabular listing of advertising rates, mechanical requirements, and circulation figures for several hundred consumer and farm magazines and daily newspapers—all printed in booklet form. The publication was revised occasionally and distributed free to the agency's clients, present and prospective. It was also distributed at a nominal fee to a number of advertising agencies in other cities, to other advertisers, and to publishers. Stalker had inaugurated the service as a means of attracting favorable attention to his firm, and the income from it was rarely enough to cover out-of-pocket expenses. In short, he thought of his *Universal Rate Sheet* primarily as a promotional device rather than an income-producing aspect of his business.[1]

Beirnes, in his new position as space buyer for Stalker, was struck by the large number of grateful letters received in response to Stalker's gesture. Some letters went beyond mere thanks and suggested that the rate-service idea be extended to provide more complete coverage of magazines and newspapers. In that case the writers said they would be quite willing to pay more for the service. When Botthof next came through Toledo, Beirnes showed his friend and former employer a sheaf of these appreciative letters. Botthof, who was already familiar with Stalker's *Universal Rate Sheet*, was struck by the enthusiasm of these correspondents. He had called upon Stalker regularly for a number of years, and a friendship had developed between the two men. Hence Botthof soon made it a point to discuss the *Rate Sheet* with Stalker.

The ensuing conversation marked one of the turning points in Botthof's career, and he recalls the exchange vividly:

1. Letters to the author from Herbert H. Stalker, Flint, Michigan, September 1958.

I told Stalker that he had a bull by the tail, that the *Universal Rate Sheet* idea was really worthwhile. He replied to the effect that this was just a little side issue to attract attention to his agency business, that he was interested in the advertising business, and that he didn't propose to develop a comprehensive rate-card system for anyone.

Stalker's comments seemed to crystallize Botthof's thoughts in regard to the kind of information service that each had begun to perform.

My mind drifted all the way back to my earliest experiences with the Mahin Advertising Agency in Chicago, and later with Williams and Cunningham, both of which agencies have now lost their identity either through passage into oblivion or through a change in name. And I recalled how often orders were sent out to publishers with incorrect information in them and had to be returned for revision. It was estimated at one time by Lord and Thomas, another agency whose identity was lost through a series of changes and which later emerged as Foote, Cone, and Belding, that every change or revision cost them $1.00. While $1.00 for each correction in rates may not seem significant, I can assure you that it was a serious matter to an agency such as Lord and Thomas, which probably processed thousands of newspaper billings weekly.

I recalled how many, many times in my calls on advertising agency media buyers, they expressed irritability over the incompleteness and inaccuracy of their rate-card files. Then I remembered how agency after agency maintained its own elaborate rate-card files, consisting of anywhere from six to 36 four-drawer filing cabinets. The number of employees needed paralleled the size of the department, which in turn depended upon how large and important the agency was. It occurred to Beirnes and me that each and every one of these agencies was independently duplicating what every other agency did. And in essence this thought struck us: "How much more economical it would be if one central source did this job of information collection *once* and then sold the results as a service to all agencies and advertisers at a low price!"

Stimulated by this thought, and left free to act by Stalker's disclaimer of interest, Botthof and Beirnes began actively to consider how, together, they might establish a rate and data service. It was October 1918.

III

The Timing

GIVEN THE BENEFIT of hindsight, it seems clear that the opportunity to fill a need, which Botthof and Beirnes saw in October 1918, was real. True, that need was already partially served by *Barbour's Advertising Rate Sheets*. This service, begun in 1916 or 1917, supplied loose-leaf rate cards on a limited list of newspapers to about 60 advertising agencies at a charge of about $100 a year. But *Barbour's* did not include circulation information, a vital factor in any media-buying decision. Therefore it seems reasonable to conclude that in early 1918 there simply was no central service that provided advertisers and advertising agencies with comprehensive, convenient, and accurate media-buying information at a modest cost, although the operation of such a service could be readily envisioned.

Though the foregoing explanation be factually correct, it is not sufficient. Unanswered are several pertinent questions. For how long had the opportunity existed? Why had Barbour been the only one yet to seize it? Were individuals or firms other than Botthof and Beirnes in the process of reacting to what appears to have been an obvious need?

The pursuit of these queries soon revealed that a comprehensive national media directory had been published as early as 1856, over three score years prior to Barbour's effort. Moreover, between that beginning and 1917, in excess of twenty additional separate and distinct media directories were launched in the United States, but, by 1919, all but a few of them had failed. These discoveries raised additional questions. What had been the character of these other directories? Why had they failed? Was the opportunity which seemed to Botthof and Beirnes so obvious and so promising a mirage, or had some vitally important change occurred in the advertising environment, a change which might allow Botthof and Beirnes a better opportunity for success? This last series of questions proved particularly fruitful. As the story of mass-media advertising in the United States was unfolded, and the records of previous media directories were studied, it became clear that dramatic changes in the advertising environment had indeed occurred, prominent among them being the regularization of relationships between three key groups: advertising agencies, publishers, and industrial or commercial users of advertising space. In addition, a campaign for greater "truth in advertising" was being waged, as was one for more complete and more accurate media and market data, data of a type useful to those engaged in selecting mass media for advertising purposes. Both of these campaigns proved to be relevant to the questions with which this chapter is concerned.

The task of this chapter, then, is to examine the revolutionary changes that occurred in the advertising environment between the middle of the nineteenth century and 1919, to relate these changes to the rise and fall of prior forms of media directories, and to reappraise the outlook in 1919 for the venture contemplated by Botthof and Beirnes in light of these investigations.

The Evolution of Twentieth-Century Advertising Relationships.—The types of business with which Botthof and Beirnes were connected in 1919—G. Logan Payne and Company and Stalker's Advertising Agency, respectively—represented the culmination of nearly 80 years of evolution. Payne, as earlier noted, was the exclusive advertising representative of a list of newspapers originating in certain geographic areas. Typical contracts between Payne and his publisher clients were effective for periods of one year and stipulated that the representative would receive a salary and/or commission on advertising business that was national in character and that did not carry local signatures except when they were merely "tie-ins" or designations of local distribution outlets. A similar arrangement dated at least from 1841, when the nation's first advertising agency of historical significance was begun by Volney B. Palmer in Philadelphia.[1]

Stalker's type of business, which represented the purchaser of advertising space, i.e., the "advertiser," rather than the seller of space, or "publisher," began much later and was still in the process of development. Since SRDS started as an independent middleman carrying rate information and sales literature on advertising media from publishers to advertisers and advertising agencies, some perspective on the development of relationships among publishers, adver-

1. Ralph W. Hower, *History of an Advertising Agency*, revised edition (Cambridge: Harvard University Press, 1949), pp. 11–12.

tisers, and advertising agencies up to 1919 is germane to this study.

The business of the advertising agency passed through four stages or modes of operation before reaching the open-contract, or fixed-fee, pattern that has persisted from about 1900 to the present: (1) newspaper agency, (2) space jobbing, (3) space wholesaling, and (4) advertising-concession agency.[2]

The first, or *newspaper-agency*, stage was the type of business inaugurated by Palmer, in 1841. It is still carried on by special representatives of various advertising media—newspapers, magazines, business papers, radio stations, and television stations. In this phase the newspaper representative, or agency, clearly represented the media, not the advertiser, and took no proprietary risk in the space on whose sale it, the agency, received a commission.

In the second, or *space-jobbing*, stage the newspaper representative sold space to advertisers and then bought space from newspapers to fill his orders. His superior knowledge of available media and media rates allowed him to assist the advertiser by developing effective advertising schedules at less cost than if the advertiser dealt directly with the media. Then, too, the media profited in that they were spared the expense of direct sales effort. Since the newspaper representative bought and sold on his own account, however, he really represented no interest save his own. Agency practice in this stage was to buy cheap and sell dear—an objective that often caused the representative, the space jobber, to recommend lists composed of the newspapers which offered him the largest discounts rather than lists compiled on the basis of their compatibility with the advertiser's interests.

It was but a short step from the second stage to the third, or *space-wholesaling*, era. In this mode of operation, which developed around 1865, the independent "agent" bought large quantities of space in both newspapers and magazines *in anticipation* of the needs of advertisers and resold it, as needed, in smaller lots. He thus assumed the role of a wholesaler or capitalistic middleman. He no longer sought quick profit in nearly simultaneous buying and selling but assumed some of the ownership risk previously borne wholly by publishers. Each advertising agent owned space in a group of papers and/or magazines, and his efforts were directed toward inducing advertisers to buy space from this list of media. When a prospective advertiser objected that a ready-made advertising schedule did not meet the precise needs of his market, the agent would revert to his capacity as space jobber, or broker, buying space in other media to round out the advertiser's program as desired.

Another aspect of this phase was competitive bidding. Advertisers would make up lists of newspapers (and schedules of insertions therein), and interested agencies

2. *Ibid.*, p. 13. This statement and the following description of each stage are adapted from the same source, pp. 13–14.

would submit bids on the entire program, the business going to the lowest bidder. At this stage the advertising agency was probably as far removed from today's service-type, fixed-fee arrangement as can be imagined.

Around 1867 the idea of wholesaling space in magazines was carried one step further with stage four, the *advertising-concession agency*. Carlton and Smith (subsequently the J. Walter Thompson Company) and other advertising agents began to contract annually with periodical publications to take the latter's *entire* advertising space in return for a lump sum. Agents thus acquired the concession for advertising in particular media and thereby became even more deeply involved as capitalistic entrepreneurs.

In the three latter stages—space jobbing, space wholesaling, and advertising concession—the advertising agent found his middleman position becoming increasingly complex. Although he encouraged both advertisers and publishers to look to him for advice and assistance, his judgment was biased by his proprietary interest except where he acted merely as a broker. Even there the prospect of special discounts or secret rebate arrangements was a corrupting influence. As a result of these conflicting interests, and the haggling and the *sub rosa* agreements that the system engendered, advertising came to be regarded with distrust by publishers and advertisers alike.[3] In spite of his title, it was clear that the advertising agent represented no interest save his own.

Adversely affected by this chaotic condition in advertising were the publishers, the advertisers, and the agencies themselves. By the middle 1870's some advertising agents were sufficiently disturbed by their ambiguous position, and by the disrepute into which their young profession had fallen, to seek a clarification of their relationship with publishers and advertisers. First G. P. Rowell and then N. W. Ayer and Son experimented with arrangements whereby they guaranteed to place an advertiser's schedule at cost, plus a fixed percentage of the billing (Rowell)[4] or for a fixed annual retainer (Ayer).[5]

The efforts of Ayer, Rowell, and others to stabilize agency compensation received considerable support from the ANPA (American Newspaper Publishers' Association) as early as 1889, when the ANPA compiled a list of the agencies of which it officially "approved"—i.e., to which commissions (or discounts) would be granted.[6] The efforts of this association to regularize agency commissions and thus "put an end to the demoralization of their own rates" [7] was further advanced in 1894, when it passed resolutions against allowing agency commissions to advertisers or their employees. The ultimate step along this path was taken in 1901 by the Curtis Publishing Company.

3. *Ibid.*, pp. 52–53.

4. Frank Presbrey, *The History and Development of Advertising* (New York: Doubleday, Doran and Company, 1929), pp. 268–71.
5. Hower, pp. 233–34.
6. *Ibid.*, p. 404.
7. *Ibid.*

Curtis, by a unilateral action without precedent in its boldness and its implications for advertising, put into effect a contract by which it bound agents not to cut rates, under penalty of losing the commission, and bound itself not to allow the agent's commission to be paid to any advertiser, directly or indirectly.

Two reasons are commonly advanced for the action taken by Curtis and other publishers to stabilize agency commissions: First, agencies would presumably be selected on the basis of the quality of their performance, and advertisers would benefit from the superior advertising programs that presumably would result. Second, publishers would also benefit, it was said, because advertisers would find their programs more successful and would consequently be inclined to allocate larger budgets to that form of sales promotion. While this is largely true, it also seems reasonable to suppose that, to the extent that agencies were relieved of the necessity of haggling with clients over commission charges or discounts, publishers were thereby relieved of the necessity of arguing with either agencies or their clients over space rates. In other words, publishers had found it difficult to adhere to published, or "list," rates as long as agencies were obliged to bargain with clients over the amount of the commission to be charged. Likewise, to the extent that agencies could free themselves of price pressure from clients, publishers could expect to be relieved of agency pressure for similar concessions. A basic consideration in the movement by publishers to channel the sale of advertising space through advertising agencies using open-contract or fixed-fee arrangements was, therefore, the publishers' desire to stabilize their own rates.

For all these reasons, the action of the Curtis Publishing Company was a milestone in the popularization of the rather strange arrangement under which the agency serves the advertiser, but the publisher (or media owner) fixes the amount of the agency commission. The same policy with respect to agency compensation has since been adopted by the owners of both outdoor and broadcast advertising media. The ANPA, the Periodical Publishers' Association, the National Association of Broadcasters, and similar organizations of media owners have established general standards that agencies are expected to meet in order to obtain the recognition which entitles them to receive commissions. The usual stipulations are that the agency should have a satisfactory financial condition, should be independent and impartial with regard to both media and clients, *should not give rebates or otherwise discount the rates established by media owners*, and should be technically competent to provide the various services advertisers need.

While publishers were thus working to bring about a more satisfactory pattern of business conduct in relation to agencies and advertisers, both of the latter groups were also at work. With a nucleus of a dozen national advertisers, the American Advertising

Association was organized in 1899 and was active as "the watchman of the advertiser's rights and privileges,"[8] particularly in urging greater accuracy in publishers' circulation statements. "Make every dollar spent in advertising bring back greater returns"[9] was the slogan of yet another group, the Association of National Advertisers, organized in 1910.

A third interested group, the general advertising agencies, became organized on a national scale in 1916 with the Affiliated Associations of Advertising Agencies, a composite of regional advertising agency clubs. In 1917 this organization became the American Association of Advertising Agencies (or "4-A's").[10] The announced aims of this organization were three:

1. To foster, strengthen, and improve the advertising agency business.

2. To advance the cause of advertising as a whole.

3. To give service to members—to do things for them that they cannot do for themselves or that can be done better or less expensively through the association.

In pursuit of these goals, the 4-A's organization developed agency service standards (1918); standard forms for publisher rate cards (1919); qualifications for membership (1920). These steps were designed to insure that constituent agencies maintained high standards of technical competence, financial reliability, and ethical conduct. Standards of practice were next adopted (1924), and were designed to eliminate "unfair" modes of competition.

The 4-A's was a rather exclusive organization in that its initial membership of 111 firms comprised only about 10 per cent of the agencies existing in 1917.[11] This ratio of the 4-A's member agencies to the number of existing agencies continued as is indicated by the 1956 membership of 323, as compared with the national total of 3,268 advertising agencies having regular payrolls.[12] Although size is not a formal prerequisite to membership, it is significant that in 1957 the association estimated that well over two thirds of the national advertising volume was being placed by its member agencies.

The national merger of publishers, advertisers, and general agents culminated in the AAC of A (Associated Advertising Clubs of America, now known as the Advertising Federation of America), in 1905.[13] It soon became apparent to the officers of this new organization that the principal threat to advertising as a social force was the prevalence of hypocrisy and deceit, extending from deliberate misrepresentation of circulation on the one hand to immoral adver-

8. Presbrey, p. 544.
9. *Ibid.*, p. 545.
10. Newcomb Cleveland, "Agency Association Progress in the United States," *The Advertising Yearbook for 1924*, ed. John Clyde Oswald (New York: Doubleday, Page and Company, 1925), pp. 92–93.

11. *Crain's Market Data Book and Directory, 1923* (Chicago: G. D. Crain, Jr., Company), p. 5.
12. *Printers' Ink* Supplement, *Advertisers' Guide to Marketing for 1957* (New York: Romer Publishing Company), August 1956, p. 114.
13. *The Advertising Yearbook for 1924*, ed., John Clyde Oswald (New York: Doubleday, Page and Company, 1925), p. 470.

tising appeals and fraudulent representations of products on the other. In the public mind all the participants—advertiser, agency, and publisher—were tarred with the same brush. Though many individual advertisers, agents, and publishers had taken a firm stand against these unsavory practices, no concerted action had yet been taken when the AAC of A was formed in 1905. At each succeeding annual meeting of the association, the same problems of unethical conduct arose with increasing urgency—largely because numerous exposé-type articles were rapidly making dishonesty in advertising a public issue.

In 1904, Mark Sullivan exposed medical fakes and frauds in an article published by the *Ladies' Home Journal* which, with its companion publication, the *Saturday Evening Post*, had taken an early stand for clean advertising columns. In 1909 and 1910 the public and the business world were stirred by a series of articles entitled "The Great American Fraud," published in *Collier's Weekly*, in which Samuel Hopkins Adams stripped the cloak of pretense from medical nostrums and various forms of healing quackery then being advertised in the newspapers and other periodicals of the country. *The Dry Goods Economist* campaigned against frauds in retailing. *Success Magazine* then published a series of articles on "Get Rich Quick Practices," by Frank Fayant; *World's Work* published "Exposures of Fake Stock Exploitations," by C. M. Keys; and Louis Guenther started to flay financial frauds in the *Financial World* under the caption "Fairyland of Finance."

In the newspaper world, the *Chicago Tribune* turned its editorial guns on the medical frauds of that city; the *Philadelphia North American* declared war on similar practices; the *New Orleans Item* belabored quack doctors and the patent medicine swindles; the *St. Louis Star* crusaded against quack doctors; the *Cleveland News and Leader* drove out of business many clairvoyants and fortune tellers; and in Detroit the *Times* carried on a stout, continuous fight against advertising and selling chicaneries in a number of fields, as did the *Seattle Post-Intelligencer*.[14]

As the crusade for truth in advertising gained momentum, action-minded men sought means of giving the campaign the support of law. Such a man was John Irving Romer of the advertising journal *Printers' Ink*. Covering the AAC of A's 1911 convention, Romer was caught up by the spirit of the meeting. When he returned to New York, he retained Harry D. Nims, of the New York bar, to investigate existing legislation against fraudulent representations and to draft a model law that would effectively deter false and misleading advertising. At that time only two states of the Union, New York and Massachusetts, had laws designed for this specific purpose and, as there was only one successful prosecution on record, even they seemed inadequate.[15] In November 1911 *Printers' Ink* published Romer's proposed model statute and recommended that the AAC of A support its enactment by the states. Romer also proposed that each of the associated clubs organize vigilance committees to investigate alleged misrepresentations in advertising

14. H. J. Kenner, *The Fight for Truth in Advertising* (New York: Round Table Press, 1936), pp. 13–14.

15. *Ibid.*, p. 27.

originating in their cities. Where the charges proved to be correct, the clubs were to cooperate with local law-enforcement agencies in correcting the false advertising practices. The *Printers' Ink* Model Statute, subsequently widely adopted in the United States, reads:

> Any person, firm, corporation, or association who, with intent to sell or in any wise dispose of merchandise, securities, service, or anything offered by such person, firm, corporation, or association, directly or indirectly, to the public for sale or distribution, or with intent to increase the consumption thereof, or to induce the public in any manner to enter into any obligation relating thereto, or to acquire title thereto, or an interest therein, makes, publishes, disseminates, circulates, or places before the public, or causes, directly or indirectly, to be made, published, disseminated, circulated, or placed before the public, in this state, in a newspaper or other publication, or in the form of a book, notice, handbill, poster, bill, circular, pamphlet, or letter, or in any other way, an advertisement of any sort regarding merchandise, securities, service, or anything so offered to the public, which advertisement contains any assertion, representation, or statement of fact which is untrue, deceptive or misleading, shall be guilty of a misdemeanor.[16]

The first vigilance committee was formed by the Advertising Club of New York City in December 1911, and within six months a considerable number of prosecutions had been initiated.[17] Advertising clubs in other cities quickly followed suit, and at the annual convention of the AAC of A in December 1912 many examples of successful action were reported. These reports show that, once begun, the efforts of the vigilance committees went forward at a rapid pace and were conducted with true missionary zeal, as is illustrated by this report from the St. Louis club:

> *Mr. Simpson of St. Louis:* In line with what Mr. Houston has suggested, I want to say that St. Louis has a Vigilance Committee. We call it a Censor Committee. It has been in operation about nine months. Let me tell you what we have done in St. Louis. We have cut out one of the biggest grafts in the city—the police benefit—that has been holding up the merchants of that city for about fifty thousand dollars every year, and we have absolutely rubbed them out and it didn't take us a month to do it. We have rubbed them out and you can do it in any place, and in another six months no advertising scheme in St. Louis can do any advertising unless it shows credentials to the Secretary of the League.[18]

A variety of titles, among them "Vigilance Bureau" and "Censor Committee," were used until 1916, when the name "Better Business Bureau" is reputed to have been coined by Arthur M. Sheldon.[19] More truly reflective of the broad nature of the program to combat dishonest advertising than the earlier variations, the new name as well as the work initiated by the National Vigilance Committee of the AAC of A quickly spread. Within a few years most major cities had better business bureaus established on a paid-manager basis.

16. *Ibid.*, pp. 27–28.
17. *Ibid.*, p. 31.
18. *Eighth Annual Convention of the Associated Advertising Clubs of America* (Dallas: Associated Advertising Clubs of America, 1912), p. 134.
19. Kenner, p. 61.

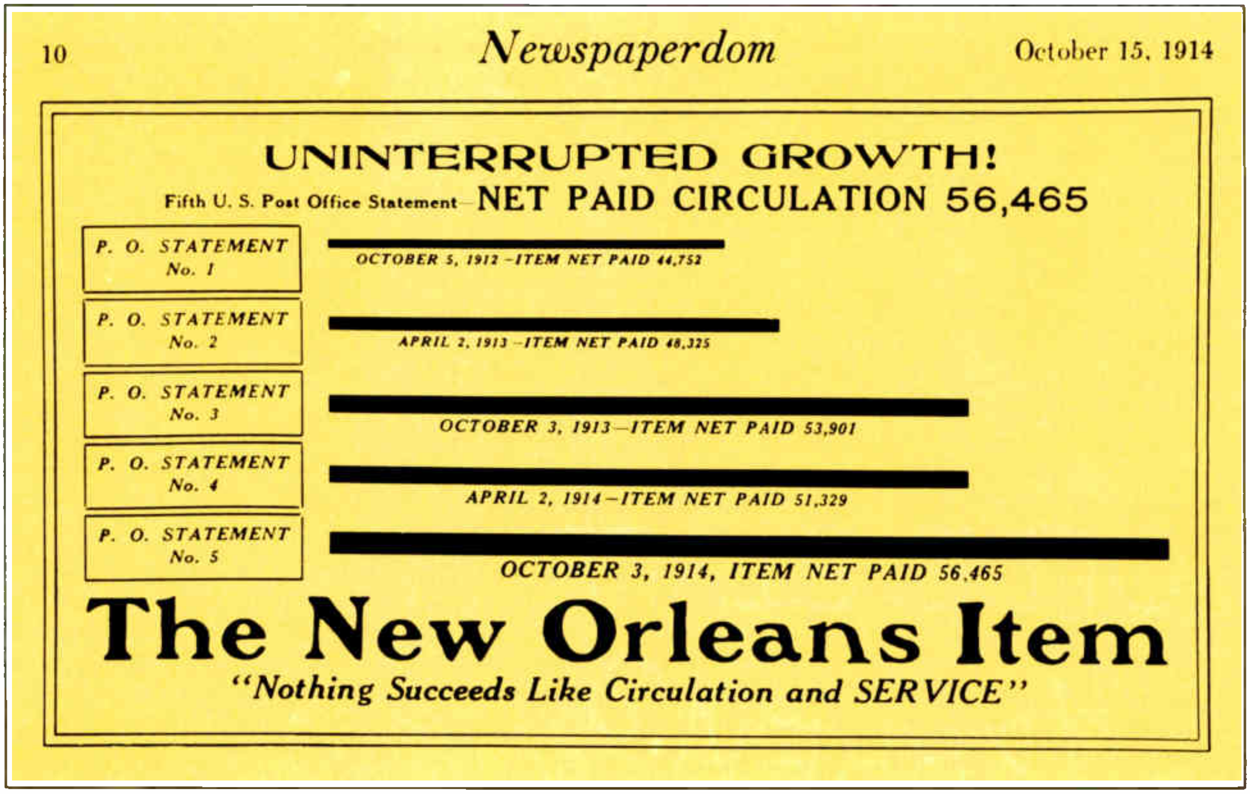

FIGURE III-1

But "Truth in Advertising," by now the motto of the AAC of A, meant more than the policing of advertisements. Rates, circulation figures, and other information essential to objective evaluation of alternative advertising media were still subject to much the same kind of distortion that had stimulated the creation of the *Printers' Ink* Model Statute and the vigilance committees (see Figure III-1). At the next meeting of the AAC of A, in December 1913, a resounding declaration of principles endorsing truth in all business dealings was passed. The keystone pledge of the new statement was this:

> We believe in truth, not only in the printed word but in every phase of business connected with the creation, publication and dissemination of advertising.[20]

The statement then proceeded to apply the principle of truth in business to the critical problem of establishing accurate and readily comparable statements of circulation:

> We believe that the present chaotic multiplicity of methods of arriving at verification of circulation statements is not only confusing but inadequate and that the time for radical

20. *Ibid.*, p. 274.

revision of these methods and for standardization of statements is the present.

We believe in cooperation with other agencies now at work on this problem, especially in the plan of the central bureau of verification which has already been initiated by some of the organizations represented in this commission; and request the executive committee to proceed therewith.[21]

The foregoing reference to the central bureau of verification was in anticipation of the merger of the Bureau of Verified Audits (New York) and the Advertising Audit Association (Chicago). Both auditing organizations had been formed in the spring of 1913, the New York group under the leadership of O. C. Harn, then advertising manager for the National Lead Company, and the Chicago group led by Stanley F. Clague, then president of the Western Advertising Agents Association.[22] The resulting organization became the Audit Bureau of Circulations (ABC), created at Chicago in May 1914 by a convention representing 74 national advertisers, 49 advertising agencies, 338 newspapers, 27 magazines, 52 farm publications, and 55 business papers.[23] A board of directors of 21 members was authorized, made up of 11 advertisers, two advertising agents, two newspaper publishers, two magazine publishers, two farm publication publishers, and two business paper publishers. Standard circulation statements and audit forms were soon agreed upon, and information blanks were sent to publisher members on July 29, 1914. Auditing commenced September 21, 1914, and the first annual report of the ABC (June 15, 1915) declared that 321 audits had been completed and 63 were in progress. The subsequent expansion of membership and the composition of the membership in 1957 are shown in the following table:[24]

ABC MEMBERSHIP: UNITED STATES AND CANADA

1914 (CHARTER MEMBERSHIP LIST)	499
1919	1,221
1924	1,780
1929	1,981
1934	1,722
1939	2,006
1944	2,326
1948	3,232
1957	3,859

COMPOSITION OF ABC MEMBERSHIP: UNITED STATES AND CANADA: 1957

DIVISION	PER CENT
NATIONAL ADVERTISERS	20
LOCAL ADVERTISERS	1
ADVERTISING AGENCIES	7
ASSOCIATE MEMBERS	1
PUBLISHERS	71
TOTAL	100

The leaders of the merged organizations, O. C. Harn and Stanley Clague, continued as the outstanding personalities of ABC—Harn as president (1920–30) and managing

21. *Ibid.*

22. For details of this merger and of the underlying organizations see William H. Boyenton, *History of the A.B.C.* (Chicago: Audit Bureau of Circulations, 1948); Presbrey, *op. cit.*; Hower, *op. cit.*

23. Boyenton, *op. cit.*, pp. 8 ff.

24. *Ibid.*, pp. 11–12.

director, Clague as managing director (1920–27). Both of these men enter the SRDS story directly at a later date.

It would be difficult to overestimate the significance of the ABC to advertising as a profession and as a social influence. Frank Presbrey, writing in 1929, said:

> From ascertaining merely the net paid circulation of the newspaper or periodical, the audit of the ABC has developed into a detailed analysis which gives the geographical distribution, the character of the circulation as indicated by various methods used in obtaining it, the number in arrears, and, in the case of business papers, the occupation of subscribers. Constant enlargement of scope is furnishing additional information on the character of circulation and providing further means for judging its quality.
>
> Organization of the Audit Bureau of Circulations was an epoch-making event. The ABC has been a chief contributory factor in stabilizing advertising. Membership is almost obligatory on a publication because advertising agents and advertisers have learned by experience that a publication which will not submit an audited statement of its circulation seldom is worthy of consideration.[25]

With the ABC launched, with the "Truth in Advertising" campaign being promoted by vigilance committees in major cities throughout the United States and Canada, and with the *Printers' Ink* Model Statute becoming a reality in many states, the 1914 convention of the AAC of A turned its attention to formulating standards of practice for advertisers and publishers. Among the resolutions adopted were several bearing on advertising rates and rate information.

The magazine publishers, for example, committed themselves "to maintain an absolute uniformity of advertising rates" charged to advertisers and advertising agents, while the newspaper publishers promised "to maintain uniform rates, according to classifications, and to present those rates, as far as possible, in a uniform card."[26] As already noted, achievement of the latter objective, standardized rate cards, received further impetus in 1919 when the 4-A's adopted model rate cards (Figure III-2) and aggressively urged their use by publishers.

Thus with actual newspaper advertising rates fairly well in keeping with rate-card listings,[27] magazine rates quite consistent, a source of accurate circulation data in existence, and some uniformity of rate cards in effect, the time was ripe for a service such as the present SRDS. In retrospect, it appears that three existing types of organizations were most likely to have recognized the need and to have instituted a comprehensive rate and data service. The first of these was Barbour's, about which more will be said later. The second was the ABC itself. Since this cooperative organization was in the process of collecting circulation figures and related information from member publishers, it might logically have extended its scope of operations. If the ABC (or a

25. Presbrey, p. 550.

26. Kenner, p. 277.

27. Interview with E. Ross Gamble, treasurer, Leo Burnett Advertising Agency, April 29, 1958.

The
Philadelphia Evening Bulletin
Established 1847
PUBLISHED DAILY, EXCEPT SUNDAY

Advertising Rates
(Agate measurement, 14 lines to inch)
Display {Display advts. should measure at least 10 lines} 40c a line
Full Position {If required and can be granted (first following and next reading)} 50c a line
☞ Semi-reading advertisements occupying full position if accepted, 55 cents a line.
No time or space discounts.
Full position advts. should measure not less than three inches

1. All contracts are made for one year; no written or verbal conditions allowed not fully set forth on rate card and all advertisements are at Publisher's option.
2. Claims for errors to be made within 10 days after first insertion of advt. or no adjustments can be made.
3. Style of type, cuts, borders, and setting of all advts. in all cases optional with the publisher.
4. Semi-reading advts. occupying full position, set in 8-point type and billed for space actually occupied. All semi-reading advertisements to contain signature and address.
5. Eight columns (12½ ems each) to page. Length, 297 agate lines, or 21¼ inches. Make-up from lower half of page.
6. No extra charge for cuts or broken columns. Limit for broken columns as follows: Two-column advts. not less than 35 lines, three columns not less than 70 lines, four columns not less than 100 lines, five columns not less than 125 lines, six or more columns not less than 150 lines deep.

Classified Advertisements

Amusements, Financial, New Publications, Political, Travel } .... 40 cents a line
Agents Wanted, Real Estate and other business wants } In plain type .... 30 cents a line
Co-Partnerships, Dissolutions, Dividends, Legal Notices, Meetings, Proposals, Special Notices, Survey Notices } In plain type .... 25 cents a line
Help Wanted, Lost and Found } 20 cents a line each insertion.
Religious Notices } 15 cents a line each insertion.
Educational, Resorts } (In Plain type), 25 cents a line. 30 daily or E. O. D. insertions, 20 cents a line.

Marriages and Deaths, $3.00 first insertion, $1.00 each subsequent insertion of same notice.
Reading Notices (set in Agate, marked "Advt."), first page, $4.00 per agate line; other pages, $3.00 per agate line.

Phila., March 1, 1916 — WILLIAM L. McLEAN, Publisher

Washington, D. C.
The Evening and Sunday Star
Published Evenings and Sunday Mornings
Rate Card No. 1 Issued Nov. 15, 1918 In Effect Jan. 1, 1919

1—GENERAL DISPLAY—FLAT RATE
No Time or Space Discount
The Evening Star - 17c a line
The Sunday Star - 13c a line
Planogravure Picture Section—25c a line.
(See Special rate Card.)
PREFERRED POSITIONS
When available—top of column next to reading matter 7½c. per line additional; next to and following reading matter 5c. per line additional; next to reading matter 2½c. per line additional. No position advertisements accepted less than 28 lines, single column.

Advertisements will be accepted when space is available, to run on page 2, or 3 at 5c per line additional; pages 4 or 5, 2½c per line additional, and on last page 50% additional to advertising rates.

BROKEN COLUMNS: No extra charge for broken columns. Double-column advertisements must not be less than 42 lines deep; 3 columns, 75 lines deep; 4 columns, 100 lines deep; 5 columns, 125 lines deep; 6 columns or more, 150 lines deep.

2—CLASSIFICATIONS
Classified Advertisements such as Agents, Salesmen, Help Wanted, Business Opportunities, etc., 3 cents a word each insertion, 15 words minimum charge.

Resorts, Educational, Steamships, Real Estate, etc. { RATE PER LINE (4 lines min.) 1 time, 17c; 3 times, 14c; 7 times, 12c; 14 times or more, 11c; 1 month, 30 times consecutively, 10½c; 3 months, 90 times consecutively, 10c.

(Display Advertising at Display Rates)

3—READING NOTICES *Per Agate Line*
Reading notices in body type.............. $1.00
Reading notices in agate type............. .60
No readers accepted for first page.

Imitation reading matter within a border—25c a line.
(All reading notices must be marked "Advertisement.")

4—COMMISSION AND CASH DISCOUNT
Agency Commission, 12 per cent. Cash discount, 3 per cent. Cash discount date, 20th of month following insertion.
All transient advertisements cash.

5—MECHANICAL REQUIREMENTS
Width of column—12½ ems pica. Depth of column—305 lines, 21¾ inches. Eight columns to the page.
Basis of measurement is solid agate—14 lines to the inch. Display ads must occupy not less than 14 lines—1 inch.
Can use mats. Half-tone screens required, 65.

6—CIRCULATION

	Date of Statement	*For Period Ending*	*Circulation*
A Member of the A. B. C.		*6 month ending Sept. 30, 1918*	*Daily, 96,911 Sunday, 74,350*

7—MISCELLANEOUS
Advertising subject to approval.
Established 1852.
Subscription Price—Daily, 2c per copy, $6.00 year.
Sunday, 5c per copy, 2.40 year.

Evening Star Newspaper Co., Publishers.
Frank B. Noyes, President.
Fleming Newbold, Business Manager.
New York Representative, Dan A. Carroll, Tribune Bldg.
Chicago Representative, J. E. Lutz, First Nat'l Bank Bldg.

(Prepared in conformity with "Standard Rate Card" of American Association of Advertising Agents)

Philadelphia Evening Bulletin and *Washington Evening and Sunday Star* Rate Card

FIGURE III-2

similar joint effort of advertisers, agencies, and publishers) did not exploit the opportunity, however, then one of the several current publishers of newspaper directories might have been expected to do so by expanding its editorial coverage.

A review of the convention literature of the AAC of A for the critical years 1914–19 reveals no interest in having the ABC or another jointly sponsored body perform this service. This inaction may have resulted from failure to perceive the need for cooperative effort in the area of media rates and data. A more likely explanation, however, is that the conflicting interests of some 12 to 15 existing media directories, most of them "annuals" and all of them connected with advertising agencies, posed a formidable obstacle to any plan which would almost certainly eliminate their *raison d'être.*

The Rise and Fall of Media Directories, 1856–1919.—A score or more of these media directories, forerunners of both the ABC and SRDS, were published in the United States between 1856 and 1919. Typically they were annual publications. Many of them were published for a decade or more, but none obtained a substantial degree of media cooperation with respect to accurate and consistent circulation data. Intimately connected with advertising agencies, they had a reputation with media publishers for soliciting advertising with the threat, express or implied, that an agency's advertising would be placed elsewhere if the publisher did not purchase space in the directory.

Probably the first national media directory was *The Newspaper Record*, compiled and published by Lay and Brother, Manufacturers of Printers' Inks, Philadelphia, 1856. The publication purported to contain a complete list of newspapers and periodicals in the United States, Canada, and Great Britain, "together with a sketch of the origin and progress of printing with some facts about newspapers in Europe and America, by W. T. Coggeshall, State Librarian of Ohio." The publisher noted:

> Nearly four years since, we commenced, in this city, the publication of *The Ink Fountain*, a quarterly newspaper, devoted to the interests of printers, and intended to be a medium of communication between the manufacturer of printers' materials and the consumer. Our effort was appreciated, particularly by the newspaper press, and our exchange list became large and valuable. We then began to issue in its columns, in succeeding numbers, a list of newspapers, such as came within our ken, and as this grew and became known, it was much sought after, because it was the only list in this country that approached correctness. Urged by the demand, we determined to put this list into book form, and for some months, have been taking measures to arrange a complete list of newspapers in the United States and Canada. By many representatives of the press, we have met with encouragement and assistance, and to such, we render our earnest thanks, but, in many more instances, a contemptuous silence was our only reply to inquiries.[28]

The "contemptuous silence" came as a bitter disappointment and forced an alteration in the publisher's program:

> The original plan was to give the name of every newspaper, its editor and proprietor, politics, period of issue, circulation, age, and any interesting information that might reach us, but after a stubborn trial of all the means in our power we were at length compelled to alter the original idea and give simply the name of periodicals and place of issue.[29]

The "Index to Advertisements" (Figure III-3) suggests that *The Newspaper Record*, as finally published, was intended primarily as a means of promoting the sale of printers' supplies and that its distribution was mainly among newspaper publishers. Two pioneer advertising agencies, George A. Crofut and S. M. Pettengill and Com-

28. Lay and Brother, *The Newspaper Record* (Philadelphia: Lay and Brother, 1856), p. ix.
29. *Ibid.*, p. x.

xiv NEWSPAPER RECORD.

INDEX TO ADVERTISEMENTS.

FIGURE III-3

pany, ran advertisements appealing to newspapers to appoint them as agents in New York and Boston (see Pettengill's advertisement, Figure III-4). There is no indication that Lay and Brother intended the *Record* as a continuing publication, any such notion probably having been dispelled by the lack of cooperation just noted.

Another early effort at collecting media information was *The American Newspaper Directory*, compiled by Daniel J. Kenny.[30] It too suffered from a paucity of information, giving only the locations, frequencies, subscription prices, and publication offices of the media. Interestingly enough, its media advertisements stressed editorial content and subscription price. Nowhere in the book was there any information intended specifically for those interested in placing

NEWSPAPER

ADVERTISING AGENCY.

S. M. PETTENGILL & CO.,

Offices, No. 119 Nassau Street, New York, and 10 State Street, Boston.

Are the Agents for the Best and Most Widely Circulated Newspapers throughout the United States and British Provinces, and they are

REGULARLY RECEIVED & FILED AT THEIR OFFICES,

where Subscriptions and Advertisements are taken for them. Merchants and other Advertisers are respectfully invited to call and examine Papers and Prices.

☞ The following Notices from first class papers, are selected from hundreds of similar Notices from the voluntary testimonials of the Press:

ADVERTISING AGENTS.

The following notices of the firm of S. M. PETTENGILL & Co., Advertising Agents in New York and Boston. We have been doing business for this firm for a number of years, and can cordially endorse all that is said of them. They are prompt and reliable gentlemen, and are worthy of the unbounded confidence of the Press. They send none but Cash advertisements, and always settle promptly. The notices are from the very best presses in the country.—*Harrisburg Telegraph.*

ADVERTISING AGENTS IN NEW YORK.—The large amount of advertising done by New York business men, in the West and South, renders it necessary for the latter to have good and reliable agents in that city. We anticipated at one time, owing to the losses and annoyances experienced, to dispense with the service of agents altogether; but we found the difficulties arising from having no agent greater than those occasioned by the latter. In this emergency it is satisfactory to be able to find good and reliable agents, prompt and accurate in all transactions, and in every respect thorough-going business men. We have found such in S. M. Pettengill & Co. For several years we have transacted business with this office, and on no occasion did they fail to meet promptly all their engagements. The satisfaction we have experienced ourselves in our business transactions with these gentlemen, induces us to accord to them this voluntary testimonial, so that merit may be rewarded, and our friends of the press may have an opportunity of availing themselves of the same advantages that we enjoy, and which experience has rendered us fully capable of appreciating.—*Cincinnati Gaz.*

Messrs. S. M. Pettengill & Co., are also the agents of the Pittsburg *Gazette*, in New York, and we cordially endorse the above statement of our Cincinnati cotemporary as to their fidelity and promptness. Our business connections with them have always been of the most gratifying description, and we can recommend them to any of the press who are seeking reliable advertising agents in New York.—*Pittsburg Gazette.*

We can cheerfully endorse these commendations of Messrs. Pettengill & Co. Several years' business relations with them enables us to say, that they are alike energetic, prompt and honest.—*Albany Evening Journal.*

We take pleasure in adding our recommendation of Messrs. Pettengill & Co., to the above testimonials in their favor, having found them faithful and useful agents for some years past. We would advise all in want of such agents, to employ Messrs. Pettengill & Co.—*New Orleans Picayune.*

The above commendations are well deserved, as we judge, both by the general tone of the country press, and from somewhat extensive business transactions with the house referred to. We can recommend P. & Co. to such of our publishing friends as desire newspaper agents in this metropolis.—*N. Y. Tribune.*

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FIGURE III-4

30. Daniel J. Kenny, *The American Newspaper Directory* (New York: Watson and Company, 1861).

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THE TRIBUNE FOR 1861.

PROSPECTUS.

THE WEEKLY TRIBUNE is now in its XXth Volume. During the past year, THE TRIBUNE has been obliged to devote quite a large proportion of its space to Politics, but we shall henceforth be able to limit our space devoted to Political discussion, and devote most of our columns to subjects of less intense, but more abiding interest. Among these, we mean to pay especial attention to

I. EDUCATION.

The whole subject of Education, both Popular and General, will be discussed in our columns throughout the year 1861, and we hope to enlist in that dicussion some of the profoundest thinkers and the ablest instructors in our country. It is at once our hope and our resolve that the cause of Education shall receive an impetus from the exertions of THE TRIBUNE in its behalf during the year 1861.

II. AGRICULTURE.

We have been compelled to restrict our elucidations of this great interest throughout 1860, and shall endeavor to atone therefore in 1861. Whatever discovery, deduction, demonstration is calculated to render the reward of labor devoted to cultivation more ample or more certain, shall receive prompt and full attention.

III. MANUFACTURES, &C.

We hail every invention or enterprise whereby American Capital and Labor are attracted to and advantageously employed in any department of Manufacturing or Mechanical Industry as a real contribution to the Public Weal, insuring ampler, steadier, more convenient, more remunerating markets to the Farmer, with fuller employment and better wages to the Laborer. The Progress of Mining, Iron-making, Steel-making, Cloth-weaving, &c., &c., in our country, and the world, shall be watched and reported by us with an earnest and active sympathy.

IV. FOREIGN AFFAIRS.

We employ the best correspondents in London, Paris, Turin, Berlin, and other European capitals, to transmit us

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early and accurate advices of the great changes there silently but certainly preparing. In spite of the pressure of Domestic Politics, our news from the Old World is now varied and ample; but we shall have to render it more perfect during the eventful year just before us.

V. HOME NEWS.

We employ regular paid correspondents in California, at the Isthmus of Darien, in the Rocky Mountain Gold Region, and wherever else they seem requisite. From the more accessible portions of our own country, we derive our information mainly from the multifarious correspondents of the Associated Press, from our exchanges, and the occasional letters of intelligent friends. We aim to print the cheapest general newspaper, with the fullest and most authentic summary of useful intelligence, that is anywhere afforded. Hoping to "make each day a critic on the last," and print a better and better paper from year to year, as our means are steadily enlarged through the generous co-operation of our many well-wishers, we solicit and shall labor to deserve a continuance of public favor.

TERMS.

DAILY TRIBUNE (**311** issues per annum) **$6**
SEMI-WEEKLY (**101** .. .. ..) **$3**
WEEKLY (**52** .. .. ..) **$2**

TO CLUBS—*Semi-Weekly*, two copies for **$5**, five for **$11 25**, ten copies to one address for **$20**, and any larger number at the latter rate. For a club of twenty, an extra copy will be sent. For a club of forty, we send THE DAILY TRIBUNE gratis one year.

Weekly: Three copies for **$5**, five copies for **$8**, ten for **$12**, and any larger number at the rate of **$1 20** each per annum, the paper to be addressed to each subscriber. To clubs of twenty, we send an extra copy.

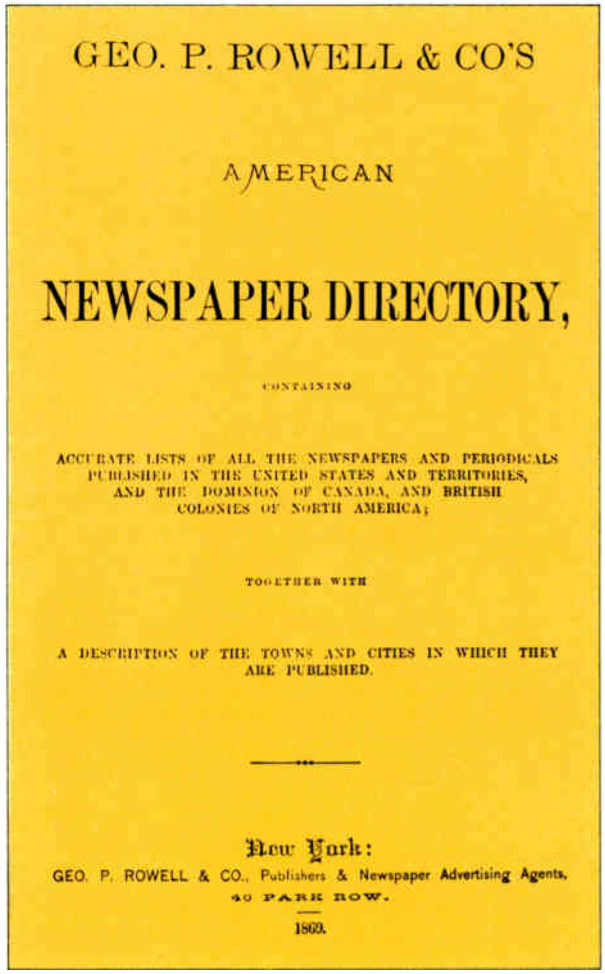
Twenty copies *to one address* for **$20**, with one extra to him who sends us the club. For clubs of forty we send one copy of The Semi-Weekly Tribune. For each club of one hundred, THE DAILY TRIBUNE will be sent gratis one year.

Payment always in advance. Address

THE TRIBUNE, No. 154 Nassau st., New York.

FIGURE III-5

advertising. (See the "Prospectus" of the New York *Tribune,* Figure III-5.) Like the preceding directory, this publication does not appear to have been repeated on a regular basis. No other efforts at directory publication seem to have occurred until 1869, when there appeared *Rowell's American Newspaper Directory*, the title page of which is shown in Figure III-6.



GEO. P. ROWELL & CO'S

AMERICAN

NEWSPAPER DIRECTORY,

CONTAINING

ACCURATE LISTS OF ALL THE NEWSPAPERS AND PERIODICALS PUBLISHED IN THE UNITED STATES AND TERRITORIES, AND THE DOMINION OF CANADA, AND BRITISH COLONIES OF NORTH AMERICA;

TOGETHER WITH

A DESCRIPTION OF THE TOWNS AND CITIES IN WHICH THEY ARE PUBLISHED.

New York:

GEO. P. ROWELL & CO., Publishers & Newspaper Advertising Agents,

40 PARK ROW.

1869.

FIGURE III-6

Rowell's publication was apparently the first directory to be designed as a service to advertisers and the first to be published on a regular basis. It continued as an annual or a quarterly (as a quarterly from January 1878 to October 1879 and from June 1897 to December 1901, otherwise as an annual) under the same name until 1908, when it merged with another directory, *The American Newspaper Annual,* which had been published by N. W. Ayer and Son since 1883. The consolidated directory was continued after 1908 with the title *American Newspaper and Directory* (now N. W. Ayer and Son's *Directory of Newspapers and Periodicals*).

Rowell's account of his difficulty in obtaining accurate media information and his motives for compiling and publishing his directory is contained in the preface to the first edition (1869), reproduced in Figure III-7. It indicates that he, like the publishers of the two previous efforts, was largely unsuccessful in obtaining the cooperation of newspaper publishers. In addition, the preface provides a valuable commentary on advertising conditions and practices of the day, on the "service" character of the Rowell agency, and on the missionary zeal of its founder. These were all aspects of a special quality of the founder—a quality that, more than any other, helped Rowell's agency grow to prominence in only four years, i.e., his concept of agency responsibility to advertisers.

As indicated in its preface, the Rowell *Directory* was intended as an annual sup-

PREFACE.

To meet a demand which we—in common with other Advertising Agencies, and a large mass of the outside public—have long felt to be an important one, is the object of the present volume. When our Agency was established, four years ago, we found it exceedingly difficult to procure lists of newspapers of any kind, and these were scattered through almanacs, directories, registers, etc., in such a way as to render a complete list out of the question, and a comparatively correct one impossible. At considerable expense and trouble, something like twelve States, all told, could be thus collected, while double that number remained entirely unrepresented.

A small volume, published in 186[illegible], purported to contain the names of all newspapers issued, but experience taught us that a large proportion of these had long before ceased to exist, while an equal number, springing up in their places, remained unnoticed by the author. A *correct* list in a single State was then of great value, while a complete *directory* would have commanded a large and remunerative sale. In proof of this, we instance a gentleman of our acquaintance who, shortly after the close of the late war, secured a list of papers in the Southern States, compiled with considerable accuracy, and this was regarded as of so much value by advertisers that single copies were, without difficulty, sold for the sum of *one hundred and fifty dollars.*

It is true, every Advertising Agency possessed lists more or less correct, but each one looked upon them rather as a part of the stock in trade than for public examination. They were and still are by many, guarded with great vigilance and care, while to possess them requires the surmounting of many difficulties. In this way the advertiser—of necessity, in a great measure, unfamiliar with the best mediums—has been forced to leave their selection to his agent, who, in some cases, it may well be feared, consulted his own interests rather than those of his customer, by giving the preference to such publications as would yield *him* largest profit, and with which he could transact the business most agreeably.

For these and similar reasons, as well as to obviate difficulties we were daily encountering in our intercourse with customers, we determined to introduce the newspaper press more generally to the public than had ever before been done, believing we should thereby increase our own business and best serve the interests of our customers, since, with a complete Directory in their possession, they could at once, and without further trouble, obtain that information concerning the best advertising mediums, their location, characteristics, etc., of most importance to them.

Keeping this object steadily in view, in November, 1866, we issued the first number of the ADVERTISERS' GAZETTE, which met with such unexpected success that it has since been continued regularly, and has gained an enviable position among the country's publications. In it we published, from month to month, Lists of Newspapers in different sections, until every State had appeared, together with new newspapers, consolidations, suspensions, changes, removals, etc. The Lists, afterwards printed in pamphlet form and at a moderate price, secured a large sale among advertisers, and obtained no little notoriety. But the information they gave was not sufficient. The name of the paper and place of publication alone was given, so that one could not judge which was best or most profitable for his use. We have been frequently importuned by our customers to publish more general information, but

PREFACE.

the difficulty of obtaining such as would be reliable has heretofore prevented our undertaking the enterprise. The task is by no means a light one, nor can it be speedily accomplished. Of the five thousand blanks first forwarded to publishers, with a particular request that they be filled out and returned, in order that their papers might be properly presented in the forthcoming Directory, less than *five hundred* were responded to.

Determined, nevertheless, to accomplish our purpose, we placed the matter in charge of a competent editor, as thoroughly versed in the subject as any person could be from an experience and observation of several years. After nearly a year of constant labor, devoted to correspondence, gazetteers, atlases, directories, and publications of all kinds bearing on the subject, he has succeeded in compiling the information in the following pages.

That, notwithstanding all our care and research, the work will be found to contain imperfections, we doubt not. It has been our aim to surmount all obstacles as far as possible, and present, as accurately as we could, the facts connected with each paper; but as the newspaper world is constantly changing, (fifteen new publications on an average appearing every month, while suspensions, consolidations, etc., are numerous,) a work of this kind can never be done; hence we propose to regard the present work rather as AN ANNUAL, which shall be published at a stated time each year, with corrections, addenda, *etc.* Pursuing this course we are confident our Directory will be found a *reliable Index to the Newspapers of America.*

We have always believed, and labored in the belief, that, as Advertising Agents, it was and should be in our power to be of material service to both advertiser and publisher, and we know no better way to convince them of the value of our services than by issuing this book, thus enabling them to communicate without our aid; this we do in the belief that we shall thereby the sooner persuade them of the utility of employing and encouraging our agency.

We take this opportunity to say to newspaper publishers, that in our intercourse with all parties we intend to deal on strictly conscientious principles. We never shall charge an advertiser any more than he would be required to pay at the office of publication, if we know it. And, although we will not take business, when we can well avoid it, for those papers not allowing us a commission, yet shall give those papers a decided preference over such as, while claiming to allow the usual commission, *dishonestly add the amount to their cash charge*, or make a practice of allowing the commission to every one who asks for or demands it, without any effort to protect the honest Agent.

We are free to admit we consider the commission usually allowed Agents too great, and recommend its reduction to a figure which will make it a less onerous tax upon the publisher. In this way the reliable Agent will, as he ought, be a greater benefit to all parties.

With this explanation of our objects and wishes, we submit our book to the kind consideration of the public, more particularly the advertising public, and trust that in its compilation and issue we may be allowed to have performed good service.

GEO. P. ROWELL & CO., Publishers.

NEW YORK, January 1, 1869.

FIGURE III-7

plement to another Rowell publication, *The Advertisers' Gazette.* Initiated by Rowell in November 1866 as a monthly publication, the *Gazette* carried in each issue a list of newspapers for a different geographic section of the United States, "until every state had appeared, together with new newspapers, consolidations, suspensions, changes, removals, etc." [31] These lists, afterward printed in pamphlet form, "secured a large sale among advertisers, and obtained no little notoriety." [32] The latter arose from the fact that until this time newspaper agents had considered their lists part of their stock in trade, something to be guarded carefully and not to be shared with advertisers.[33]

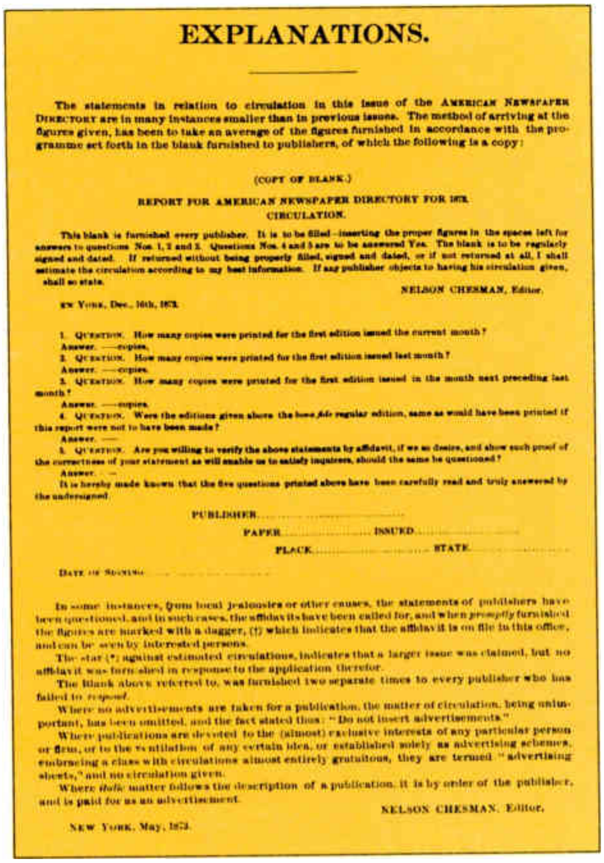
The lists in Rowell's *Gazette* gave only the media name and the place of publication, however, and there proved to be a strong demand for further information. Encouraged by the response, Rowell distributed more than 5,000 information blanks to

31. George P. Rowell, *American Newspaper Directory* (New York: George P. Rowell and Company, 1869), Preface.

32. *Ibid.*

33. Presbrey, p. 275.

publishers "with a particular request that they be filled out and returned, in order that their papers might be properly presented in the forthcoming directory,"[34] but fewer than 500 replies were received. (See



EXPLANATIONS.

The statements in relation to circulation in this issue of the AMERICAN NEWSPAPER DIRECTORY are in many instances smaller than in previous issues. The method of arriving at the figures given, has been to take an average of the figures furnished in accordance with the programme set forth in the blank furnished to publishers, of which the following is a copy:

(COPY OF BLANK.)

REPORT FOR AMERICAN NEWSPAPER DIRECTORY FOR 1873.
CIRCULATION.

This blank is furnished every publisher. It is to be filled—inserting the proper figures in the spaces left for answers to questions Nos. 1, 2 and 3. Questions Nos. 4 and 5 are to be answered Yes. The blank is to be regularly signed and dated. If returned without being properly filled, signed and dated, or if not returned at all, I shall estimate the circulation according to my best information. If any publisher objects to having his circulation given, shall so state.

NELSON CHESMAN, Editor.

[N]EW YORK, Dec., 16th, 1872.

1. QUESTION. How many copies were printed for the first edition issued the current month?
Answer. —copies.
2. QUESTION. How many copies were printed for the first edition issued last month?
Answer. —copies.
3. QUESTION. How many copies were printed for the first edition issued in the month next preceding last month?
Answer. —copies.
4. QUESTION. Were the editions given above the *bona fide* regular edition, same as would have been printed if this report were not to have been made?
Answer. —
5. QUESTION. Are you willing to verify the above statements by affidavit, if we so desire, and show such proof of the correctness of your statement as will enable us to satisfy inquirers, should the same be questioned?
Answer. —
It is hereby made known that the five questions printed above have been carefully read and truly answered by the undersigned.

PUBLISHER.................
PAPER.................ISSUED.................
PLACE.................STATE.................

DATE OF SIGNING.................

In some instances, from local jealousies or other causes, the statements of publishers have been questioned, and in such cases, the affidavits have been called for, and when *promptly* furnished the figures are marked with a dagger, (†) which indicates that the affidavit is on file in this office, and can be seen by interested persons.

The star (*) against estimated circulations, indicates that a larger issue was claimed, but no affidavit was furnished in response to the application therefor.

The blank above referred to, was furnished two separate times to every publisher who has failed to *respond*.

Where no advertisements are taken for a publication, the matter of circulation, being unimportant, has been omitted, and the fact stated thus: "Do not insert advertisements."

Where publications are devoted to the (almost) exclusive interests of any particular person or firm, or to the ventilation of any certain idea, or established solely as advertising schemes, embracing a class with circulations almost entirely gratuitous, they are termed "advertising sheets," and no circulation given.

Where *italic* matter follows the description of a publication, it is by order of the publisher, and is paid for as an advertisement.

NELSON CHESMAN, Editor.

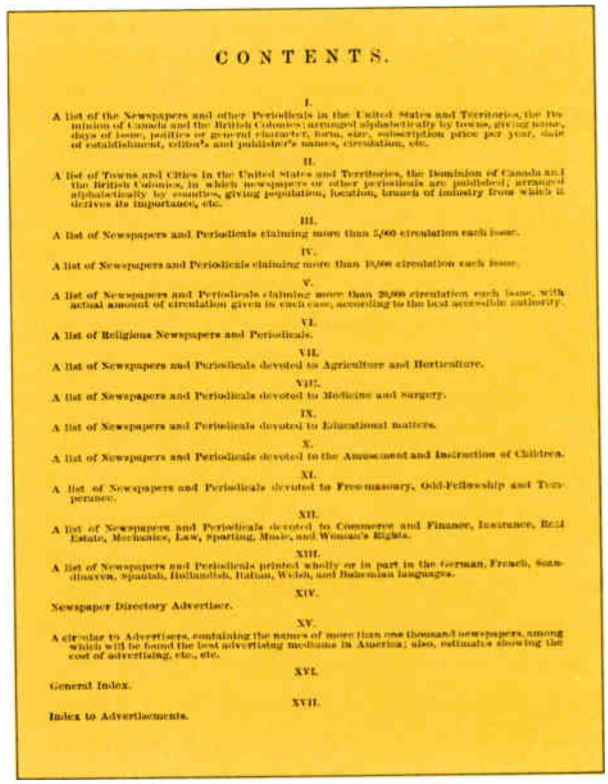
NEW YORK, May, 1873.

FIGURE III-8

Figure III-8 for the questionnaire used by Rowell when compiling the 1873 *Directory.*) He next placed the task in the hands of a full-time editor, the eventual result of whose labors was the 1869 *Directory*.

34. *Ibid.*

As indicated by its "Contents" (Figure III-9), the 1869 *Directory* consists of a listing of publications, classified by place of origin, together with "a description of the towns and cities in which they are published."[35] Media information included fre-



CONTENTS.

I.
A list of the Newspapers and other Periodicals in the United States and Territories, the Dominion of Canada and the British Colonies; arranged alphabetically by towns, giving name, days of issue, politics or general character, form, size, subscription price per year, date of establishment, editor's and publisher's names, circulation, etc.

II.
A list of Towns and Cities in the United States and Territories, the Dominion of Canada and the British Colonies, in which newspapers or other periodicals are published; arranged alphabetically by counties, giving population, location, branch of industry from which it derives its importance, etc.

III.
A list of Newspapers and Periodicals claiming more than 5,000 circulation each issue.

IV.
A list of Newspapers and Periodicals claiming more than 10,000 circulation each issue.

V.
A list of Newspapers and Periodicals claiming more than 20,000 circulation each issue, with actual amount of circulation given in each case, according to the best accessible authority.

VI.
A list of Religious Newspapers and Periodicals.

VII.
A list of Newspapers and Periodicals devoted to Agriculture and Horticulture.

VIII.
A list of Newspapers and Periodicals devoted to Medicine and Surgery.

IX.
A list of Newspapers and Periodicals devoted to Educational matters.

X.
A list of Newspapers and Periodicals devoted to the Amusement and Instruction of Children.

XI.
A list of Newspapers and Periodicals devoted to Free-masonry, Odd-Fellowship and Temperance.

XII.
A list of Newspapers and Periodicals devoted to Commerce and Finance, Insurance, Real Estate, Mechanics, Law, Sporting, Music, and Woman's Rights.

XIII.
A list of Newspapers and Periodicals printed wholly or in part in the German, French, Scandinavian, Spanish, Hollandish, Italian, Welsh, and Bohemian languages.

XIV.
Newspaper Directory Advertiser.

XV.
A circular to Advertisers, containing the names of more than one thousand newspapers, among which will be found the best advertising mediums in America; also, estimates showing the cost of advertising, etc., etc.

XVI.
General Index.

XVII.
Index to Advertisements.

FIGURE III-9

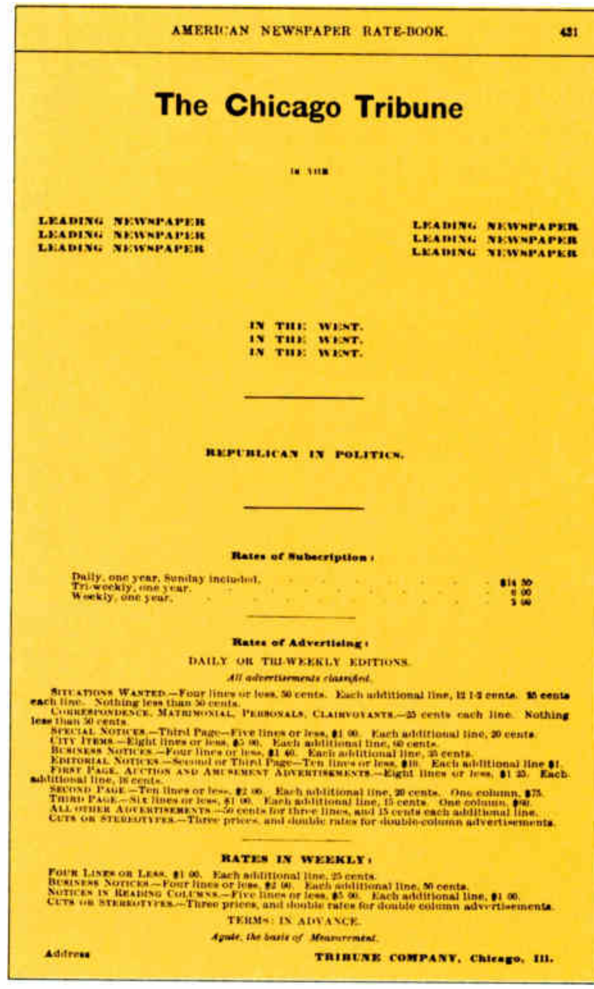
quency of publication, page size, subscription price, date of establishment, editor, publisher, office address, and, perhaps most important of all, "claimed" circulation. The distress of the agents at having Rowell publish a complete newspaper directory was,

35. *Ibid.*

for reasons that have been noted, rather great. This was as nothing, however, compared to the anguish of publishers:

> But criticism from agents was a wee small sound compared with the thunder of denunciation that came from newspapers that found their circulation ratings in the directory were much below their own claims. With each annual republication of the directory through the years there was a new storm of violent dissent from newspaper publishers.[36]

Beginning with the 1870 quarterly issues, publishers were encouraged to supplement the brief standard listings, at a fee, and such material was italicized to distinguish it from the editorial matter. In addition, publishers' advertisements were solicited and, judging from the fact that even the first volume (1869) carried 130 pages of advertising, as opposed to 222 pages of editorial matter, Rowell's *Directory* was an immediate financial success. The 1870 *Directory* was supplemented by the *American Newspaper Rate-Book*, "containing advertising rates of leading newspapers arranged with an index for the convenience of advertisers."[37] Actually this was not a rate book in the present sense, for the rate information was entirely contained in advertisements similar to the one shown in Figure III-10. The *Rate-Book* was subsequently combined with the *Directory*, and by 1873 the volume of media advertising had grown to 332 pages as compared with 264 pages of editorial matter. It is of interest that during most of its existence the *Directory* adhered to this scheme of providing rate information only through paid advertisements.



AMERICAN NEWSPAPER RATE-BOOK. 431

The Chicago Tribune

IS THE

LEADING NEWSPAPER LEADING NEWSPAPER
LEADING NEWSPAPER LEADING NEWSPAPER
LEADING NEWSPAPER LEADING NEWSPAPER

IN THE WEST.
IN THE WEST.
IN THE WEST.

REPUBLICAN IN POLITICS.

Rates of Subscription:

Daily, one year, Sunday included,	$14 50
Tri-weekly, one year,	6 00
Weekly, one year,	5 00

Rates of Advertising:

DAILY OR TRI-WEEKLY EDITIONS.

All advertisements classified.

SITUATIONS WANTED.—Four lines or less, 50 cents. Each additional line, 12 1-2 cents. 25 cents each line. Nothing less than 50 cents.
CORRESPONDENCE, MATRIMONIAL, PERSONALS, CLAIRVOYANTS.—25 cents each line. Nothing less than 50 cents.
SPECIAL NOTICES.—Third Page—Five lines or less, $1 00. Each additional line, 20 cents.
CITY ITEMS.—Eight lines or less, $5 00. Each additional line, 60 cents.
BUSINESS NOTICES.—Four lines or less, $1 60. Each additional line, 35 cents.
EDITORIAL NOTICES.—Second or Third Page—Ten lines or less, $10. Each additional line $1.
FIRST PAGE, AUCTION AND AMUSEMENT ADVERTISEMENTS.—Eight lines or less, $1 25. Each additional line, 16 cents.
SECOND PAGE.—Ten lines or less, $2 00. Each additional line, 20 cents. One column, $75.
THIRD PAGE.—Six lines or less, $1 00. Each additional line, 15 cents. One column, $60.
ALL OTHER ADVERTISEMENTS.—50 cents for three lines, and 15 cents each additional line.
CUTS OR STEREOTYPES.—Three prices, and double rates for double-column advertisements.

RATES IN WEEKLY:

FOUR LINES OR LESS, $1 00. Each additional line, 25 cents.
BUSINESS NOTICES.—Four lines or less, $2 00. Each additional line, 50 cents.
NOTICES IN READING COLUMNS.—Five lines or less, $5 00. Each additional line, $1 00.
CUTS OR STEREOTYPES.—Three prices, and double rates for double column advertisements.

TERMS: IN ADVANCE.

Agate, the basis of Measurement.

Address TRIBUNE COMPANY, Chicago, Ill.

FIGURE III-10

Other service features added as the *Directory* developed were state market maps, census data, the placement of publishers' advertisements adjacent to specific listings, and an indication of the "quality" of the circulation. The latter feature was introduced

36. Presbrey, p. 275.
37. Rowell, 1870, frontispiece.

in 1889 and purported to designate papers "which circulate among a prosperous class, possess a high proportion of paid-up subscribers [and have] a long-established hold upon the community." [38] It was said that the combination of these attributes would in all probability cause advertisers to "value this paper more for the class and quality of its circulation than for the mere number of copies printed." [39] Papers that met the *Directory's* quality criteria were designated by a "bull's eye" (⊙). This and similar efforts to obtain and appraise circulation data continued during the entire 40 years of the *Directory's* publication. From the beginning they incurred the hostility of many publishers, making it difficult to solicit their advertising. Illustrative of the problems confronting the *Directory's* editors is this correspondence with Rowell's advertising manager for the 1898 issue:

> The manager of the *Telegraph* (*Daily Telegraph*, Nashua, N.H.) wrote again to the advertising manager of *The American Newspaper Directory* thus:
>
> I would like to know what rating you are going to give us in the December edition of the *American Newspaper Directory*. We informed you that our circulation was 3,200 daily and 1,800 weekly, and I see you have given us an "I" rating (exceeding 1,000 circulation). I can see no reason why you should not give us the "H" rating (exceeding 2,250 circulation). Now, if we cannot have a just rating in the *Directory*, it will not be of any advantage to us to place an ad in the same. I want to know what you propose to do about it, and I want it in black and white. If we are not to have a just rating, I will cancel all consideration that I have made with you in this matter.[40]

At the same time that the *Directory's* editors were endeavoring to improve the quality of the information that it carried, the *Directory's* advertising volume was steadily declining. By 1898 the major metropolitan newspapers, formerly the principal advertisers, had withdrawn en masse in what appears to have been a virtual boycott. It seems probable that this abandonment of the *Directory* was the result of Rowell's missionary zeal in seeking to report accurate circulation data and to rate publications according to quality standards. Withdrawal of advertisements was a serious matter for the *Directory*, not only because of the loss of advertising revenue but because subscribers missed the supplementary media and market information carried in the advertisements, especially advertising rates. In spite of these difficulties the *Directory* survived until 1908, and there is little doubt that Rowell's pioneer efforts to provide advertisers with media-market information, circulation data, and quality ratings constituted a tremendous contribution to the advertising profession and, though somewhat less directly, to publishers of advertising media.

Moreover, the *Directory* was not Rowell's only pioneer contribution to advertising publication. It will be recalled that the

38. Rowell, 1898, p. 9.
39. *Ibid.*

40. Rowell, 1898, p. 1,342.

agency had begun to publish *The Advertisers' Gazette* prior to 1869,

> an advertising sheet . . . devoted to information of interest to advertisers; containing the experience of successful advertisers, together with hints and instructions which will enable inexperienced persons to avoid expenditures which will not prove remunerative; also, a catalogue of newspapers which are especially recommended to advertisers as giving the greatest circulation, value and influence in proportion to the prices charged.[41]

Rowell also published *The American Newspaper Reporter and Printers' Gazette* (1871–88), a weekly house organ distributed to more than 7,000 publishers and printers,[42] and *The Reporter,* which in 1888 was succeeded by *Printers' Ink,*[43] a journal devoted to the "art of advertising" and addressed to "advertisers, and not newspapermen."[44] The new journal quickly became the outstanding trade publication in the advertising field and did much to raise the status of advertising.

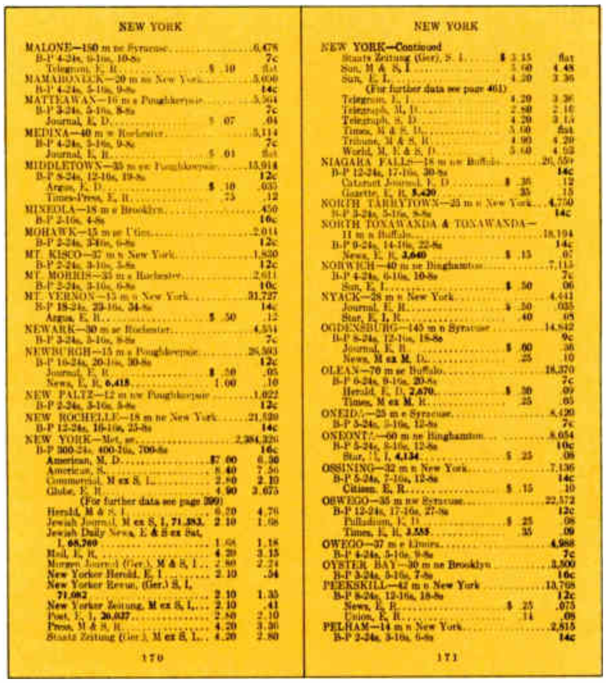
> [*Printers' Ink*] constitutes the largest single influence for betterment of methods and the spread of information on every phase of advertising . . . *Printers' Ink* is George P. Rowell's monument.[45]

If imitation is the surest proof of success, then Rowell's 1869 *Directory* must indeed be judged to have scored a "bull's eye." The first such recognition came within a year with the *Advertiser's Hand-Book,* a publication of Rowell's principal rival, S. M. Pettengill and Company. Other agencies to follow suit included C. A. Cook and Company, Chicago (*United States Newspaper Directory,* 1876–1895); N. W. Ayer and Son, Philadelphia (*American Newspaper Annual,* 1880–1908, *American Newspaper Annual and Directory,* 1909–); Lord and Thomas, New York (*Pocket Directory of the American Press,* 1886–c1920); Charles H. Fuller Company, Chicago (*Advertisers' Directory of Leading Publications,* 1890–c1920); H. W. Kastor and Sons, St. Louis and Chicago (*Kastor's Newspaper and Magazine Directory,* 1895–1930); and the Mahin Advertising Agency, Chicago (*Mahin's Advertising Data Book,* 1900–17). (See Figure III-11.)

Early directories in other English-speaking countries were *The Newspaper Press Directory and Advertisers' Guide,* 1846– (Benn Brothers, Limited, London, England) and *Lydiatt's Book,* 1914–30 (W. A. Lydiatt, Toronto, Canada). *Lydiatt's Book* was outstanding in several respects and was in many ways quite similar in form to the early SRDS publications. It was independent, i.e., not associated with any advertising agency and, by comparison with its contemporaries, exceptionally complete.

All these directories had a common purpose—to provide information useful in the performance of the media-buying function. They also had a similar format. Rates, mechanical data, and market information were organized by states and by population cen-

41. Rowell, 1873, p. 159.
42. Rowell, 1873, p. 148.
43. Presbrey, pp. 276, 278.
44. Rowell, December 1898, p. 687.
45. Presbrey, p. 278.


NEW YORK

NEW YORK

170

171

FIGURE III-11

ters within states. The data were usually presented in a form resembling the conventional newspaper column (Figure III-11). A few publications, notably *Lydiatt*'s, used a tabular form. The latter facilitated comparison of data for various publications but was more expensive to set and was less flexible because of the difficulty of varying the amount and type of information supplied.

It is evident that each publisher was continually searching for additional services which would make his book more popular. Supplementary market data, maps, studies of rate trends, and advice regarding the preparation of copy for the printer were among the types of editorial matter included.

As already noted, an important or even critical aspect of these directories was the advertising they carried. As early as 1873, it will be recalled, Rowell's *Directory* contained 332 full pages of publisher advertising in its total of 596 pages. Much of this advertising had been "purchased" from Rowell's agency by granting that agency rights to advertising space in the purchaser's publication. This exchanging of newspaper space for directory space was a common practice from 1869 to 1917, since all the publications were either directly or indirectly owned and operated by advertising agencies. The typical attitude of publishers toward such directories is suggested by a comment which Jason Rogers, publisher of the *New York Globe*, made in 1919:

> The so-called newspaper directory, the first of which to become an important factor being Rowell's (N. W. Ayer's *American Newspaper Directory*), was a source of annoyance to publishers and a means of graft for the advertising agents. Every year the publishers were urged to take a page in the directories at high rates, to be deducted from business given them.
>
> The agents in many cases went so far as openly to state that they would give preference to the papers giving business to their directories. This, of course, caused resentment among the newspapers, which refused to be blackmailed, and advertisers, whose money was spent to feather the agents' nests and not where it would do the advertiser the most good.[46]

Nor does Rogers' experience as a publisher seem to have caused him to overstate the case against agency directories. Frank

46. Rogers, p. 46.

Presbrey, himself in the agency business, speaking of earlier advertising practices before the seventh annual convention of the Associated Advertising Clubs of America in 1911, said:

> When the time [for advertising agencies] to settle with the publishers came around, the majority of publishers were lucky if they got much except type, ink, or pages in some newspaper directory.[47]

Presbrey's reference to agencies' paying publishers in type or ink reflects another agency practice that was nearly universal prior to 1900—the sale of printers' supplies. Some large agencies, such as Rowell and Ayer, even owned manufacturing facilities for type, ink, or other printers' items. Frequently agencies exerted pressure on publishers to purchase these items or to accept them in lieu of cash payment.[48]

The strength of publishers' antagonism toward newspaper directories is also indicated by the fact that the eminently respectable agency of N. W. Ayer and Son entirely eliminated advertising from its directory in 1914 in an effort to avoid criticism.[49] While such drastic action may have been successful in removing the stigma attached to a directory published by an agency (or the subsidiary of an agency), it was taken at the expense of a considerable loss in revenue and could not fail to affect the variety and quality of services rendered by the publication.

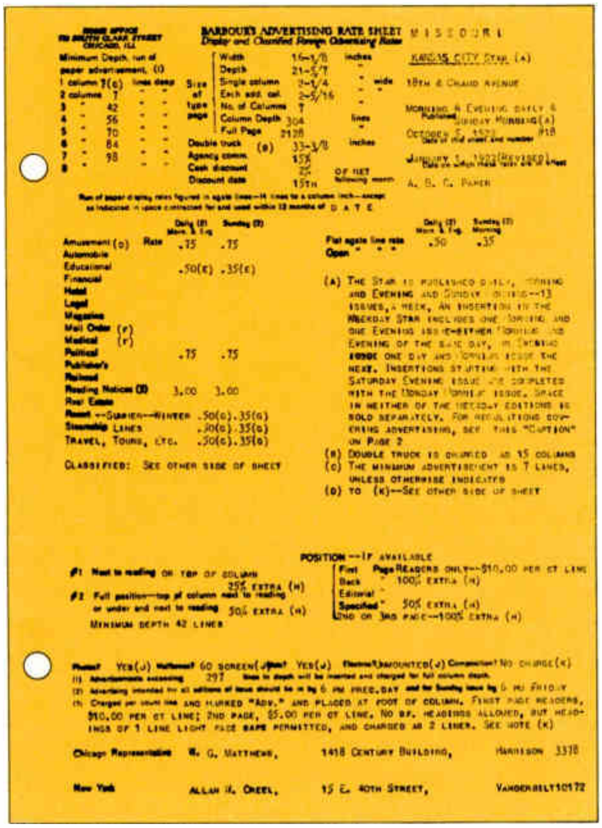
The foregoing account suggests that agency-sponsored directories of newspapers and periodicals were a prominent aspect of the advertising scene in the United States for nearly a half century following 1869. Also clear is the fact that these sources of media information labored under distinct disadvantages. One was the ubiquitous agency sponsorship, which was viewed with a jaundiced eye by publishers. A second disadvantage was that publishers gave considerably less than full cooperation with respect to requests for circulation statements, advertising rates, and other data essential to the media-buying function. With the advent of the ABC (1914) and with some progress toward stabilized advertising rates and standardized rate cards, the stage was set for a new type of service—a service that would not be the pawn of some advertising agency or other special-interest group and that could have as its primary objective the provision of complete, timely, and accurate media information to purchasers of advertising space.

The Beginning of Independent Media Services.—Less than three years after the inauguration of the ABC, a new type of media service, *Barbour's Advertising Rate Sheets*, came into being. Its founder, Justin F. Barbour, had seen the need for the service while employed as a space buyer by the agency of Husband and Thomas, Chicago.

47. *Proceedings of the Seventh Annual Convention of the Associated Advertising Clubs of America*, 1911, p. 188.

48. Hower, p. 84; Rowell's *Directory*, 1873, pp. 584, 594.

49. Hower, p. 86.



BARBOUR'S ADVERTISING RATE SHEET — MISSOURI

KANSAS CITY STAR (A)

18TH & GRAND AVENUE

MORNING & EVENING DAILY & SUNDAY MORNING (A)

OCTOBER 5, 1922 #18

JANUARY 5, 1923 (REVISED)

A. B. C. PAPER

(A) THE STAR IS PUBLISHED DAILY, MORNING AND EVENING AND SUNDAY MORNING—13 ISSUES A WEEK.

(B) DOUBLE TRUCK IS CHARGED AS 15 COLUMNS

(C) THE MINIMUM ADVERTISEMENT IS 7 LINES, UNLESS OTHERWISE INDICATED

(D) TO (K)—SEE OTHER SIDE OF SHEET

CLASSIFIED: SEE OTHER SIDE OF SHEET

POSITION—IF AVAILABLE

#1 Next to reading OR TOP OF COLUMN 25% EXTRA (H)

#2 Full position—top of column next to reading or under and next to reading 50% EXTRA (H)

MINIMUM DEPTH 42 LINES

First Page READERS ONLY—$10.00 PER CT LINE

Back " 100% EXTRA (H)

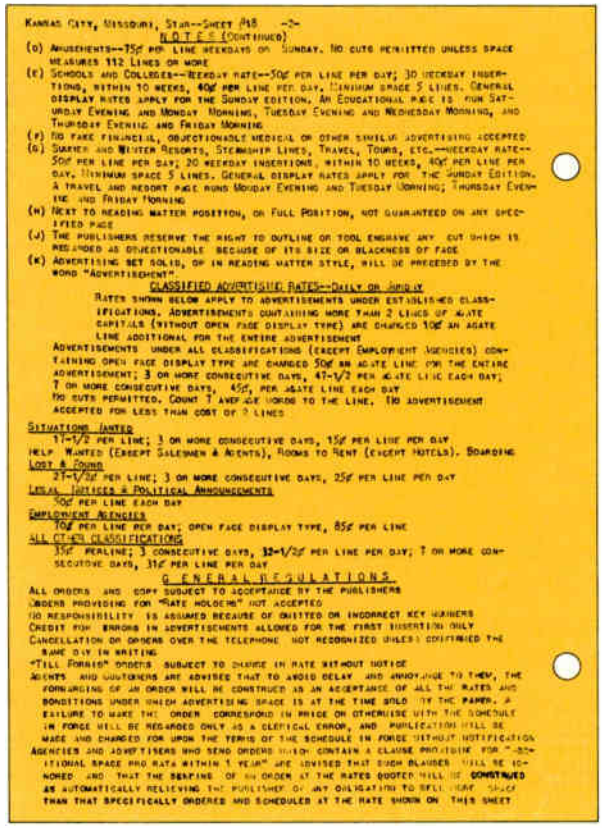
Editorial "

Specified " 50% EXTRA (H)

2ND OR 3RD PAGE—100% EXTRA (H)

(3) Charged per count line AND MARKED "ADV." AND PLACED AT FOOT OF COLUMN. FIRST PAGE READERS, $10.00 PER CT LINE; 2ND PAGE, $5.00 PER CT LINE. NO BF. HEADINGS ALLOWED, BUT HEADINGS OF 1 LINE LIGHT FACE CAPS PERMITTED, AND CHARGED AS 2 LINES. SEE NOTE (K)

Chicago Representative	W. G. MATTHEWS,	1418 CENTURY BUILDING,	HARRISON 3338
New York	ALLAN H. OREEL,	15 E. 40TH STREET,	VANDERBILT 10172



KANSAS CITY, MISSOURI, STAR—SHEET #18 -2-

NOTES (CONTINUED)

(D) AMUSEMENTS—75¢ PER LINE WEEKDAYS OR SUNDAY. NO CUTS PERMITTED UNLESS SPACE MEASURES 112 LINES OR MORE

(E) SCHOOLS AND COLLEGES—WEEKDAY RATE—50¢ PER LINE PER DAY; 30 WEEKDAY INSERTIONS, WITHIN 10 WEEKS, 40¢ PER LINE PER DAY. MINIMUM SPACE 5 LINES. GENERAL DISPLAY RATES APPLY FOR THE SUNDAY EDITION. AN EDUCATIONAL PAGE IS RUN SATURDAY EVENING AND MONDAY MORNING, TUESDAY EVENING AND WEDNESDAY MORNING, AND THURSDAY EVENING AND FRIDAY MORNING

(F) NO FAKE FINANCIAL, OBJECTIONABLE MEDICAL OR OTHER SIMILAR ADVERTISING ACCEPTED

(G) SUMMER AND WINTER RESORTS, STEAMSHIP LINES, TRAVEL, TOURS, ETC.—WEEKDAY RATE—50¢ PER LINE PER DAY; 20 WEEKDAY INSERTIONS, WITHIN 10 WEEKS, 40¢ PER LINE PER DAY. MINIMUM SPACE 5 LINES. GENERAL DISPLAY RATES APPLY FOR THE SUNDAY EDITION. A TRAVEL AND RESORT PAGE RUNS MONDAY EVENING AND TUESDAY MORNING; THURSDAY EVENING AND FRIDAY MORNING

(H) NEXT TO READING MATTER POSITION, OR FULL POSITION, NOT GUARANTEED ON ANY SPECIFIED PAGE

(J) THE PUBLISHERS RESERVE THE RIGHT TO OUTLINE OR TOOL ENGRAVE ANY CUT WHICH IS REGARDED AS OBJECTIONABLE BECAUSE OF ITS SIZE OR BLACKNESS OF FACE

(K) ADVERTISING SET SOLID, OR IN READING MATTER STYLE, WILL BE PRECEDED BY THE WORD "ADVERTISEMENT".

CLASSIFIED ADVERTISING RATES—DAILY OR SUNDAY

RATES SHOWN BELOW APPLY TO ADVERTISEMENTS UNDER ESTABLISHED CLASSIFICATIONS. ADVERTISEMENTS CONTAINING MORE THAN 2 LINES OF AGATE CAPITALS (WITHOUT OPEN FACE DISPLAY TYPE) ARE CHARGED 10¢ AN AGATE LINE ADDITIONAL FOR THE ENTIRE ADVERTISEMENT

ADVERTISEMENTS UNDER ALL CLASSIFICATIONS (EXCEPT EMPLOYMENT AGENCIES) CONTAINING OPEN FACE DISPLAY TYPE ARE CHARGED 50¢ AN AGATE LINE FOR THE ENTIRE ADVERTISEMENT; 3 OR MORE CONSECUTIVE DAYS, 47-1/2 PER AGATE LINE EACH DAY; 7 OR MORE CONSECUTIVE DAYS, 45¢, PER AGATE LINE EACH DAY

NO CUTS PERMITTED. COUNT 7 AVERAGE WORDS TO THE LINE. NO ADVERTISEMENT ACCEPTED FOR LESS THAN COST OF 2 LINES

SITUATIONS WANTED

17-1/2 PER LINE; 3 OR MORE CONSECUTIVE DAYS, 15¢ PER LINE PER DAY

HELP WANTED (EXCEPT SALESMEN & AGENTS), ROOMS TO RENT (EXCEPT HOTELS), BOARDING

LOST & FOUND

27-1/2¢ PER LINE; 3 OR MORE CONSECUTIVE DAYS, 25¢ PER LINE PER DAY

LEGAL NOTICES & POLITICAL ANNOUNCEMENTS

50¢ PER LINE EACH DAY

EMPLOYMENT AGENCIES

70¢ PER LINE PER DAY; OPEN FACE DISPLAY TYPE, 85¢ PER LINE

ALL OTHER CLASSIFICATIONS

35¢ PER LINE; 3 CONSECUTIVE DAYS, 32-1/2¢ PER LINE PER DAY; 7 OR MORE CONSECUTIVE DAYS, 31¢ PER LINE PER DAY

GENERAL REGULATIONS

ALL ORDERS AND COPY SUBJECT TO ACCEPTANCE BY THE PUBLISHERS

ORDERS PROVIDING FOR "RATE HOLDERS" NOT ACCEPTED

NO RESPONSIBILITY IS ASSUMED BECAUSE OF OMITTED OR INCORRECT KEY NUMBERS

CREDIT FOR ERRORS IN ADVERTISEMENTS ALLOWED FOR THE FIRST INSERTION ONLY

CANCELLATION OF ORDERS OVER THE TELEPHONE NOT RECOGNIZED UNLESS CONFIRMED THE SAME DAY IN WRITING

"TILL FORBID" ORDERS SUBJECT TO CHANGE IN RATE WITHOUT NOTICE

AGENTS AND CUSTOMERS ARE ADVISED THAT TO AVOID DELAY AND ANNOYANCE TO THEM, THE FORWARDING OF AN ORDER WILL BE CONSTRUED AS AN ACCEPTANCE OF ALL THE RATES AND CONDITIONS UNDER WHICH ADVERTISING SPACE IS AT THE TIME SOLD BY THE PAPER. A FAILURE TO MAKE THE ORDER CORRESPOND IN PRICE OR OTHERWISE WITH THE SCHEDULE IN FORCE WILL BE REGARDED ONLY AS A CLERICAL ERROR, AND PUBLICATION WILL BE MADE AND CHARGED FOR UPON THE TERMS OF THE SCHEDULE IN FORCE WITHOUT NOTIFICATION

AGENCIES AND ADVERTISERS WHO SEND ORDERS WHICH CONTAIN A CLAUSE PROVIDING FOR "ADDITIONAL SPACE PRO RATA WITHIN 1 YEAR" ARE ADVISED THAT SUCH CLAUSES WILL BE IGNORED AND THAT THE SENDING OF AN ORDER AT THE RATES QUOTED WILL BE CONSTRUED AS AUTOMATICALLY RELIEVING THE PUBLISHER OF ANY OBLIGATION TO SELL MORE SPACE THAN THAT SPECIFICALLY ORDERED AND SCHEDULED AT THE RATE SHOWN ON THIS SHEET

FIGURE III-12

Part of my work involved the use of rate cards. It was here that I first realized the need for complete, up-to-date files. At this time the cards had no uniform arrangement for the information essential to the space buyer. I conceived the idea of a uniform arrangement of information on letter-sized paper that could be filed in a loose-leaf book. To accomplish this, all that was necessary was to gather the rate cards and rearrange the information so that it was standardized.

The service started sometime in the latter part of 1916. By 1917 we had organized sufficient information to commence filling the early subscriptions. As we received new rate cards, we added to the scope of our service.[50]

In addition to the information supplied by the publisher's rate card, Barbour added population data, retail sales, and other quantitative material likely to be of use to the media buyer (Figure III-12). Moreover, *Barbour's Advertising Rate Sheets* were always current. Each month publish-

50. Interview with Justin F. Barbour, Barbour's Investment Service, April 8, 1958.

ers were asked to review a copy of the rate sheet for accuracy, and new copies were sent to each subscriber, to be placed in his loose-leaf binder, as often as changes in rates or other vital data occurred. As a check on the publishers (who sometimes were not at all cooperative), Barbour also arranged to receive notices of rate changes from space buyers in several large advertising agencies.

Beginning with the newspaper section, Barbour's service expanded, so that by the end of 1918 it included a magazine, a farm paper, and a trade paper section. To preserve its independence, and to avoid the stigma attached to the newspaper directories, no advertising was accepted, subscription revenue being the sole source of income. The cost to subscribers was therefore quite high, being initially set at $50 semiannually. As shown in the table below,

BARBOUR'S ADVERTISING RATE SHEETS NEW SUBSCRIPTIONS*
(Primarily of Six Months' Duration)

Month, 1918	No. of Subscriptions	Month, 1918	No. of Subscriptions	Month, 1919	No. of Subscriptions
JANUARY	0	JULY	19	JANUARY	41
FEBRUARY	10	AUGUST	13	FEBRUARY	32
MARCH	5	SEPTEMBER	11	MARCH	53
APRIL	5	OCTOBER	12	APRIL	40
MAY	23	NOVEMBER	33	MAY	45
JUNE	17	DECEMBER	23	JUNE†	31
TOTALS	60		111		242

*Source: Cash Journal for 1917-19, Barbour's Advertising Rate Sheets; from the files of Standard Rate and Data Service.
†Includes a $500 advance payment from Procter and Collier Advertising Agency, Cincinnati, Ohio.

FIGURE III-13

Barbour's subscribers as of June 1919, the date when SRDS entered the field, numbered approximately 250, most of them large advertising agencies.

Although the service conceived by Botthof and Beirnes was not identical with that of Barbour, the two were sufficiently similar to create a rivalry, and it was to be expected that struggle for supremacy would ensue. In this struggle Barbour had the advantage of priority and an entrenched position with influential agencies. Furthermore, Barbour's subscription list in June 1919, though not large in relation to the potential market (approximately 1,000 advertising agencies plus newspaper representatives, national advertisers, and large publishers), had a record of steady growth and had been subscribed to by virtually all the members of the 4-A's. While Barbour's company did have certain pressing financial difficulties—as of early 1919 it had not yet reached the break-even point in its operations—this fact was not known to Botthof and Beirnes at the time that they launched SRDS.

All things considered, then, it was natural for the managements of SRDS and *Barbour's Advertising Rate Sheets* to regard one another with a keen sense of competition. Almost from the outset, it had the character of a struggle from which only one would survive.

IV

Starting the Business

In October 1918, Walter Botthof and Al Beirnes began an enthusiastic canvass of possibilities for starting their own business. It was to be more complete—in both number of media listings and the information provided for each publication—than Stalker's *Universal Rate Sheet* and was to include business magazines in addition to the newspapers, farm papers, and consumer magazines listed by Stalker. An early step was the preparation of a rough layout, or "dummy," to see how the data for the various media might be organized. Convinced that the information could be presented satisfactorily, they turned their attention to the knotty problem of getting the new business under way.

During October, November, and December these efforts were conducted on a part-time basis, since each of the men was continuing in his current position—Beirnes with Stalker and Botthof with Payne. Then, in January 1919, G. Logan Payne went to California to recover from an illness and asked Botthof to come to Chicago to run that office in addition to the Detroit operation. Although this event complicated their affairs, Botthof and Beirnes were able to complete a rough outline of a proposed quarterly publication. The planned coverage—daily newspapers, agricultural papers, general magazines, and business journals—would probably require some 3,000 tabulated listings, each of which would run the width of two pages. At approximately 100 listings per double-page spread, the publication would contain 60 pages. With typesetting costs estimated at $40 a page and printing costs at $2,500 for an issue of 1,000 copies, the expense of publishing the first issue, exclusive of editorial and other costs, would be nearly $5,000. To this would be added the cost of organizing the business, gathering the data, the editorial work involved in getting out the first issue, postage, and sales expenses. Editorial work and printing charges for the three succeeding quarters were estimated at $2,500 per issue, or $12,500 for the first year ($5,000 for the first issue plus $7,500 for the remainder). General selling and administrative expenses were estimated at an amount equal to publication costs, making $25,000 the estimated cost of the first year's publication. This would be met, the partners thought, by some 600 subscriptions at $15 each ($9,000), plus advertising revenue averaging $4,000 per issue. Any revenue from subscriptions or advertising in excess of these amounts would represent profit. A rough cash budget suggested that about $10,000 in capital would see the company through its first year.

These plans were impressive to their creators, but by December they had not yet raised any outside funds for the new business. Neither Botthof nor Beirnes had a clear idea of how to go about obtaining $10,000 in capital. Personal assets that might be used as collateral were negligible. Their families were of modest means, and their close acquaintances, other than men met in the ordinary conduct of business, did not include persons of more than moderate wealth. Yet, as is usually the case, the two young men did turn first to their close acquaintances and friends. The results were not auspicious. Botthof recalls:

> In spite of my great faith in the success of the venture upon which we were to embark and in spite of my confident belief that I could convince others of the need for such a service and its profit potentialities, instead of financial support I received a lot of free advice: "It'll never work." "You have a good job. Why take a chance?" "You're foolish. I wouldn't put any money into it." These and similar remarks by some of my old friends of that day have since been recalled by some of the persons who made them. Later they sang a song of regret: "What a fool I was!"

When Botthof discussed his trials and tribulations with his family, his sister and his father-in-law offered to invest small amounts, the former $300 and the latter $500. But these offers Botthof did not wish to accept because they would represent an investment not in the idea of the new service but rather in Botthof himself. Funds received under such circumstances, he reasoned, would be a worry. He knew his family could ill afford to lose the money. Perhaps their investments could be accepted later if outsiders came in, but not now. It was decided, therefore, that Beirnes would join Botthof in Chicago in January 1919 and that the two would call on various businessmen of Botthof's acquaintance in an attempt to obtain financial support. The results of two days of interviewing, however, were uniformly disappointing.

With their Chicago contacts fairly well exhausted, the partners decided to place a classified ad in the *Chicago Tribune.* Botthof describes the results:

We got a few replies, and everybody who responded (they were all strangers to us) did have money to invest. But they wanted either to control the business or to own it outright. So our second brilliant idea for financing the venture fizzled out, and we were back where we started, although perhaps a little wiser.

It was at this low ebb in their fortunes that Max Hammel, promotion manager of the Terre Haute, Indiana, *Tribune*, called at the G. Logan Payne office. Botthof received him, thinking that he was there on a regular business visit in the interest of the *Tribune.* But it developed during the conversation that Hammel was about to retire, and the meeting proved to be most fortuitous:

Although I had never met Mr. Hammel before, there had developed between us a feeling of mutual respect based upon the kind of representation I had given the Terre Haute *Tribune* through my Detroit office and on the kind of local service he had rendered as an aid to my getting quite a number of contracts for the paper. We got into a broad discussion of personal ambitions. I revealed to him that I too planned to resign from my present position, but, of course, instead of retiring I was going to embark on a business venture of my own.

G. Logan Payne's office, with a lot of other people around, was not the place to discuss this kind of a subject, so he invited me over to his room in the Grant Hotel, where we could talk freely. He inquired about my financial status and my family life in general. This brought out the fact that my bank balance was nothing to boast about and that I had a wife and two children to support.

Right or wrong, he made this statement to me: "Do you realize, Walter, that 93 per cent of all the people who go into business fail?" The thought of failure was the thing farthest removed from my mind. Like most young people with ambition and great faith in an idea, I could think only of success. And fortunately, though lacking broad experience in the business world, I did possess a tremendous amount of energy, enthusiasm and faith. Hard work would be no barrier to ultimate success in my make-up.

In the course of this intimate discussion, Mr. Hammel suddenly stood up, took off his coat and vest, put them on a chair, loosened his belt, dropped his trousers to the floor, and stood before me in his long underwear. Then to my continued amazement, he raised his shirt and exposed a wide belt around his waist. This belt, I noticed immediately, had numerous pockets in it. He unsnapped one of these and drew out a roll of $1,000 bills. He removed one bill and replaced the rest.

Then Mr. Hammel restored his trousers, sat down, and began to tell me a little story. As best I can recall, it ran something like this:

"Walter, you have a wife and two children who must be maintained from week to week, and you have no money in the bank. Have you any idea, after you resign your position with the G. Logan Payne Company, how long it will be before you have a steady source of income in this new business? Do you realize that no matter how hard you are willing to work or how good your idea may be, your very downfall—your failure—could result from the fact that you have no means of keeping the wolf from the door in the interim?"

I was not sure that I had given that too much thought.

He then said to me: "You are going to need a little bank account, and I want you to take this thousand dollars and remember the part that Max Hammel played in your success. I believe in your idea. I believe in you, and I believe you will succeed, but you will need some money to carry you over."

I was almost speechless. I could not believe that anyone so far removed from my life could have such faith in me.

I refused the money on the grounds that it would bother my conscience and could actually hamper my success because I would be constantly aware of the fact that I owed Mr. Hammel $1,000. He actually pleaded with me to take it, but when he realized that I meant what I said, he reopened his belt pocket, tucked the $1,000 bill away, opened another one, and pulled out a $500 bill. After some further but less determined objections, I finally took the $500. This was a personal loan, but nevertheless I subsequently sent him a stock certificate for five shares of stock at $100 par value as evidence of this indebtedness.

Mr. Hammel also told me, in the course of our conversation, that he was going to set up a small advertising agency in Los Angeles to get his son started in business, and I assured him he would always receive *Standard Rate and Data Service* without charge. Incidentally, he was the only subscriber in the history of our business who has ever received the service without paying the full price for it.

The sequel to this event was that after a number of years, when we were ready to buy out the minority stockholders—I believe it was at the rate of four for one—I notified Mr. Hammel and he immediately returned his stock in exchange for a check for $2,000. He explained then that he would not have accepted a check for an amount larger than the amount he had given to me except for the fact that he had had some financial reverses in the interim.

In late February 1919 G. Logan Payne returned to Chicago, and a somewhat encouraged Botthof went back to his post at Payne's Detroit office. A period of soul searching and reappraisal followed, as the result of which Botthof decided to burn his bridges behind him. He notified Payne that he intended to go into business for himself and that a replacement at Detroit would be needed within two months. Beirnes did the same with Stalker. Now that the decisive step was taken, the atmosphere around them seemed to change. Perhaps the key factor in their brightening prospects was the response from Elmer E. Gallogly, president of the Morse Advertising Company in Detroit and proprietor of the Herpicide Company, manufacturer of a widely advertised "hair restorative." Botthof reports that through his work as G. Logan Payne's newspaper representative,

> I not only cultivated their (the advertising company's) media buyer but also Mr. Gallogly himself, and I had the feeling that he felt kindly toward me—that he had "taken a shine to me." After my unsatisfactory experiences with strangers, I finally decided I would turn to men like Mr. Gallogly, men who I knew were rather wealthy. I told him my story, and I told him that I wanted to sell a 50 per cent interest in the business. As a matter of fact, it could be that as a naive youngster I may foolishly even have said 51 per cent. I don't know how much money I would have expected for a 50 per cent interest because there was still no company as such, but there was a lot of value in the money I wanted from him.

Fortunately Mr. Gallogly was an honest

man. When I was through, he said to me, "Now, young man, you don't want to sell me a 50 per cent interest in your business for any amount of money I might give you. Perhaps I couldn't buy it, perhaps I wouldn't want to buy it, but you've been a hard-working chap. I've admired you, and you ought to get yourself set up in your own business."

Without much further ado he touched a button. His secretary came in, and he said to her, "Make out a check to Walter Botthof for $2,000." Of course I was flabbergasted. That sum looked big to me, and I figured it would carry us for quite some time. So I took the $2,000, expressed my thanks overflowingly, and said to him, "Now, Mr. Gallogly, you will want some evidence of your loan, so as soon as we have incorporated I'm going to send you a stock certificate, evidencing this loan, in the amount of 20 shares at $100 par value." He said to me, "Young man, I didn't ask you for any evidence of your indebtedness to me. You came to me with a story. You wanted some help. I've given it to you. When you can pay it back, you pay it back. That's all I ask."

Gallogly was equally magnanimous a few years later when the interest of the minority stockholders was bought out. He had refused to accept either the stock set aside for him or the dividends declared thereon. When the other stock was being retired, therefore, Walter Botthof proudly called on Gallogly in Detroit with two checks, one for $2,000 and one for interest at 6 per cent.

Mr. Gallogly thanked me for my honesty, and then asked, "What is the other check?" When I told him that this was the interest his money had earned, he tore the check into bits and put them into my hand, saying, in effect, "Perhaps the greatest glory we get out of life is that which comes from helping others, with no thought of reward."

But even Gallogly's grand contribution was overshadowed by the next event—the enlistment of support from several men connected with *Detroit Saturday Night,* a weekly publication. Since G. Logan Payne represented *Detroit Saturday Night,* Botthof had met its business manager, Fred C. Veon, soon after coming to that city. Veon had been most helpful in giving him pointers on selling space, and they had become good friends. It was largely through Veon's good offices that two other men on the paper—H. L. Nimmo, publisher and editor, and E. C. Cox, secretary and treasurer, became interested in helping Botthof and Beirnes. Besides subscribing for a combined total of $2,250 in stock, these men provided office space in the Saturday Night Building in Detroit and an introduction to J. J. Coulter, manager of the Saturday Night Press, a typesetting and printing establishment in which Nimmo had a substantial financial interest. The Saturday Night group thus provided assurance of funds, office space, publishing know-how, and a printer. Clearly, their support was of great importance to the two struggling entrepreneurs.

Close friends and relatives of Botthof also pledged modest sums, and the total cash advanced or pledged grew to some $5,000 by March 1919. (See Figure IV-1 for a list of the company's stock acquisitions.) On the advice of John Shields, the new company's attorney, and Frank J. Heydon, a

STOCK ACQUISITIONS OF THE B. & B. SERVICE CORPORATION
February 1919—July 1919*

NAME	IDENTIFICATION	STOCK SUBSCRIPTION AMOUNT	STOCK SUBSCRIPTION DATE
CHARLES K. BARTOW	AUDITOR, MERCHANTS NATIONAL BANK OF DETROIT	$ 100.00	4/3
CHARLES K. BARTOW		50.00	6/17
CHARLES K. BARTOW		50.00	7/12
ALVIN E. BEIRNES	B AND B SERVICE CORPORATION	500.00	2/12
WALTER E. BOTTHOF	B AND B SERVICE CORPORATION	500.00	2/12
EDGAR C. COX	SECRETARY-TREASURER, DETROIT SATURDAY NIGHT	500.00	3/18
EDGAR C. COX		500.00	7/26
JANE DEMPSEY	B AND B SERVICE CORPORATION	500.00	6/3
ELMER E. GALLOGLY	PRESIDENT, MORSE ADVERTISING, DETROIT	250.00	3/25
MAX J. HAMMEL	PROMOTION MANAGER, TERRE HAUTE TRIBUNE	250.00	2/24
FRANK J. HEYDON	LAWYER, DETROIT	96.10	3/14
M. LAURY	MOTHER-IN-LAW OF WALTER BOTTHOF	294.05	2/24
M. LAURY		200.00	6/9
ELSA MOSS	SISTER OF WALTER BOTTHOF	150.00	2/24
HARRY M. NIMMO	PRESIDENT AND EDITOR, DETROIT SATURDAY NIGHT	1,000.00	6/3
GEORGE W. RIDENOUR, M.D.	ACQUAINTANCE OF WALTER BOTTHOF	191.80	3/3
GEORGE W. RIDENOUR, M.D.		49.06	3/14
GEORGE W. RIDENOUR, M.D.		259.14	6/9
JOHN C. SHIELDS	LAWYER, GENERAL ATTORNEY FOR PERE MARQUETTE RAILWAY	250.00	4/11
FRED C. VEON	GENERAL MANAGER, DETROIT SATURDAY NIGHT	250.00	3/24
TOTAL		$5,940.15	

*Sources: Cash Journal and Minute Book, 1919, Standard Rate and Data Service Files, Detroit City Directory, 1919.

FIGURE IV-1

member of a Detroit law firm, application was now made to the state of Michigan for a corporate charter. Capital stock was set at $20,000, and 200 shares of stock, par value $100, were authorized. Botthof and Beirnes each subscribed to 100 shares, thus gaining absolute control of the enterprise. The two entrepreneurs then sold portions of their holdings to the subscribers. These sales allowed Botthof and Beirnes to make additional payments on their own subscriptions and brought nearly $6,000 into the corporation by June 1919. The purpose of the corporation was described as:

> . . . the publication, circulation, sale, and distribution of the *Standard Rate and Data Quarterly*, a systematized compilation of advertising rates, circulation data, and general advertising information, together with the sale of advertising space therein.

The corporate charter was granted to the B. and B. Service Corporation on February 14, 1919, and the first formal meeting was held 10 days later. Botthof and Beirnes, their wives, and F. J. Heydon were elected temporary directors to fill the five positions authorized by the charter. The first officers and their annual salaries were Walter E. Botthof, president, $5,200; Alvin E. Beirnes, secretary-treasurer, $5,200; and J. J. Coulter, assistant treasurer, $1. Coulter, "watchdog" for the interests of the *Detroit Saturday Night* group, had to countersign all disbursements of the new company's funds.

The initial phase of the business, that of collecting and collating the basic statistical information for the new service, could now begin. This required that newspapers and magazines throughout the nation submit to the new service their rates, circulation statements, mechanical requirements, and other basic facts necessary to prepare an advertising schedule. Because of possible anticipation and duplication of their proposed service by others, Botthof and Beirnes thought it best to request the information without divulging the true nature of their interest. As a disguise they requested the information on the letterhead of the then unknown B. and B. Service Corporation over the signature of a fictitious person, one

F. C. Long, and gave a Detroit post office box as the return address.

The response to their more than 3,000 inquiries was greater than either Botthof or Beirnes had anticipated. Not only were the rate cards returned by the basketful, but word of the wholesale request for rates by the B. and B. Service Corporation and the equally mysterious F. C. Long spread like wildfire among newspaper and magazine representatives. Thinking that a major advertiser must be collecting information for a nation-wide promotional effort and desirous of having their publications included in the program, special representatives descended on Detroit like a horde of hungry wolves, only to find no trace of the quarry. Forty years later Botthof recalled their reaction vividly and with mixed feelings:

> I had been a newspaper representative myself, and I knew what it meant to have a general request of this kind reach the offices of every newspaper publisher in the country. We had anticipated that publishers would be burning up the wires to their representatives, spurring them on to Detroit to obtain a full report on this new advertiser. Nor were we unmindful of the likely consequence when these representatives reached Detroit only to find that the B. and B. Service Corporation had used a blind address and Mr. Long was not to be found anywhere.
>
> It was a calculated risk that we had to take, for to have revealed our plans in advance would have tipped our hand to Barbour and Stalker. Moreover, premature disclosure of our plans would have militated against us, since it would be months before we would be ready to make a formal announcement.
>
> Once the official announcement was made some months later, I became the unenviable target of a lot of my friends and associates in the representative business whose day of satisfaction had finally arrived. Some of the epithets fired in my direction were anything but complimentary. Since this was to be expected and since there was cause for their wrath, the only basis for self-defense was a plea of "guilty" supported by a logical statement of the competitive situation as just set forth.
>
> This proved to be a master stroke of strategy, with all the psychological effects in our favor. We did not think of it in terms of strategy at the time. To pretend that we did would be tantamount to a claim that we had planned more scientifically than was actually the case. In simple honesty I feel compelled to say that we viewed the mailing of letters asking for rates and other information as a necessity, the first step toward our ultimate objective, and in the absence of any strategy we went about the task in the only way we knew how.

For an office in which to process the information contained on these 3,000 rate cards, Botthof's close friend Fred Veon prevailed upon H. M. Nimmo to donate space in the warehousing section of the Saturday Night Building (which also housed the *Detroit Saturday Night* and the Saturday Night Press). There, screened from view by a temporary wall, in late April 1919, the company's first full-time employees, Miss Jane Dempsey, Mrs. M. Beirnes, and later Miss R. Fenton, began arranging the data in tabular form.

In this same month—with a regular payroll to meet, expenses of materials accumulating, and their own employment with

Payne and Stalker, respectively, soon to terminate—Botthof and Beirnes found their financial outlook rather bleak. True, they had a mass of rate cards, the contents of which were being summarized and prepared in tabular form ready for typesetting, but the company's bank account was down to $748.40, and there remained several major problems: soliciting subscriptions from some 1,000 agencies throughout the country, selling advertising space, and, finally, printing and distributing the first issue. The first two of these tasks would require substantial time and travel expense if personal selling effort was to be used as planned, and the last would certainly involve several thousands of dollars for typesetting alone.

During April and May, Botthof and Beirnes continued in their respective jobs with Payne and Stalker, devoting only evenings and weekends to their new business. It proved to be quite a struggle to do justice to both the demands of their employers and the joint venture. If anything, work on the Service went forward more slowly than was desirable, for neither wished to shirk his primary responsibility. On June 1, this dual role would be ended, but so would the only assured income of either partner. Mid-May found the end of the statistical work of the B. and B. Service Corporation in sight. Because many changes in rates and other data were occurring almost daily in so large a list, it was imperative that the material be put into print and distributed in the near future. If publication were long delayed, the accumulated changes would be so numerous that they would tend to discredit the new publication before it was fairly begun.

As mentioned earlier, H. M. Nimmo, publisher of the *Detroit Saturday Night,* also had a substantial interest in a typesetting and printing service, the Saturday Night Press, located in the Saturday Night Building. J. J. Coulter, general manager of the Saturday Night Press, agreed to set type, using the monotype process, on credit.

The setting of type for a statistical service such as that planned by Botthof and Beirnes was (and is) a very costly procedure. The labor cost for setting numerical materials is much greater than for an equivalent amount of text material. Even in 1919 the materials, labor, and overhead costs of the Saturday Night Press amounted to some $300 for each *Standard Rate and Data Quarterly* "form," i.e., the number of pages of type contained in a rectangular steel or iron frame (chase) into which the type and the brass rules (horizontal dividers) for eight pages were set, later to be locked and placed on a press for printing. Much of this expense was in the nature of a capital investment, however, because it was planned to maintain the SRDQ pages in galley form, making changes in rates and other data as they occurred and re-using the unchanged type matter in successive issues of the publication. The initial expense was therefore quite high compared with the cost of subsequent runs.

Coulter grew quite worried as the pieces of type for the Service accumulated in his print shop during early May 1919, especially since new material continued to be sent down daily from the small office behind the partition on the third floor of the building. Finally Coulter cornered Botthof and demanded to know what financial assurance he and Beirnes would give. Botthof had hoped this question would not arise, since he and Beirnes had about exhausted their meager financial resources and, if Coulter should refuse to extend credit, they would be at an impasse. Coulter could no longer be put off, however, so Botthof proposed that Coulter make up a dummy and pick out six Detroit advertising agencies, saying, "If I come back with six subscribers, will you continue until we can publish the first issue?" Coulter agreed to run the dummy, selected six agencies, and Botthof was soon on his way.

As Botthof recalls his first sales calls for SRDQ, he was so confident of the value of the publication in relation to its very nominal subscription price ($15 a year, issued quarterly) that he had no qualms or misgivings whatever. His experience as advertising manager for the Peoria *Transcript*—and especially as space salesman with G. Logan Payne—had provided so much evidence of the need for the proposed SRDQ volume that he simply *knew* that agency personnel not only could be convinced of its merit but would actually welcome it. This is not an unusual state of mind for an entrepreneur, of course. What is unusual is the fact that Botthof's initial sales experience confirmed his highly optimistic feelings. Every sales call he made resulted in a subscription, and within 24 hours he presented Coulter with the evidence.

Since their last conversation, however, Coulter had added another prerequisite—evidence that advertisers would support the new publication in sufficient volume to make it pay. This was a very reasonable request. It was quite apparent that even if half of the nation's estimated 1,000 advertising agencies subscribed at $15 a year, the resulting income of $7,500 would not support the publication. Moreover, Botthof had explained earlier that the major portion of SRDQ revenue would have to come from the sale of advertising space. Botthof was just as confident of the advertising appeal of the publication as of its appeal to subscribers, but he had thus far sold space to only one publisher—none other than the *Detroit Saturday Night*, which had taken the inside back cover at $100 for the first issue. Coulter, thinking of the interest of Nimmo and others of the Saturday Night Press in the new venture, told Botthof that this was not very convincing evidence. He did say, however, that if a major metropolitan newspaper, such as the *Chicago Tribune*, could be sold, he would be quite favorably impressed and would see the publication through on a credit basis. Botthof was well aware that, although the *Chicago Tribune* had a large advertising budget and a policy of purchasing back covers on business and other publications, its advertising department was also known for astute space buying. He could see, therefore, the logic of

Coulter's request, and he could also see that it would be a great advantage if, when calling on other publishers, he could report that SRDQ had in hand a substantial advertising contract from the *Chicago Tribune*.

Arriving in Chicago, Botthof stopped in to see his recent employer, G. Logan Payne, at the latter's request. After inquiring about Botthof's progress, Payne forecast failure and urged him to rejoin the company. This plea being of no avail, Payne asked about Botthof's immediate mission in Chicago and, learning that he was about to call upon the *Chicago Tribune*, offered to wager $10 that no sale of advertising would result. Botthof accepted.

With this challenge to spur him on, Botthof made his way to the Tribune Building and into its advertising department. There he discovered that he had a major sales problem in simply identifying the proper person to whom to present his story:

I didn't know who the man was that I had to see about advertising in the *Standard Rate and Data Quarterly*. I merely took a shot in the dark and called on someone in the advertising department who might get me off to a good start. After hearing a part of my story he stopped me and referred me to a second man. The same thing happened with him. He referred me to a third man. Same thing happened again. He referred me to a fourth man. I asked whether this was a run-around, or words to that effect. I recall very distinctly that I was a little disturbed over the fact that I was being sent from one to another. This last gentleman said, "No, what you're trying to sell to us is something we wouldn't have the authority to buy. It's something brand new, and you will have to talk to Mr. James Cleary, the manager of our business survey department."

Botthof and Beirnes had previously agreed that the asking price for the back cover should be $250 for each of the quarterly issues. James Cleary listened to Botthof's entire presentation and then asked what circulation SRDQ had to justify a price of $250 for the back cover. Botthof recalls:

I held up my hand, and he said, "What does that mean—500 or 5,000?" I said, "That means just five." I actually had six, but I used that one-hand gesture to make my point. Then he said I had a lot of nerve to ask such a price when I could guarantee only five subscribers. I then said it was actually six. "But," I said, "Mr. Cleary, you are buying a value for the future, not for today. I have just started on this idea. I really haven't had time to get any subscriptions, but I'm in Chicago today for the first time to call on a lot of advertising agencies, and before I leave here I will report my success in getting subscriptions from these advertising agencies."

He was very much interested in that, of course, and in the report that I would be able to make before I left town. It was really not until I was about to leave that I appreciated how fortunate I was in finding Mr. Cleary in that position. As we parted, he said, "I have often realized the value of a service such as you propose, and have wondered when someone would come up with it." Some days later, when I was ready to leave town, I called him on the phone and told him that I had sold nine out of 10 advertising agencies I had called on.

With that, Cleary agreed to take the back cover for the remainder of the year at the price asked, and Botthof reports feeling a degree of elation seldom equaled in his lifetime. Not only had a major advertiser accepted the new publication virtually on faith, but the *Tribune* had given SRDQ the vote of confidence that would enable Botthof confidently to solicit further advertisements. As a major competitor, Justin Barbour of *Barbour's Advertising Rate Sheets,* commented in an interview some 40 years later (March 15, 1958), "There was a great psychological advantage in having the advertising from the *Tribune.*" (See Figure IV–2.)

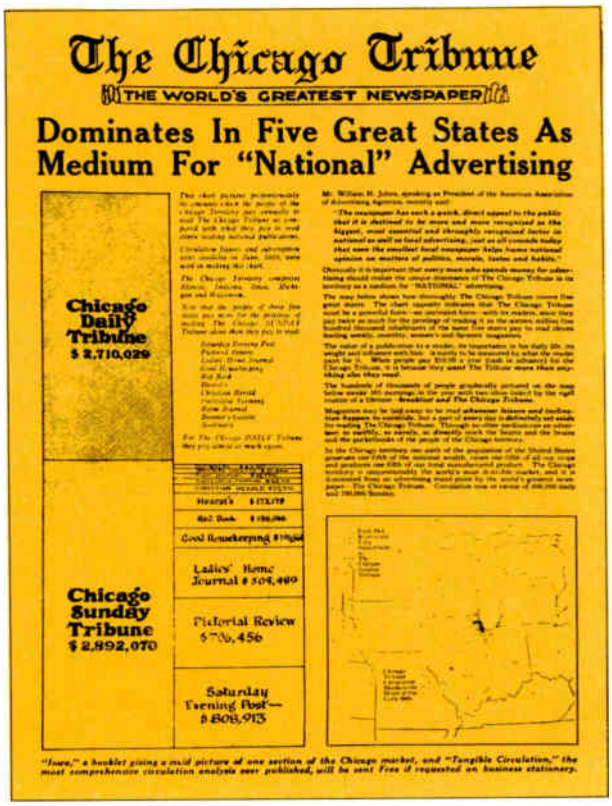


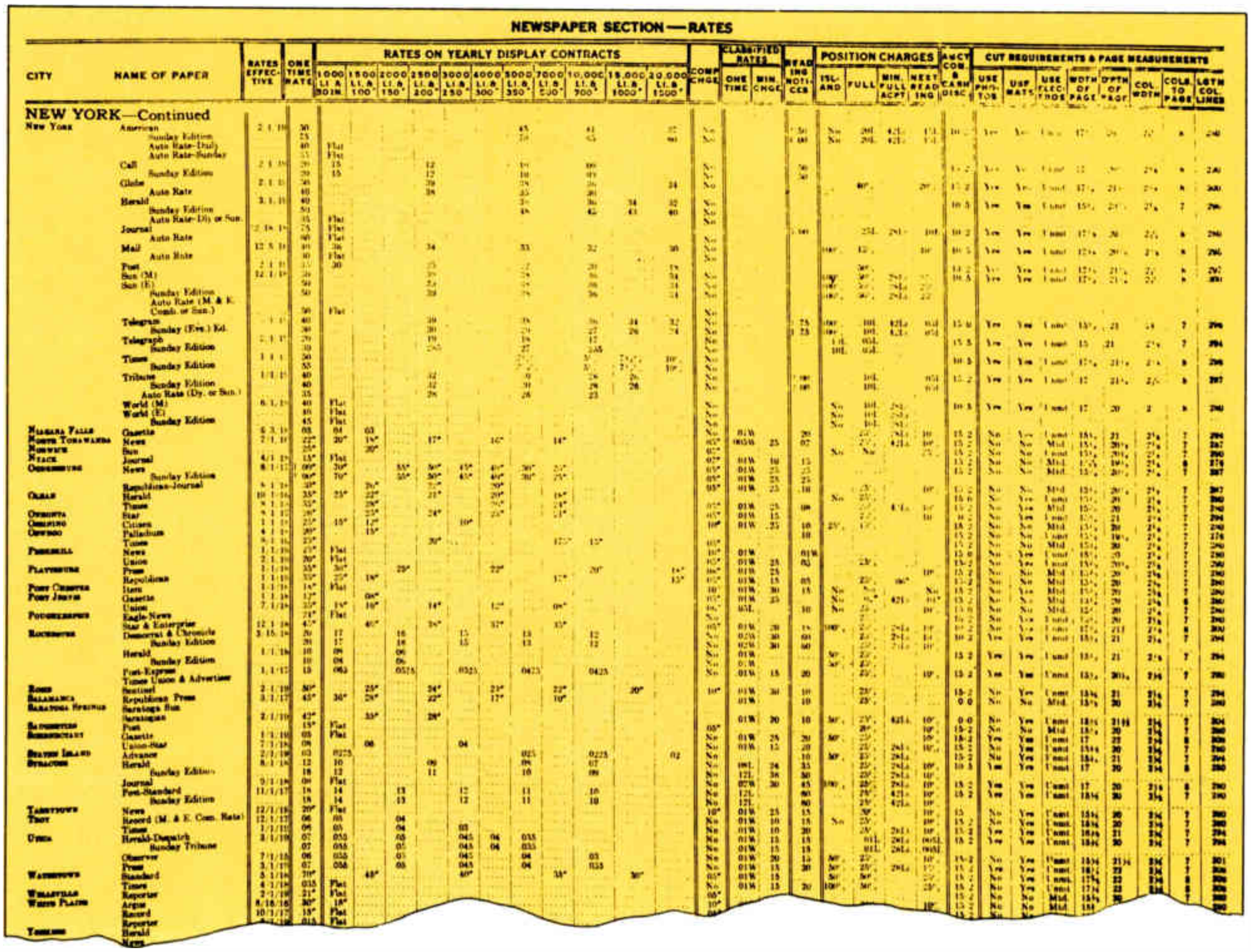
Figure IV-2

It is interesting to note that when SRDQ became a monthly publication in October 1919, a new contract for the back cover was negotiated with the *Chicago Tribune* for $2,400 a year, effective from January 1920. In what proved to be a farsighted gesture, SRDQ published a *Tribune* advertisement on the back covers of the November and December 1919 issues without charge. This accommodation, which must have seemed magnanimous at the time, helped to build a long-term relationship, one evidence of which is that the *Chicago Tribune* has advertised on every back cover of the SRDS newspaper book since its first issue.

The high price, in relation to circulation, that publishers were willing to pay for space in the new SRDQ was based upon Botthof's explanation of the very selective use expected of the publication. "It will be referred to by exactly the right men, that is, media buyers and other agency men involved in the buying decision, at exactly the right time, that is, when advertising programs are being constructed."

Following the successful sale of the back cover in June 1919, very little time remained to solicit subscriptions and advertising for the first issue if it was to appear as planned on July 1. Moreover, the partners knew that the soliciting of subscriptions would have to be given top priority if SRDQ were to develop the broad base of agency circulation that would cause additional publishers to support the Service with advertising. An extensive, nationwide, personal sales campaign to obtain subscriptions was impractical in view of the limited time remaining and also the cost involved. Direct-mail advertising was, therefore, decided upon as the principal means of obtaining initial subscriptions to SRDQ. In addition, Botthof went to New York, then as now the center of the advertising world, and called on advertising agencies up one side of a street and down the other, selling subscriptions and sandwiching in an occasional call on publishers to sell advertising. Meanwhile Beirnes was striving to keep abreast of the 1,000 and one factors that attend the launching of any new publication—proofreading, subscription lists, mailing arrangements, and so forth.

When Volume 1, Number 1 of *Standard*



NEWSPAPER SECTION—RATES

CITY | NAME OF PAPER | RATES EFFECTIVE | ONE TIME RATE | RATES ON YEARLY DISPLAY CONTRACTS | COMP. CHGE. | CLASSIFIED RATES: ONE TIME, MIN. CHGE. | READING NOTICES | POSITION CHARGES: ISLAND, FULL, MIN. FULL ACPT., NEXT READING | AGCY. COM. & CASH DISC. | CUT REQUIREMENTS & PAGE MEASUREMENTS

NEW YORK—Continued

FIGURE IV-3

Rate and Data Quarterly went into the mails on June 30, 1919, only 163 paid subscriptions had actually been received. (See Figure IV-3.) After publication, occasional copies were also sent out to prospective subscribers as samples, but the principal means of selling advertising space and subscriptions continued to be direct mail solicitations and Botthof's personal calls.

The First Milestone.—With the mailing of the first issue of SRDQ a notable milestone in the history of the Service was achieved. Two young men, virtually without financial resources and with limited managerial experience, had formed a company to publish a new and different service. They had raised nearly $8,000 in capital, collected and edited sufficient statistical data to fill almost 70 pages of a portfolio-sized magazine, sold some $2,800 worth of subscriptions and advertising space prior to publication, and printed and distributed nearly 1,000 copies of their book. This was a tremendous accomplishment; yet many problems remained to be solved, problems of a more serious nature, perhaps, than those yet encountered.

As of June 30, 1919, the company's accounts payable amounted to $10,978.10; its cash and receivables, only $2,445.70. The bill of the Saturday Night Press for setting and printing the first issue was $5,428.78; the prorated revenue from the first issue amounted to only $961 (163 subscriptions at $15 each, divided by four issues, and $1,400 in annual advertising contracts, divided by four issues). It was not difficult to perceive that the publication depended for survival upon increasing both sources of revenue, substantially and soon. Moreover, the vote of the market place—in the form of agency and publisher reaction—was not in, and the reaction of competitive publications or services was still unknown. Small wonder, then, that as Botthof and Beirnes celebrated the birth of SRDQ on the night of June 30, 1919, their thoughts lay with the future more than the present.

V

The Crucial Years, 1919-1920

ALTHOUGH the first issue of ***Standard Rate and Data Quarterly*** was en route to its subscribers in early July 1919, its creators, Botthof and Beirnes, had no opportunity to relax. Since the publication had fewer than 200 subscribers and only two advertisers, the earned revenue of the first issue was extremely limited—only about $1,000, or less than two fifths of the mechanical costs of publication on a regular quarterly basis (see Figure V–1). It was evident that between July 1 and the closing date for the October issue ways must be found to increase radically both advertising and subscription revenue. Because the value of the publication as an advertising medium depended on its subscriptions from media buyers, it was particularly important that the subscription list be greatly expanded as soon as possible. The urgency of the situation was made almost painfully clear to Botthof and Beirnes by the company's current position—current liabilities of

PROJECTED STATEMENT OF INCOME AND EXPENSE
FOR ONE YEAR'S OPERATION FROM AUGUST, 1919
Basis: Quarterly versus Monthly

EXPENSE	QUARTERLY PUBLICATION		MONTHLY PUBLICATION	
	PER ISSUE	TOTAL	PER ISSUE	TOTAL
PRINTING	$2,000	$ 8,000	$2,000	$24,000
EDITORIAL	2,500	10,000	1,000	12,000
GENERAL ADMINISTRATION	1,250	5,000	500	6,000
SELLING	3,000	12,000	1,000	12,000
TOTAL EXPENSE	$8,750	$35,000	$4,500	$54,000
INCOME				
SUBSCRIPTIONS				
1,000 AT $15 PER YEAR	$3,750	$15,000		
1,000 AT $30 PER YEAR			$2,500	$30,000
ADVERTISING				
¼ PAGE, 25 INSERTIONS ($60 EACH)	1,500	6,000	1,500	18,000
COVERS, 4 INSERTIONS ($250 EACH)	1,000	4,000	1,000	12,000
TOTAL INCOME	$6,250	$25,000	$5,000	$60,000
NET GAIN OR LOSS	−$2,500	−$10,000	$ 500	$ 6,000

FIGURE V-1

BOARD OF DIRECTORS April 12, 1919—April 12, 1920		
NAME	BUSINESS AFFILIATION	POSITION IN SRDS
WALTER E. BOTTHOF	STANDARD RATE AND DATA SERVICE	PRESIDENT
ALVIN E. BEIRNES	STANDARD RATE AND DATA SERVICE	SECRETARY-TREASURER
GEORGE W. RIDENOUR, M.D.	PHYSICIAN	BOARD MEMBER
JOHN C. SHIELDS	ATTORNEY	BOARD MEMBER
F. C. VEON	BUSINESS MANAGER, DETROIT SATURDAY NIGHT	VICE-PRESIDENT

FIGURE V-2

nearly $11,000 as opposed to current assets of some $2,000.

The accounting records of the company at this time and for the next several months indicate that the financial risk in the success of the new firm was being shared almost equally between its principal creditor, the Saturday Night Press, and the stockholders. In light of this interest, it is not surprising that Fred C. Veon, business manager of *Detroit Saturday Night,* and J. J. Coulter, manager of the Saturday Night Press, occupied key positions in the B. and B. Service Corporation—Veon as vice-president and director, Coulter as assistant treasurer. (See Figure V-2.) Veon acted mainly in an advisory capacity, a role in which his extensive publishing experience was of significant assistance to Botthof and Beirnes. Coulter's position as assistant treasurer was designed to give him control over the disbursement of company funds. His signature was required on all withdrawals from the company's bank accounts, thus assuring that the interests of the *Saturday Night* group would receive continuing consideration.

Even at this early date Botthof and Beirnes had worked out a division of responsibility that reflected their respective interests and talents. Botthof was responsible for the sales function as well as the presidency, Beirnes for the production and financial operations. The two men consulted on all policy questions. Since Botthof traveled most of the time, Beirnes supervised the routine sales correspondence and office work, with suggestions from Botthof by mail accompanying his reports of sales effort.

During the months of July and August subscriptions were obtained at the rate of about 40 per week, partly as a result of a direct-mail campaign but more often because of Botthof's personal sales efforts. As a result, the subscription list rose to nearly 350 by August 31 (see Figure V–3). The pattern of subscriptions was quite encouraging in that a good response was

SUBSCRIPTION REVENUE 1919	
MONTH ENDING	SUBSCRIPTION REVENUE
JULY 31	$ 2,440.70
AUGUST 31	2,861.70
SEPTEMBER 30	1,540.25
OCTOBER 31	3,271.75
NOVEMBER 30	3,096.00
DECEMBER 31	2,773.25
TOTAL	$15,983.65

FIGURE V-3

received from national advertisers as well as from agencies, but the volume was not all that had been hoped for. This pattern directly affected Botthof's effort to sell additional advertising space. In calling on potential advertisers, he found it extremely difficult to sell space at $60 per issue for the "standard" SRDQ insertion (the lower one third of a page) in a publication that still had a circulation of only around 350, even though its list was composed almost entirely of advertisers and advertising agencies. When September arrived it appeared that the October issue would carry only six paid advertisements—the original two (*Chicago Tribune* and *Detroit Saturday Night*), plus three metropolitan newspapers (*Boston Herald*, *Milwaukee Journal*, and *Philadelphia Bulletin*) and one newspaper representative (John Budd Company, New York City).

Indicated earned revenue for October was $875 (Figure V-4) from display advertising and $1,200 from subscriptions—compared with anticipated expenses of some $8,000.

Two months after the publication of the first issue, therefore, a review of the company's prospects was not encouraging. Estimated earned revenue stood at only one fourth of prorated expenses, and a fourfold expansion of both subscription and advertising revenue would merely allow the struggling firm to break even. Profits sufficient to reduce the company's obligations to a reasonable level would probably not occur until a 300 per cent increase in earned revenue was achieved, and such an expansion did not seem likely because of the limited market for the new publication.

By this time, Botthof and Beirnes felt their business was in need of expert assistance in planning direct-mail solicitation and other sales work, but neither was of the opinion that they could afford such a luxury. Then Botthof learned about Louis A. Hebert of Chicago, a specialist in this kind of work who served many successful clients. Hebert was contacted immediately and shortly thereafter was engaged to prepare most of the company's direct-mail material.

In one of their early meetings with Hebert, Botthof and Beirnes discussed increasing the frequency of SRDQ's publication. Botthof had encountered many people who felt that, in order to be of greatest service to them, SRDQ should appear every month instead of every three months, and similar suggestions had been made in letters. Hebert reacted enthusiastically to the idea, saying that he felt it would be as easy to sell 12 issues a year at $30 annually as four at $15, and perhaps easier. Botthof and

ANALYSIS OF ADVERTISING REVENUE FOR 1919*

ACCOUNTS	FRONT COVER	BACK COVER	INSIDE FRONT	INSIDE BACK	HALF PAGE	FULL PAGE	TOTAL
JULY							
CHICAGO DAILY TRIBUNE		$250					
DETROIT SATURDAY NIGHT				$100			
							$350
OCTOBER							
BOSTON HERALD			$150				
JOHN BUDD COMPANY, NEW YORK CITY						$100	
CHICAGO DAILY TRIBUNE		$250					
DETROIT SATURDAY NIGHT				$100			
MILWAUKEE JOURNAL					$ 75		
PHILADELPHIA BULLETIN						$200	
							$875
NOVEMBER							
JOHN BUDD COMPANY, NEW YORK CITY						$ 90	
CHICAGO DAILY TRIBUNE		N.C.					
DETROIT SATURDAY NIGHT						$100	
MILWAUKEE JOURNAL					$ 75		
NEW YORK AMERICAN				$125			
PHILADELPHIA BULLETIN						$135	
PRAIRIE FARMER					$ 75		
ST. LOUIS POST DISPATCH			$150				
							$700
DECEMBER							
AMERICAN FOOTWEAR MAGAZINE						$100	
JOHN BUDD COMPANY, NEW YORK CITY						$ 90	
CHICAGO DAILY TRIBUNE		N.C.					
CLEVELAND NEWS						$100	
DETROIT SATURDAY NIGHT				$100			
MILWAUKEE JOURNAL					$ 75		
NEW YORK GLOBE						$100	
PEOPLE'S HOME JOURNAL					$100		
PHILADELPHIA BULLETIN						$135	
PHOTOPLAY					$100		
RPAIRIE FARMER					$100		
ST. LOUIS POST DISPATCH						$135	
SUCCESSFUL FARMING					$100		
							$1,235
						TOTAL	$3,160

*Source: Cash Journal, 1919. The initials "N.C." in the table mean "No Charge."

FIGURE V-4

Beirnes then began to consider what the financial results might be if they maintained the same advertising space rate per issue and at the same time increased the number of subscribers and advertisers by some 200 per cent, as previously planned.

Extending these assumptions—that the present subscription price of $15 for four issues annually would be increased to $30 for 12 issues annually, that the space rate would remain the same on a per-issue basis, and that a 200 per cent increase in both advertising and subscription revenue could be achieved—Botthof estimated that the same number of annual subscriptions and the same number of advertising insertions per issue as would yield an annual loss of $10,000 with quarterly publication would yield an annual profit of $6,000 with monthly publication (see Figure V-1).

Supplementing the financial arguments was the prospect of more timely service to subscribers at relatively little extra cost to either publisher or subscriber. It was already apparent that the October issue would contain a large number of changes—so many, in fact, that before it appeared some 600 of the 3,500 listings in the July issue might be out of date. This fact was already being capitalized upon by representatives of *Barbour's Advertising Rate Sheets* who, Botthof recalls, were "going around with a copy of our first issue all messed up showing how many errors there were in our service."

The name of the publication was to be changed from *Standard Rate and Data Quarterly* to *Standard Rate and Data Service* concurrently with the shift to a monthly basis, which would be effective with the November 1919 issue.

The final decision was made in early September, thereby creating an even more pressing need for aggressive sales effort. Not only would the drive for new subscriptions and advertising have to be continued, but present subscribers and advertisers would have to be notified of the change and, if possible, persuaded to accept it. To accomplish the much-needed expansion of the direct selling effort, Botthof sought out Albert H. Moss and E. C. McConnell, Moss to operate out of Chicago and McConnell to cover the eastern seaboard from an office in New York City.

Albert H. Moss, Botthof's brother-in-law and a friend of long standing, had been sales representative for Wilson and Company, meat packers, for a number of years and was not entirely happy either with his progress or with the nature of the business and some of its demands. These facts were well known to Botthof, as was the more important fact that Moss, a man of impressive dignity who commanded respect from all who came in contact with him, was extremely industrious and was possessed of a great determination to succeed in life. Both Botthof and Beirnes considered Moss a person of high integrity and one who would persevere in the face of discouragement and uncertainty. As the history of Standard Rate and Data Service develops it will be seen that the two founders did not misjudge

Moss's qualifications and that Moss made a substantial contribution to the company's sales efforts.

In addition to the foregoing expansion of the personal sales staff, a new direct-mail campaign was launched with two-color announcements, page proofs, and other varieties of promotional material. In spite of these increased efforts and the appeal of monthly rather than quarterly service, additional sales did not come easily. The number of subscribers increased from 350 on August 31, 1919, to 620 on December 31, 1919, while the number of advertisers per issue increased to 12. Prorated revenue from these two sources for the December issue amounted to $1,550 and $1,235 respectively, or a total income of $2,785 as opposed to some $4,500 in expenses for the month (see Figure V-1). At the end of the first six months of publication, then, the Service was still a considerable distance from a break-even level of current operation and some $17,000 in the red on its total activities up to December 31, 1919. Even an immediate increase in subscriptions from 620 to the ultimate circulation goal of 1,000 would yield only about $950 in additional monthly revenue. This would raise prorated subscription income to about $2,500 per issue and total revenue to $3,700, compared with current expenses of some $4,500 per issue.

These considerations suggested the desirability of further increasing the subscription cost. A rate of $50 per year, for example, would have produced an estimated annual profit of $5,000, assuming 1,000 paid subscriptions and the current rate of advertising revenue. Such a move, however, following so closely upon the October increase from $15 to $30 might tend to destroy confidence in the new publication, though a $50 rate might have been accepted almost as readily as the $30 rate had it been decided upon earlier. Another alternative was an increase in advertising rates, but this seemed impractical in view of the resistance already being encountered. A significant reduction in expenses appeared equally unlikely. Botthof and Beirnes concluded, therefore, that a substantial increase in advertising revenue was the sole practical means of putting the company on a paying basis.

A Goal for 1920.—Realizing that the survival of the company rested squarely on his ability to triple, at least, the current level of advertising revenue, Botthof set this achievement as a primary goal for 1920.

While the necessary increase in advertising revenue would largely depend on Botthof, measures to enhance the value of the Service from the subscribers' point of view were also necessary, and the implementation of these was largely assigned to Beirnes. In particular, sales promises regarding the quality and quantity of information must be fulfilled quickly and to the subscribers' satisfaction. Beirnes's earnest and conscientious approach to the task of constantly improving the quality of the advertising vehicle was reflected in an editorial in the December 1919 issue entitled

"Compiler's Chat." (See Figure V-5 for full text.)

Circulation goals for 1920 were also set. The company's subscription list as of the end of 1919, classified according to the business of the subscriber, was compared with estimated potentials in each classification, and priorities for the 1920 sales effort were decided upon. Primary attention was to be given to agencies and large national advertisers because of their importance to the development of the SRDS as an attractive medium for publishers' advertising. This aspect of the program for 1920 was also Botthof's responsibility.

The extent to which these goals for 1920 were achieved or exceeded was remarkable.

The 1920 Drive for Sales Volume.—The key figure in the 1920 campaign was, of course, Botthof. But within a very short time, it became evident that Moss was going to be a tremendous aid in accomplishing the goals. Quietly aggressive and very thorough, he quickly established an excellent record in subscription sales and began to assist Botthof in space sales as well. When McConnell left SRDS in early 1920, Moss was the logical choice to succeed him at the New York office, from which he would cover the eastern seaboard. This was a critical area for SRDS because of its large concentration of advertising agencies, metropolitan newspapers, and publishers of magazines. Meanwhile Botthof undertook to cover the entire remainder of the United States from Detroit. This necessitated almost continuous travel as he carried the SRDS story to potential advertisers in the Middle West, the South, and the Far West, returning frequently to New York City to work with Moss on important accounts and to discuss changes in sales strategy and policies.

In this age of jet air transport it is not easy to visualize the life of a traveling man in 1920. Now a salesman can fly from Detroit to the West Coast on Monday morning, make calls in major cities from San Diego to Seattle during the week, and return to Detroit for a weekend with his family. Moreover, he will have spent less than 20 hours in intercity travel and will have relaxed each evening in a comfortable hotel. The same 5,000-mile itinerary in 1920 or thereabouts would have taken at least two weeks including approximately 100 hours of intercity travel and eight to ten nights on a railroad sleeping car. As any experienced traveler of the railroad age can verify, more than a few consecutive nights on a sleeper of that era were not conducive to either mental or physical well-being. In addition, the nervous energy demanded by "cold selling," i.e., making new contacts and selling a new product, is always considerably greater than in selling either an established product to new customers or a new product to sales prospects with whom one has had previous contact.

Also, when one is the president of a new business as well as its sales manager and key salesman, the return from a period "on the road" brings additional burdens rather than rest and relaxation. That the business

COMPILER'S CHAT

AS YOU look over these pages, you see a ***multitude of statistics.*** There are here contained, approximately, 250,000 separate items of rate and data information comprising almost 6,000 publications.

It is my job to keep these statistics right up to the minute.

Back of the cold type in these pages, there's a human being—a regular fellow just like yourself—***who does the work.***

That fellow is—***myself.*** My associates call me "Al" for short.

I want you to call me Al, too, because you, as a user of the SRDS, are just as close and important to me as anyone else.

No doubt about it—I, with my corps of assistants, am working for you—helping you to make your work easier and more efficient.

I want to know you better. And I want you to know me better.

I want you to have the same confidence in the reliability of these rate and data statistics as if you collected and classified them yourself.

My whole undivided time is devoted to this work.

There's nothing else on my mind. I can concentrate.

Doing the same thing, month after month, develops perfection.

Practically every publisher has us on his rate card list.

The co-operation I am receiving from a multiplicity of sources insures accuracy of the highest order in the maintenance of correct data.

Let me illustrate how this works out.

The same day our monthly revised statistics come off the press, a copy is sent to every publisher for check-up and return.

This, as you can see, is a ***double check-up,*** for practically every publisher sends us his rate cards the very instant any changes are made.

Every day we receive from one to a dozen telegrams from publishers throughout America notifying us of changes in rates.

Fully two-thirds of the publishers' representatives, recognizing the tremendous importance of having the rates of their publications correctly represented in our service, notify us by telephone, telegraph and letters whenever changes in rates are made by any of the publications they represent.

Remember: these publishers and publishers' representatives check up not only the rates of their own papers, but those of their competitors as well, and if, by chance, there is any inaccuracy in the listing of the rates and data of competitive publications, it is immediately brought to our notice. Thus there's a regular ***convention*** of monthly check-ups

Then—98% of the advertising agent are subscribers.

Each one has a search-warrant mind—trying to spot an inaccuracy.

If they find *one*, you can bet we hear about it pretty quick.

Our national advertiser subscribers are in the same position.

Naturally, the ***first month*** (last July) that our service was issued, there were quite a number of inaccuracies, notwithstanding that we received hundreds of the most joyous compliments from our subscribers that it was possible for them to pay.

But—the second month, after our rate and data statistics had gone through the myriad hurdles of criticism of a multiplicity of minds among shrewd space-buyers, publishers, publishers' representatives, national advertisers, we were able to knock the very tar out of the inaccuracies.

The second month's statistics were fairly perfect.

Each month our service became more accurate.

The very character of it automatically operates to make it accurate.

All of our subscribers, plus 6,000 publishers, are ***lending me their eyes.***

This service belongs as much to you as it does to me.

As a subscriber, I am your rate and data expert assistant. I am your partner. And I want you to be my partner. In maintenance of accuracy of statistics—our interests are in common.

So I want you to give me friendly co-operation—just as if I were working for you only; just as if I were sitting on the other side of the desk from you—interested in your welfare and boosting for you.

If, maybe, you spot an error, don't mentally jump on me and try to beat me up, but just write me a little note and say, "Al, knowing by personal experience the problem of making 6,000 publishers come across on the dot with notification of their changes in rates, I want to compliment you over the fact that I have up to this time found but this one error, and I have today written to the publisher asking him to be more on the job in notifying you of changes in rates and data."

One big advertising agent said to me a couple of days ago:

"Al, you're all right. Where you slip up once, we used to slip up twenty times."

The SRDS organization is a bunch of intelligent hustlers.

The hearts and minds of all of us are in this great work.

Your interests are our interests. And our interests are your interests.

Yours very truly,
A. E. Beirnes

Figure V-5

was new and its organization untried made this a particularly difficult period for all members of SRDS management.

For a time Botthof bore up well under the severe strain of this combination of circumstances, but as the year wore on, his store of energy, hitherto seemingly inexhaustible, became visibly depleted. Loss of weight and appetite, insomnia, irritability, and finally a nervous tremor marked the progress of his physical and nervous exhaustion.

Mrs. Botthof was keenly aware of her husband's declining health, but neither she nor his business associates could persuade him to be away from the business for more than a few days at a time or to slow his pace appreciably. By the time Botthof himself was willing to recognize the seriousness of his physical condition it was too late for halfway measures. Nothing short of complete separation from the business and absolute rest, said the doctors, would do. The reluctant patient had no choice but to accept the verdict. So nervous that he could not hold a pen firmly enough to sign a letter, Botthof was in no condition even to assist at the office, still less to call upon customers. The diagnosis was nervous exhaustion, and the remedy prescribed was absolute rest and quiet for a period of several months.

Fortunately when this crisis occurred, in the late summer of 1920, the company's circulation and more particularly its advertising revenue had increased to the point where a net profit for the year seemed certain, *provided* that the rate of increase could be maintained. This required that someone take Botthof's place on the road while Beirnes carried on as chief executive in addition to his other duties. For a time Botthof held to the hope that he would be able to return to the business sooner than the doctors had forecast and that it would be unnecessary to replace himself. When two months found him still far from able to resume his duties, he finally conceded that Al Moss should take over his schedule.

This was quite a challenge. Moss had made his first space sale only six or seven months earlier, and he had had no experience with any phase of the publishing or advertising business prior to the preceding September. Nevertheless he performed like a veteran. Botthof recalls:

> I finally concluded that I couldn't let Mr. Moss remain in the New York office looking after a part of our territory when we were dealing with the whole country. We had to sell advertising and subscriptions all over the United States. I then outlined a trip for Mr. Moss to take, a trip I normally would have taken. I recall that he duplicated my own performance. He would go into a town, and I could almost count on it that by 11 o'clock the next morning I'd have a telegram from him reading something like this:
>
> "Closed with the Owensborough *Inquirer*, leaving for Paducah." Then—
>
> "Closed with the Los Angeles *Herald*, leaving for San Diego."
>
> Then the next day I'd get a telegram, "Closed with the San Diego *Union Tribune*, leaving for Phoenix, Arizona."
>
> Of course that was quite a tonic for me, to

find that I had located someone who could do what I had been able to do. There was no question about it. He told the SRDS story as convincingly and as enthusiastically as I had, and these people were impelled to buy. The contracts kept rolling in.

During this crisis Beirnes as well as Botthof was highly impressed by Moss's sales abilities and came to think of him more in the sense of an associate in the enterprise than as an employee. As a result, Moss was made a vice-president in October 1920 and shortly thereafter was given the opportunity to buy a 5 per cent interest (10 shares of stock) in the company.

Meanwhile rest and the knowledge that the business was continuing to prosper were restoring Botthof to health, and his long absence made him realize more than ever the company's good fortune in having the dedicated services of Beirnes. By the end of the year Botthof felt ready to resume an active role in the business.

It was planned that I resume my duties gradually, beginning with a leisurely trip to the West Coast—pausing as the mood dictated and taking care not to be fatigued. I started at Des Moines, Iowa, then went on to Omaha, Nebraska, and finally to Lincoln. There I spent the entire morning with the publisher of the *Journal* and at his invitation returned after lunch. I was sure that I had him coming my way. In fact I had the feeling that he was fighting or resisting the temptation to sign our contract. Unfortunately I did not get the business, but I did learn that if I kept on at this pace I would soon be back in the hospital.

The remainder of the trip to the West was accomplished at a more leisurely pace

ANALYSIS OF SRDS DISPLAY ADVERTISING
DECEMBER 1920

TYPE OF PUBLICATION	NUMBER OF ADVERTISEMENTS	REVENUE
NEWSPAPER	34	$2,493
CONSUMER MAGAZINES	8	1,553
BUSINESS PAPERS	31	2,000
FARM PAPERS	14	1,040
MISCELLANEOUS	1	100
TOTAL	88	$7,186

FIGURE V-6

and without adverse consequences. Even with care, full recovery was slow in coming, and it would be mid-1921 before Walter Botthof felt "back to normal."

During 1920 Botthof and Moss succeeded in increasing monthly display advertising billings from $1,235 for December 1919 to $7,186 for December 1920, and the number of insertions increased from seven to 88 during the same period. (See Figure V-6 for a full listing.) Moreover, all major types of media were represented (see Figure V-7) and some 21 states were included. Nearly every one of these insertions was the result of a personal sales call by Botthof or Moss. Perhaps the most interesting sale of

EXPANSION OF MEDIA LISTINGS, 1919-1921*

MEDIA BUYING SERVICE	DATE INTRODUCED	NUMBER OF PAGES JUNE 1919	NUMBER OF PAGES JANUARY 1921
NEWSPAPER SECTION	JUNE 1919	45	59
AGRICULTURAL SECTION	JUNE 1919	4	12
BUSINESS PAPER SECTION	JUNE 1919	16	35
MAGAZINE SECTION[1]	JUNE 1919	5	15
ROTOGRAVURE	OCTOBER 1919		1
CANADIAN NEWSPAPERS AND FARM PAPERS	SEPTEMBER 1920		1
CANADIAN GENERAL MAGAZINES	OCTOBER 1920		1
CANADIAN BUSINESS PAPERS	DECEMBER 1920		1
TOTAL PAGES		70	125

[1]In December 1920 the magazine section was subdivided as follows: general magazines, women's magazines, mail order, and railroad employees. In December 1920 the number of pages in these subsections were 12, 2, [illegible], and [illegible] respectively.
*Source: SRDS introductory pages, June 1919, and SRDS, January 1921.

FIGURE V-7

the year, and certainly the most rewarding, was that made early in 1920 to the Crowell Publishing Company, whose four magazines (*American Magazine, Woman's Home Companion, Farm and Fireside, Collier's*) had a total circulation of more than 4,000,000.

It will be recalled that the *Chicago Tribune* had taken the back cover of SRDS, beginning with the first issue, for the sum of $1,000 a year ($250 an issue on a quarterly basis, subsequently converted to $2,400 a year on a monthly basis beginning with the January 1920 issue). This sale had been a notable achievement in that it had set a high standard in view of both the prestige of the advertiser and the price paid for the advertising space. Encouraged by this success, Botthof and Beirnes had resolved to offer the front cover to an outstanding publisher at a substantial rate. In September 1919 a sale was actually made to the St. Louis *Post Dispatch* at $500 an issue, or $6,000 annually. Before publication, however, the position was changed from the first to the second cover, and the front cover was still unsold when Botthof talked to Richard Pick, publisher of *Fashion Arts*. When Pick learned that the front cover was available, he said, "That cover is worth $10,000 and I know where you can sell it for that price." [1] Botthof, of course, asked Pick whom he had in mind and Pick answered, "Patrick Buckley, head of the Crowell Publishing Company. If you'll meet me in New York next Monday, I'll introduce you." Botthof did meet Pick in New York as planned and found himself in Buckley's office a short time later. As Botthof recalls,

> Pick simply said (to Buckley), "I would like to introduce my friend Walter Botthof, who has something that I think will be very interesting to you." Mr. Buckley was hard fisted, the rugged, individualistic type of businessman. He turned to me and said, "What does this —— want to introduce you for? What's in it for him?" Pick said, "There's nothing in it for me. Mr. Botthof is my friend. I'm bringing you together." After I talked with Mr. Buckley a few minutes he said to Pick, "OK, you can leave. You've done your job." Mr. Pick left immediately. I talked to Mr. Buckley for about 10 minutes more, and he said, "Well, it looks good enough for me to have you tell your story to Lee Maxwell, our vice-president." I went right down to Maxwell's office and was there from early morning till noon. I was telling him the story; he was asking me questions. He couldn't get over the fact that this was so new and I was asking $10,000. Finally he broke off the discussion saying, "You'll have to excuse me. I have a luncheon appointment, but I'll be back here at two o'clock. If you're here, we'll go on with the story." That was great encouragement to me. I felt that I was well on the way to the sale.
>
> When Maxwell returned at about two p.m., we resumed our conversation, and it was then a matter of bargaining. I don't know how we consumed all the time we did. I did have a train reservation that night. (We were located in Detroit at the time.) I finally looked at my watch and said, "Mr. Maxwell, I've given you my story. I know you're interested, or you wouldn't have spent all this time listening, and you wouldn't have asked all these questions. It is now around four-thirty. I have a reserva-

1. Interview with Walter E. Botthof, March 7, 1957.

tion back to Detroit on the Wolverine. I must catch that train. I'm meeting a man on it." While I was telling him this, the telephone rang, and it was Mr. Pick asking for me. I cut him short by saying, "I'm leaving here in a few minutes." After I had hung up, Mr. Maxwell said to me, "Are you willing to sell it for $8,000 and go home with a contract or stick to your $10,000 price and go home with nothing?" I said, "Mr. Maxwell, the price is $10,000. Take it or leave it." He said, "Damn it, you're the hardest kid I've ever done business with in my life. Give me your contract." He signed the contract for $10,000.

There is a sequel to this success story. When Botthof joined Pick on the train to Chicago that night, Pick congratulated him on his sale and then asked, "What fee do you propose to pay me?" or words to that effect. Taken by surprise, Botthof said he didn't know but that he would discuss the question with his partner. Thereupon Pick told Botthof that he was entitled by law to a "finder's fee" of 30 per cent, i.e., $3,000. The ultimate result was a lawsuit in which Pick was granted not only the $3,000 fee but the right to 30 per cent of subsequent sales to the same party. Needless to say, Botthof did not seek a renewal of the contract and none was forthcoming for the front cover.

These sales of advertising space were supported by success in building a solid following for SRDS among media buyers, a following based upon the quantity, coverage, quality, reliability, and organization of media-buying information contained in the monthly issues of SRDS. In each of these respects, the December 1920 issue represented a distinct improvement when compared with the publication of 18 months or even 12 months earlier.

In just a year and a half the size of the book grew from 74 pages to 152, and the number of items of information increased almost in proportion. The expansion of the type of media covered and the space devoted to each were especially noteworthy.

In respect to the quality of the information presented—i.e., the significance to the media-buying function of the items of information selected for presentation—the newspaper, agricultural paper, general magazine, and business paper sections of the December 1920 issue also contained improvements relative to their counterparts of June 1919. For example, the business paper section added cover charges; the general magazine section added circulation by states (November 1919) and amplified the information on mechanical requirements; the newspaper and agricultural paper sections added the populations of cities and also the names of business and advertising managers.

On the score of reliability significant improvements were also made. Whereas the number of errors in the first issue had been a source of considerable embarrassment, the accuracy of the December 1920 issue was almost unimpeachable. This accomplishment was the result of Beirnes's constant attention to detail during the intervening 18 months. For example, every month proof sheets were sent to all SRDS listees with the request that errors be reported by wire, collect.

Then, too, Beirnes undertook to establish rapport with his audience, mainly media buyers, by sharing his problems with them in homely editorial messages such as the "Compiler's Chat" of May 1920 reproduced earlier. In December 1920 Botthof and Beirnes took the more positive step of offering cash prizes—one dollar for the first report of any error and a $100 offer "for the best method submitted to get publishers to notify us [SRDS] always and promptly of changes in rates." [2]

The organization of the December 1920 issue of SRDS was virtually the same as that of the first issue. A tabular format continued to be used throughout the book, with the exception of a descriptive section devoted to business periodicals, a typical excerpt from which follows:

> BANKERS' MONTHLY
> Devoted to the business end of banking. Ninety-nine and five-tenths per cent subscribers shown by ABC to be banks and bank executives. Devoted to cutting costs, saving labor, increasing profits by modern efficiency in management.[3]

These efforts to improve the scope, attractiveness, and usefulness of SRDS were rewarded by steadily rising circulation figures throughout 1920 and by subscription renewals that ran above 99 per cent. Almost the only firms failing to renew were those that had discontinued business. This degree of acceptance constitutes a truly remarkable achievement for a publication at any stage of its development and probably was without precedent for a paid-circulation publication in its eighteenth month of issue.

A Recapitulation.—The advertising and circulation goals established for 1920 were not only achieved but exceeded by a generous margin. As a result, the year closed with a net profit of some $8,000, and the directors felt so encouraged that a dividend of $400 (2 per cent on the par value of the capital stock) was paid in November and again in December. For the promoters, however, a more important financial reward was the increase in salary awarded Botthof and Beirnes—from $100 a week each in December 1919 to $125 a week each in October 1920. Considering that gross revenues for 1920 were only about $77,000 and that the firm was barely solvent, a salary scale of $6,500 per year for each of the two principal officers might be considered generous. This appraisal must be modified, however, in view of the fact that Botthof and Beirnes were also the firm's promoters and principal stockholders and that the way in which they chose to take their rewards was largely a matter of their own discretion. On the other hand, the larger the salaries drawn by Botthof and Beirnes, the less there would remain to reinvest as earned surplus or to disburse in the form of dividends. As might be expected in such a situation, some of the minority stockholders became critical of

2. *Standard Rate and Data Service*, December 1920, inside front cover.

3. *Standard Rate and Data Service*, July 1920, p. 104, col. 4.

the salaries accorded Botthof and Beirnes. At a directors' meeting on November 15, 1920, it was made clear that additional salary increases would aggravate the friction between certain of the stockholders and the principal stockholders, Botthof and Beirnes.

By any standards, however, the company had survived in excellent fashion perhaps the most critical 18 months of its existence. As the year 1921 began, the tested and augmented management team of Botthof, Beirnes, and Moss faced the future with considerably more confidence than they had been able to muster just 12 months earlier.

VI

Consolidation, Expansion, and Control, 1921-1924

THE FIRST FEW YEARS of any business are apt to be its most critical. A new idea for achieving a competitive advantage must be tested and refined, and favorable recognition of the new product or service must be created. Typically the promoters must work with inadequate financial resources and raw personnel to build a product, a market, and an organization. Financial fat must be added to the scrawny bones of the animal so that it can enlarge its scope of activity and also be prepared to withstand future shocks and hardships. Frequently a firm struggles for five years or more before it either becomes a hardy, viable institution or withers away, together with the hopes of its founders. The firm of Standard Rate and Data Service, however, was a clear exception to this general rule. Its period of hardship and uncertainty was unusually short. Within 18 months of its founding, the company's success seemed assured, and its stockholders were already engaged in wordy battle over the distribution of the surplus. The challenge of the day had multiplied from that of mere survival to the threefold problem of further strengthening an already well-entrenched competitive position, finding additional means of expanding revenue, and settling internal differences relating to ownership and control.

These many tasks required that Botthof be on the road a good deal, and he felt urgently in need of a capable person to handle "inside" sales matters at the home office in Detroit. The person chosen was Richard A. Trenkmann, a young man of about 25. Walter Botthof recalls Trenkmann's arrival and early service:

> Mr. Trenkmann came to us in August 1921. I brought him in for two reasons. Aside from the fact that he was qualified, in my opinion, I knew he was a conscientious, hard-working individual, very enthusiastic about the position he had at the time; (he talked business all the time). So I figured he'd be a good man for Standard Rate and Data Service. Anyone with that kind of loyalty to his employer or his job, anyone who could work up that kind of an interest would be a good employee. This was what I considered his primary qualification for employment with us. I felt that he could assist Beirnes in the general conduct of the business in my absence from the city. I also felt that he could assist me in my absence by writing sales letters. He had done that for the Atlas Portland Cement Company, where he had been employed previously.
>
> Mr. Trenkmann's services, to say nothing of his business judgment, were of sufficient value so that I was much relieved, and as time went on he learned more and more about our business and was taken into our councils or our discussions on all matters of policy as well as changes in rules and regulations and procedures. I must point to the fact that Mr. Trenkmann came in at the "top level" of management, although we may not have used the term in those days because we were still groping in certain areas, finding out the best road to take, the best methods of procedure. He was the second outsider to come into the management picture, Mr. Moss having been the first.

Strengthening the Competitive Position.—At the time of the inception of SRDS there was one direct competitor, *Barbour's Advertising Rate Sheets,* and several potential rivals: Stalker's *Universal Rate Sheets* and the various directories of newspapers and periodicals, especially N. W. Ayer and Son's massive *American Newspaper Annual and Directory.* Any one of these, especially *Barbour's,* could readily have challenged SRDS during the first few months of its existence with a similar or even identical service. That none of them did so is somewhat astonishing in retrospect, for it now seems plain that the media-information field was ripe for the creation of such a utility type operation.

In regard to the directories, one can only suppose that the several publishers and editors did not appreciate the significant profit potential in the type of service introduced by Stalker and further developed by Barbour and SRDS until these firms were so well established that direct competition appeared impractical. In any event, during the critical years of SRDS, 1919–23, other competitors did not enter the field.

Stalker's *Universal Rate Sheet* was clearly a latent threat. As already noted, this antecedent of both SRDS and *Barbour's* was operated primarily as a service to clients, although it was sold for a small fee to other agencies, advertisers, and publishers to help defray expenses. It specialized in rates and data for metropolitan daily newspapers, magazines, and farm papers.[1] A small operation, it was nevertheless copyrighted

1. Letter to the author from Herbert Stalker, Flint, Michigan, dated September 17, 1958.

(1911) and had some nuisance value. To eliminate claims of infringement, Barbour purchased Stalker's rights to the *Universal Rate Sheet* in 1921 for $1,500 in cash and notes.

Barbour, on the other hand, was a strong competitor of SRDS from the very first month of the latter's publication in June 1919. It will be recalled that public sale of *Barbour's Advertising Rate Sheets* had begun in January 1918 and by June 1919 there were more than 200 subscriptions to each of the two services then offered—the "newspaper service" at $100 per year and the "trade paper service" at $60 per year. The Barbour organization also offered market research on topics of special interest, such as area rate surveys. Its subscription list, though small in relation to the number of potential users, included most of the nation's leading advertising agencies and advertisers. This suggests that, while the quality of the service was high, its cost was an important obstacle to acceptance by smaller agencies. There was a more basic drawback to Barbour's service, however. This was the necessity of removing sheets carrying expired rates and of replacing them with new sheets, as they arrived almost daily. Inattention to this routine task would, over a period of time, render the service practically useless.[2]

2. In their preliminary investigation of *Barbour's* and prior to their final commitment to SRDQ Botthof and Beirnes had found that the subscribing agencies in Detroit and Chicago were *not* maintaining their files of *Barbour's* service in good order, and had concluded that that service would flounder on just this problem.

Over its first 18 months the circulation of *Barbour's Advertising Rate Sheets* (BARS) rose steadily, however, and in June 1919 its founders were confident of ultimate success even though costs still exceeded income. Then, just as it was on the verge of breaking even financially, SRDQ appeared on the scene as a low-cost alternative.

Barbour's first reaction to SRDQ was a two-pronged attack stressing superior accuracy and timeliness and more extensive information. SRDQ retaliated by improving its accuracy and by a transition to monthly service. Later, in November 1922, SRDS inaugurated a triweekly bulletin service to bring rate changes to its subscribers almost as soon as they occurred. These actions virtually eliminated Barbour's claims of superior accuracy and timeliness, leaving BARS with the sole advantage of a more extensive coverage of media-buying information. This advantage proved to be an effective selling point with the larger agencies and advertisers to whom the price differential and BARS' daily filing requirement were relatively unimportant. By 1922 the subscription price of BARS had risen to $210 per year for its three principal divisions (newspaper, magazine and farm paper, and trade paper) as compared with $30 for SRDS, and the price increase further hampered sales to small customers. Within six months of its founding, SRDS had surpassed BARS in subscriptions, and this lead widened until, in December 1922, the ratio was approximately 10 SRDS subscriptions to one for BARS.

COMPARISON OF NUMBERS OF SUBSCRIPTIONS TO SRDS AND BARS*

Date	SRDS	BARS
July 1919	163	242
December 1919	620	N.A.
October 1922	1,544	156

* Source: Cash Journals of SRDS and BARS.

In the meantime the financial condition of BARS was growing desperate. As early as June 1919 it had been obliged to turn to its major subscribers for financial aid, in the form of $500 advances on future subscriptions. Between June and September 1919, some $8,300 was obtained in this fashion—almost entirely from prominent advertising agencies who were also members of the powerful and exclusive 4-A's.[3]

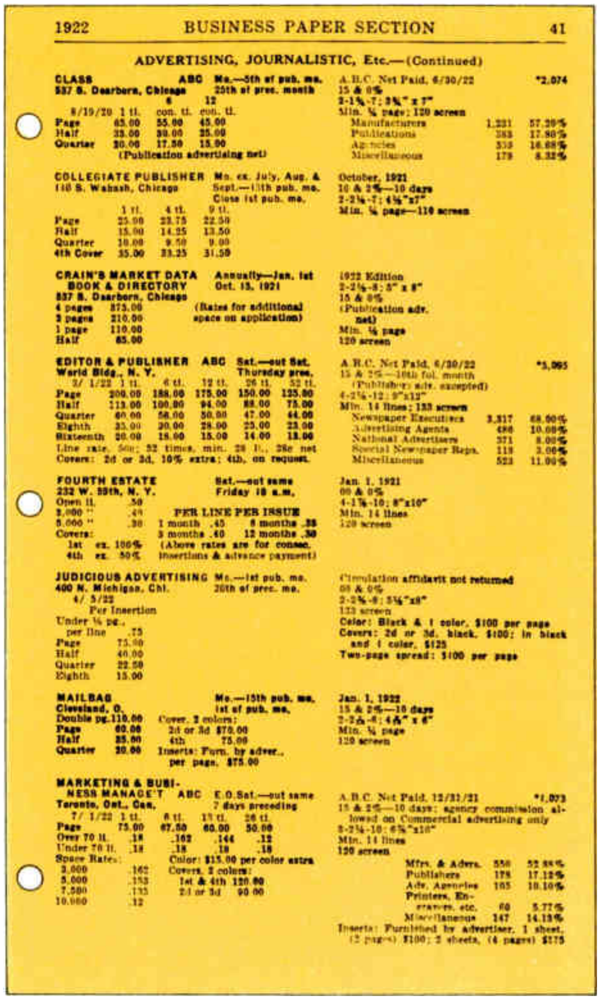
Another tactic to increase revenue was the soliciting of "publisher's announcements" or advertisements to be carried on the reverse side of *Barbour's Advertising Rate Sheets.* The decision to carry advertising matter was reached reluctantly by Barbour, who felt that his service owed primary allegiance to the interest of the advertiser or advertising agency. The soliciting of space revenue from publishers would, he thought, tend to weaken the position of BARS as an impartial report of media-buying information. Nevertheless, the need for additional revenue was so great that the step seemed warranted.

Beginning in July 1919 space in BARS was sold at $50 and $80 per insertion, but the revenue derived was quite insignificant —not more than $1,000 a month at the maximum. Apparently the limited subscription list, the irregularity of replacement of the loose-leaf sheets, and the unfavorable position of the advertisement on the reverse side of the sheet combined to reduce attractiveness of BARS as an advertising medium.

Having failed to increase his revenue through either subscriptions or advertising, Barbour gradually came to the conclusion that the SRDS product must be met by direct competition from a low-cost monthly service. The data for such a publication were already at hand in the three basic BARS divisions: daily newspapers, consumer journals, and business papers. As the plan evolved, it was decided that the new service would be designated as BRRS (*Barbour's Reference Rate Service*) and that it would carry less media information than BARS. (Compare figures on pages 43 and 76.) It was hoped that subscribers to the basic BARS would therefore use BRRS as a supplement to it rather than as a replacement. On the other hand, the new service would be fully as complete as SRDS, would be arranged in columnar form, and would contain a "bonus" of media-market information, such as census data and ABC reports of the geographic distribution of circulation for major consumer magazines. Finally, BRRS would carry advertising.

Preparation of the new Barbour service began early in 1922 and the first edition appeared in October of that year (see Figure VI-1). It was a $4\frac{1}{2}'' \times 7''$ loose-leaf type of publication distributed in a leather binder, on which the subscriber's name was em-

3. BARS Cash Journal, 1919.



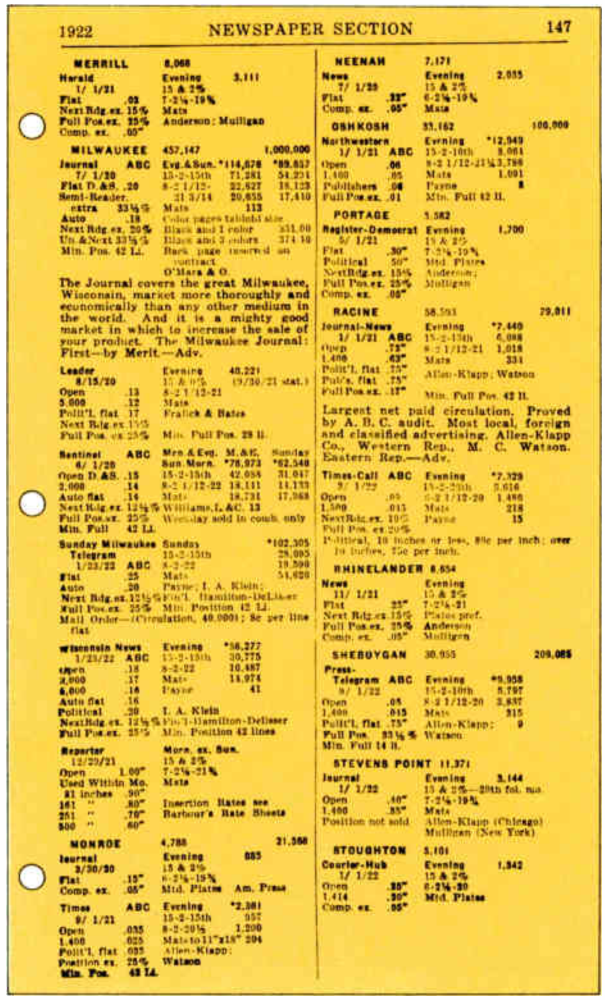


FIGURE VI-1

bossed in gold. There were three sections, each printed on paper of a distinctive color. Priced at $25 a year for 12 monthly issues, it was Barbour's answer to SRDS.[4]

But making a directly competitive service available did not assure financial success for Barbour. SRDS was well entrenched with some 1,300 subscriptions and $101,000 in annual advertising revenue, whereas Barbour now had but 150 subscribers to the basic BARS and a gross income from all sources of about $30,000 annually. Moreover, the Barbour organization was not sales-oriented to the degree of the SRDS management team. For these reasons sub-

4. Interview with Justin Barbour, April 8, 1958.

scriptions and advertising revenue from the new publication came in slowly and the end of 1922 found the company still in serious financial straits. It was also becoming apparent to all concerned—Barbour, SRDS, and their respective clients—that only one such service was really needed and that the continued existence of two competing organizations was undesirable.

As the prior organization, Barbour had provided in BARS a service that was of excellent quality in respect to accuracy and coverage but unwieldy in operation and high in subscription price (largely because of the very limited subscription list and lack of a significant volume of advertising revenue). The later arrival, SRDS, had developed a service that, although more limited, was also of excellent quality, was much more convenient to use, and had the great merit of being priced at a level which permitted it to saturate the potential market within 12 months of initial publication. The fact of market saturation had assisted SRDS in obtaining an ever increasing volume of advertising, which in turn had allowed the company to increase the scope of its service without raising the price to subscribers. Barbour now had a publication in the form of BRRS that potentially was the equivalent of SRDS, and in addition continued to offer the more complete BARS single-sheet service. The format used in both the SRDS and the Barbour publications largely eliminated the costly filing of individual rate cards and presented standardized rate and other media information in a way that facilitated comparative media analysis. Each organization also supplemented these services with highly useful media-market information.

It was at this juncture that some of the members of the 4 A's began to consider taking a positive position in respect to the two competing services. Clearly it was in the interest of the 4 A's that one service or the other should continue. Moreover, it was possible that the preference of the 4-A members, if indeed a clear preference did exist, would determine which service would survive. Nearly every 4-A member now subscribed to both services. Any mass withdrawal of subscriptions from one service or the other would have a serious effect upon both—serious not only in respect to subscription revenue but also in respect to advertising income, for the 4-A membership included 132 agencies that placed more than $250,000,000 of the nation's advertising. Should the 4-A's take a uniform stand favoring BRRS, publishers, whose advertisements now constituted 70 per cent of SRDS revenue, would be strongly inclined to switch their promotion to BRRS. The carefully developed reputation of SRDS and its blanket coverage of the agency market might not long survive if the 4-A's chose to support Barbour.

Thus it happened that the agenda of the executive board of the 4-A's for October 10, 1922, provided for a discussion of advertising rate services. All the larger advertising agencies, of which the 4-A membership was almost exclusively composed, had subscribed to *Barbour's Advertising Rate*

Sheets, and many had made advance subscription payments to ease Barbour's financial plight. These agencies also subscribed to SRDS, which was used for more convenient reference and for supplementing or checking BARS. With the advent of BRRS, however, many of these agencies saw no further need of BARS and some canceled their subscriptions to that service.

Justin Barbour was invited to be present at the 4-A discussion, presumably to outline his company's expanded services as well as its financial position and to propose that the 4-A membership support his service "more fully," i.e., to the exclusion of SRDS. If accepted by the executive board, the plan to support Barbour would be presented to the full 4-A membership at the annual convention, which was to occur soon.

Shortly before the meeting of the 4-A's executive board, Botthof learned, through a close friend, about the impending gathering and its topic for discussion. Recognizing the meeting's critical importance to the future of SRDS, Botthof and Beirnes hammered out a statement setting forth the services presently provided by SRDS and indicating the company's plans to continue to satisfy the needs of all 4-A members in respect to information sought by buyers of advertising space.

The BARS advantage of a more complete service was to be overcome by offering a similar single-sheet service. As an alternative, SRDS would offer to purchase Barbour's organization and to continue its publications under SRDS direction. A prospectus for the new service had been hastily drawn up and distributed to a few key accounts, with a request for an immediate response by wire to the company's office in New York City. In addition, the attraction of the pocket-sized BRRS would be offset by the appearance, on November 1, 1922, of a similar-sized *Standard Reference Rate Service*. This new publication, announced October 1, 1922, was to be an abridged monthly version of SRDS and was to be "rented" to SRDS subscribers for $30 per year. Whenever a new issue was received, the old issue was to be returned to the publisher. This rental arrangement, plus the restriction of SRRS to SRDS subscribers, was devised in order to prevent the dilution of the market for either SRRS or SRDS through the use of outdated copies. Further protection for SRDS was provided by the stipulation that advertising for SRRS must be accompanied by advertising in SRDS at the ratio of a full page in SRRS for each full three-inch space in SRDS. These precautions would, it was hoped, restrict the use of SRRS to account executives who had a genuine need for an abridged pocket edition, while media-buying specialists would continue to use the more complete SRDS.

If the new SRDS single-sheet service were available, Botthof and Beirnes reasoned, Justin Barbour would be more likely to capitulate. In that case BARS would be continued, the new SRDS single-sheet service would be discontinued, and SRRS would replace BRRS. Then SRDS would take over key BARS personnel—including

Barbour, if need be—in order to assure the success of the transfer. As for the cost of purchasing Barbour's organization, that company's financial condition, they knew, was desperate and they thought that a relatively modest price, say $25,000, might suffice.

For the 4-A membership, Botthof hoped that this plan would offer an immediate solution to a financial commitment that had been highly unsatisfactory in the past and might grow worse before it improved. If the executive board of the 4-A's could be dissuaded from recommending that the members support Barbour exclusively he would almost certainly be compelled to sell out.

This plan being agreed upon, Botthof left for New York. Early next morning, October 10, 1922, Botthof met with Moss and Trenkmann to consider how the statement of SRDS policy might be presented to the executive board of the 4-A's *before* that body reached a decision with respect to support of Barbour. (See illustration, p. 85.) Later the same morning Botthof, Moss, and Trenkmann arrived at the office of James O'Shaughnessy, secretary of the 4-A's, a room adjacent to that in which the executive board was meeting. The board was already in session when they arrived, and the SRDS group was told they would not be admitted. As Botthof recounts the incident:

> People came out of the directors' room to go into the hall. I talked to them and got no encouragement, no help whatsoever. We remained there, determined that somehow we would be heard. We were *going* to be heard. When O'Shaughnessy, secretary of the association, came out of the room, I pleaded with him. He told me that unfortunately I was not on the agenda and, since they hadn't planned on it, I wouldn't be admitted to the meeting. He went out into the hall. While I waited for his return, I had a little time to think.
>
> When he came back to enter the private room, I was right at his heels and marched in with him. When these men discovered a new face, there was a sudden atmosphere of surprise. John Benson, president of the 4-A's at that time—I felt leaned towards Barbour—wanted to know what I was doing at the meeting. I said, "Gentlemen, you are deciding the life or death of one of these services here. Either that or you are going to undertake to invest a lot of money to support Barbour, and I mean a lot of money because he can never come out of his financial difficulty." Mr. Benson said I was not on the agenda and could not be heard. With that, one of the members at the directors' table, which seemed about 20 feet long, said, "Let the gentleman be heard." With that I made my speech.

Barbour's recollection of that speech helps to round out the picture:

> In my mind this meeting was unfortunate. The 4-A's met for the purpose of trying to avoid a duplication. It was a recognition of the fact that the field was not big enough for two, that there could only be one service. At this meeting they [the 4-A's] would decide which service to support. My impression was that both businesses were having very hard times. At the meeting Walter Botthof reported that SRDS had developed a single-sheet service much like our advertising rate sheet service. Both Walter Botthof and I were at the meet-

ing, and there were a number of space buyers in addition to the directors.

Walter described the new SRDS service and displayed a sheaf of telegraphic orders for it. He certainly convinced me that if the space buyers wanted the [new SRDS] service, there wouldn't be room for SRDS and BARS in the field. There had been, and still was, a complete difference between our service and the regular SRDS service, but this new SRDS single-sheet service largely eliminated the need for BARS.

After Walter got through talking, there was no use in wasting any more time, for the purpose of 4-A's was to reach a conclusion to support one service or the other.

It seems clear that Botthof was completely effective in his presentation, even to the point of convincing his rival that the cause of BARS was lost. Botthof's command of the facts of Barbour's financial condition must have been particularly discouraging to the latter. To continue with Botthof's account:

When I was through, there were some questions, which I answered, particularly with regard to Mr. Barbour's financial circumstances. There were also some questions as to how we would propose to take over Barbour's, which apparently I answered to their satisfaction. With that the meeting broke up. As we were leaving, Mr. Benson came over to me and said, "If I had known, young man, that you were coming in here to upset this meeting, you never would have got through that door." I said, "Mr. Benson, you had nothing whatsoever to do with that."

Barbour left the 4-A meeting to have dinner with Botthof, Moss, and Trenkmann and to discuss further the purchase arrangement. Much later that night a contract was signed in a lawyer's office. It provided that SRDS would acquire the assets of *Barbour's Advertising Rate Sheets* for $25,000 and, in addition, would fulfill BARS' unexpired contracts. The latter agreement was in accordance with an understanding reached with the 4-A's that afternoon to the effect that SRDS would complete the unexpired subscriptions for BARS, some of which had been paid up for nearly two years in advance, with either the BARS service at $250 per year or SRDS at $30 per year, at the discretion of the subscriber.

Justin Barbour and the entire BARS organization were transferred to the SRDS payroll, and the personnel of the Barbour service moved to SRDS quarters.

The BARS acquisition was formally recognized at the January 1923 meeting of the SRDS directors in words that left no doubt of the urgency that Botthof, Moss, and Beirnes had felt or of their belief that the very existence of SRDS depended upon the purchase:

Motion by A. E. Beirnes, seconded by A. H. Moss, that the action of the officers in the purchase of *Barbour's Advertising Rate Sheets, Inc.*, be approved and recorded as a sound and logical investment for the B. and B. Service Corporation, making for greater solidity and prosperity of the company in the future by reason of its purchase eliminating competition.

Let it be recorded in the notes of this meeting that quick action on this purchase was necessary because of the demands of a great percentage of the members of the American Association of Advertising Agencies, a non-profiting institution, to take over this business and place the entire force of their membership behind it and make their customers, the publications of the United States, support it in an advertising way. Motion seconded by A. H. Moss; motion carried.[5]

An interesting sidelight to the Barbour acquisition was Mrs. Botthof's reaction, as recalled by Walter Botthof on March 4, 1963:

I'll never forget when I returned from New York feeling like a conquering hero after persuading the 4-A's and Barbour. I called Mrs. Botthof on the telephone to convey the good news about my success and to suggest we celebrate. In shocked manner she said to me, "Celebrate! Aren't you satisfied with your good fortune? Remember, your victory is his defeat." Suffice it to say, we did not celebrate.

In this as in many other matters, especially those concerning Walter Botthof's relations with people inside and outside the SRDS organization, Mrs. Botthof made many important contributions to the steady progress of the business. Both in her official capacities (secretary, 1946——, and director, 1919, 1939, and 1943——) and informally, Mrs. Botthof has been privy to the basic policy and personnel matters of the business. Her judgment and insight have frequently exerted a moderating influence from behind the scenes.

The Aftermath of the BARS Purchase.—The BARS purchase had an immediate impact on SRDS, creating a twofold urgency: the cash settlement, which imposed a severe drain upon SRDS finances, and the necessity for publishing the three services agreed upon at the fateful meeting with the 4-A's—SRDS, SRRS, and BARS.

Over the preceding two years the company's dividend rate had increased to $12,000 annually, while the salaries paid the promoter-managers had risen to $10,400 per year each for Botthof and Beirnes and $7,800 for Moss. These disbursements had combined to keep the company's cash account at a perpetually low ebb. The acquisition of BARS for $25,000 resulted in a current ratio (current assets divided by current liabilities) of about one third to one—that is, $25,000 in assets and $75,000 in liabilities. This was clearly a very precarious financial condition, especially since current monthly income was exceeding expenditures by only about $1,500, two thirds of which was being disbursed in monthly dividends.

Fortunately a short-term bank loan was arranged through one of the company's stockholder-directors, Charles K. Bartow, an officer of the Merchants National Bank in Detroit. This, coupled with a drastic economy drive, some additional income from SRRS and BARS, and the elimination of dividends, was counted on to keep the company solvent. In spite of these measures, however, the year 1922 ended with less than $1,000 in the company's cash account and a current ratio that was still about one third to one.

Meanwhile SRRS was having consider-

5. Minutes of the Board of Directors' meeting, January 22, 1923, B. and B. Service Corporation. Present: W. E. Botthof, A. H. Moss, A. E. Beirnes. Proxy: Charles K. Bartow. Absent: E. C. Cox.

able success. This new condensed version of SRDS soon had more than 600 subscriptions which, together with SRDS, brought the total circulation to nearly 2,200. Substantial amounts of advertising were also secured for the new publication, and total advertising revenue for 1923 rose to $144,000, as opposed to $101,000 for 1922. Net profit increased even more substantially—from around $10,000 for 1922 to nearly $40,000 for 1923. Dividends were held to only $1,800 for the year, and the bank loan was completely repaid. The end of 1923, therefore, found the company's current ratio greatly improved (it was now four fifths to one), and another crisis in SRDS experience appeared to have been favorably resolved.

Perhaps the one disappointment of the year was BARS. This service, when acquired, had some 150 subscribers, but the number slowly dwindled away and only the necessity for completing the existing subscriptions, as promised, kept the service alive. Such a result might have been anticipated, since neither Botthof nor Beirnes had a strong interest in extending its existence.

Barbour's Advertising Rate Service in Retrospect.—Firms that have failed do not often leave recorded histories. Even more unusual is such a history in the words of its principal figure. Such an account may be extremely enlightening, however, and may point up in a most convincing manner the strength of the competing firm that did survive.

Justin Barbour, the promoter and manager of BARS, has gone on to found another business—small in scope, to be sure, but highly successful as a vehicle for his very real talents for analysis and his passion for objectivity: Barbour's Investment Service. Its founder summarized his experience with BARS in this way.

Early Competitive Services.—There is actually an earlier history to this service. Stalker's was a kind of pamphlet published by a small advertising agency in Toledo. Al Beirnes worked on that service. It was a brief service, but probably it contained the idea out of which SRDS was built. Certainly there was nothing between us and Stalker that was competitive. Stalker's service sold for $15 a year; ours was $150. Mr. Stalker was a very frugal man; later [1921] we bought Stalker's out.

Lord and Thomas Advertising Agency had a good little reference book. They were in a position to get ads from everybody without any sales cost by merely "inviting" people to advertise in it.

The Investors in Barbour's Service.—The people who invested in the business were Charles S. Roberts and D. A. Nicholson. Roberts, who put up most of the money, was a teller at the First National Bank of Chicago, and Nicholson was rotogravure manager for Kimberly-Clark Paper Company. Everybody lost his entire investment.

The Service.—We had a superior service. They [SRDS] had a service that was easier to use. Ours had three sections, which were sold separately: the newspaper section, which was the earliest; the magazine and farm paper section; and the trade paper section. Our service contained complete factual information necessary to the media buyer. At that time *Standard Rate and Data Service* gave only the highlights. You couldn't come down to the final job of making your schedules with SRDS listings.

I worked out the manufacturing end with A. B. Dick, a pioneer of the mimeograph process. Our next big job was to get new rate cards from publishers as they changed their rates. We always sent the copy to the publisher to be checked. This was done once a month to be sure that no rate card would come through that we hadn't received. It was necessary to have a highly dependable service or it was worthless.

Standard Rate and Data Service as a Competitor.—Standard Rate and Data Service as a quarterly service did not stand up because people had to have the latest rates. The major reason that *Standard Rate and Data* was competitive was the low price. The big thing that Botthof had to keep him going in his early days was the contract for the *Chicago Tribune.* They couldn't have survived without that advertising. There was a psychological advantage in having the advertising from the *Tribune.* The thing that enabled them to develop from 1922–23 on was that SRDS became a really complete rate service.

Difficulties with BARS.—From the viewpoint of people who used the service, we had two drawbacks: It would take only a few minutes three times a week to file the sheets if the girls in the subscriber's office would do it regularly. Many times, however, the girls allowed our sheets to pile up for weeks on end, and then the filing of back numbers became a real obstacle—both mental and physical. Another problem was the high cost of our subscription relative to that of SRDS. Finally, since the publication was in loose-leaf form, it was possible for people to take our sheets to their desks, where they sometimes became lost or mislaid.

A General Appraisal.—In retrospect, I would say that there were several things our service didn't have. One was good management in both finance and sales. If it had not been for Al Beirnes' supervision of the SRDS finances, SRDS would not have survived, for Walter Botthof was very extravagant. If Beirnes had been my partner, we might have become a financial success. Second, we didn't have a good sales organization. Walter Botthof could sell; he was and is a powerful salesman. I can produce a service, but I am not a sales promotion man. Another difference, which was basic, was that Walter Botthof had the commercial point of view. Our service in the loose-leaf form did not lend itself to advertising. We carried a little advertising on the back of the sheets, but we got a new ad only when we changed the sheet. In addition to these factors, we operated in a period when space charges were going up rapidly because of the increase in paper prices. The frequency of rate changes increased our clerical and distribution costs. A given medium might change a rate only once every year or two, but every week some papers were changing.

Finally, we just didn't push the right book at the right time. I was too much imbued with the idea that the basic business was the rate-sheet business [BARS]. I didn't see that the pocket edition [BRRS] could have been built into a good service. The daily rate-sheet service could have been supplementary to the pocket edition. If we had used the pocket edition sooner, we could have mailed out frequent change notices—twice a week, for example. Along with it we could have published a cumulative index. When we did bring out this pocket handbook to compete with them [SRDS], our service was more complete and easier to use than theirs. (April 8, 1958)

Justin Barbour's comments on the reasons for his company's inability to survive SRDS competition point up many factors that were to continue to characterize the SRDS organization, especially the attention given to "the commercial point of view" and the skillful and aggressive management of sales. On the other hand, Barbour's suggestion that Walter Botthof was "extravagant" seems to have stemmed from the disparity between the two firms' selling efforts. At this time three fourths of the SRDS management team—Botthof, Moss, and Trenkmann—were active in sales, and quite naturally considerable sums of money were required to support the firm's extensive direct-mail and field-sales activities. To Justin Barbour and, for that matter, to Al Beirnes of SRDS, many of Botthof's sales activities appeared unnecessary and therefore extravagant. By way of contrast, Justin Barbour employed no salesmen, had no New York office, made modest use of direct-mail advertising, and did very little traveling himself. Also by way of comparison, it should be noted that the SRDS revenue from subscriptions and advertising exceeded Barbour's income within six months. Perhaps the moral is to be found in the old adage that it is sometimes necessary to "spend money to make money." Certainly the histories of the two firms suggest that Botthof's policies and the firm's expenditures in respect to sales promotion were highly successful.

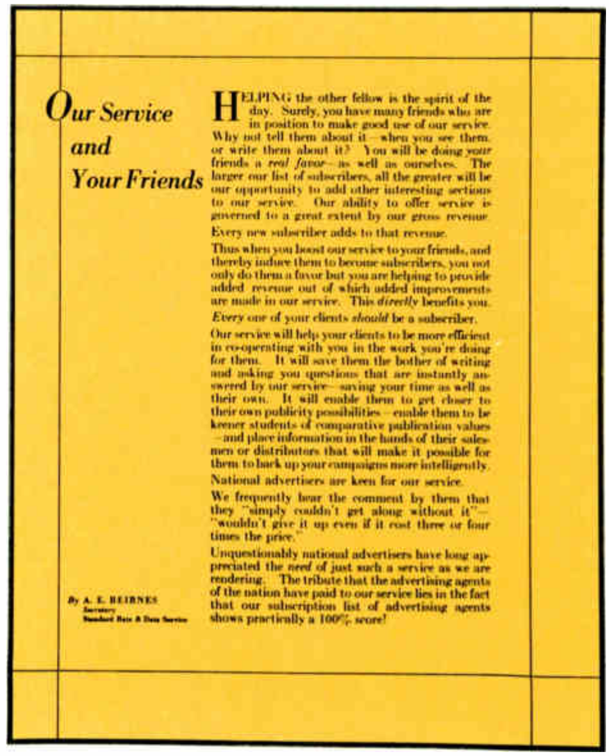
The Social Contribution of Business Failure.—In our society the ultimate test of the success of a business enterprise is its ability to survive and, preferably, to grow. This requires that the firm's operations be profitable. The firm that rather consistently fails to make a profit, as did Barbour's, may also serve a useful purpose during its life in providing competition—the most effective known stimulus to innovation and improvement.

Seldom does a society score an absolute gain when a business enterprise, even an unprofitable one, collapses. To be considered as social losses are not only the probable (though not inevitable) decline in competition but the very real decline in individual effectiveness that occurs when a going organization breaks up. This dissolution of the human relationships that constituted the life entity of the firm is rarely reckoned a loss by dollars-and-cents accounting. Yet when one considers the chaos that would exist if all the personnel in any company were to be replaced by equally competent but previously unacquainted persons, the value of a well-knit, well-trained staff to an ongoing organization is quite evident. Still more difficult, then, would be the task of recruiting personnel and building an organization from scratch—even assuming that the accountable assets of the firm were passed along intact to a new president. Thus it is that the whole of an organization is a great deal more than the sum of its parts, and the loss to society from the dissolution of a going enterprise may be serious indeed. On the other hand, without the ultimate penalty of business failure much of the stimulus of competition would be lost, and this too would carry a penalty—probably much more serious than the losses that do occur through the failure of the Barbours of our time.

The Challenge of a Limited Market.—By January 1921 the impending saturation of the advertising agency market for SRDS made it clear that any substantial increase in revenue would have to come from the sale of advertising space rather than from additional subscriptions. This did not mean that the subscribers' interests could be slighted, however, for a very important avenue to increased advertising lay in the development of increased *subscriber usage* of the publication. As before, this aspect of the drive for revenue was a joint responsibility of Botthof and Beirnes.

The task of educating potential advertisers about the use of SRDS by media buyers and others influential in media space selection was the second aspect of the two-pronged drive to increase revenue. This phase of the business was continued under Botthof's direction.

It is not too much to say that each issue of SRDS during its first five years contained some change or innovation in format, content, or accuracy, designed to enhance the value of the publication to its users. Often the changes were suggested by the subscribers themselves, acting upon the firm's frequent editorials stressing SRDS' responsiveness to their every need. (See Figure VI-2.)



Our Service and Your Friends

HELPING the other fellow is the spirit of the day. Surely, you have many friends who are in position to make good use of our service. Why not tell them about it—when you see them, or write them about it? You will be doing your friends a *real favor*—as well as ourselves. The larger our list of subscribers, all the greater will be our opportunity to add other interesting sections to our service. Our ability to offer service is governed to a great extent by our gross revenue.

Every new subscriber adds to that revenue.

Thus when you boost our service to your friends, and thereby induce them to become subscribers, you not only do them a favor but you are helping to provide added revenue out of which added improvements are made in our service. This *directly* benefits you.

Every one of your clients *should* be a subscriber.

Our service will help your clients to be more efficient in co-operating with you in the work you're doing for them. It will save them the bother of writing and asking you questions that are instantly answered by our service—saving your time as well as their own. It will enable them to get closer to their own publicity possibilities—enable them to be keener students of comparative publication values—and place information in the hands of their salesmen or distributors that will make it possible for them to back up your campaigns more intelligently.

National advertisers are keen for our service.

We frequently hear the comment by them that they "simply couldn't get along without it"—"wouldn't give it up even if it cost three or four times the price."

Unquestionably national advertisers have long appreciated the *need* of just such a service as we are rendering. The tribute that the advertising agents of the nation have paid to our service lies in the fact that our subscription list of advertising agents shows practically a 100% score!

By A. E. BEIRNES

FIGURE VI-2

Format.—Changes designed to assist the media buyer by organizing the SRDS material in a more convenient or more meaningful way took place continually. Business papers, for example, were at first simply listed alphabetically. With some 900 listings to be considered, the alphabetical organization was awkward for a media buyer to use when compiling a media list for a particular occupation or class of business institution—for example, periodicals likely to be read by persons engaged in finance and banking. Comparison of rates and data for competing media was similarly difficult. The disadvantages of this arrangement were speedily corrected. In January 1920 listings of business publications were organized under headings according to the principal subject

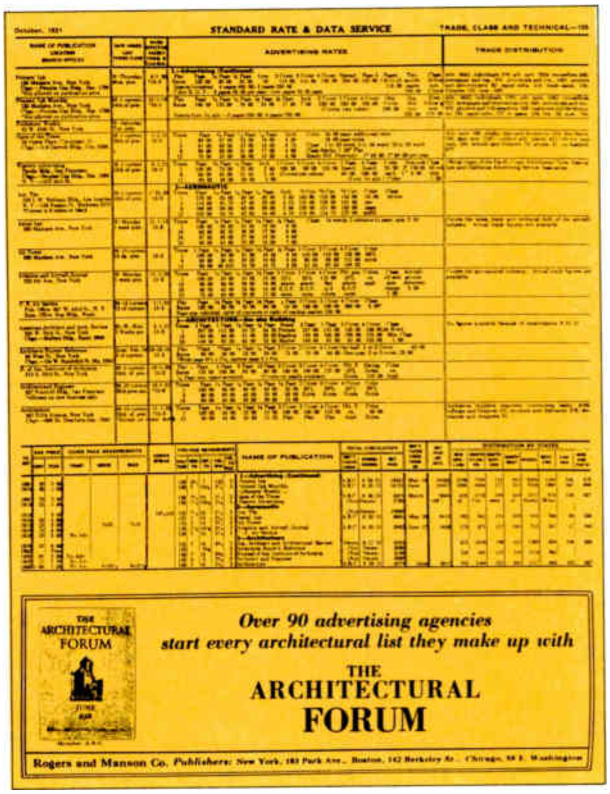


FIGURE VI-3

matter of each, such as "Finance and Banking," thus offering the media buyer a ready-made list of possible publications, with relevant rates and other information in close proximity, to facilitate comparison. In May 1920 the "Descriptive Section" was added—a brief outline of the character of, and market for, each business publication. In the following month the categories of business publications were further subdivided, and cross references were added for the convenience of the reader. The December 1920 issue included Canadian business periodicals, and in August 1921 an analysis of the circulation of business papers by geographic area and according to the occupations of the subscribers was introduced. In October 1921 the tabular organization of the business-paper section was partially replaced by a columnar organization. This permitted general information pertaining to each periodical to be presented in paragraph form and hence removed the restriction on quantity and type of information necessitated by the tabular form. Materials likely to be compared, such as mechanical data, were retained in tabular form and placed at the bottom of the page. (Compare Figures IV-3 and VI-3.)

A key person in the exacting process of converting the business paper section from tabular to paragraph form was Howard E. Rogers, who came to SRDS from *Barbour's Advertising Rate Sheets*, the latter being written almost entirely in paragraph form. Rogers later undertook the same task with the other sections of SRDS. All these changes in format and organization were accomplished under the supervision of Beirnes, ably assisted by Jane Gleason on publication matters and by Jack Gaines on production.

Similar changes were gradually introduced into the other SRDS divisions, usually after they had been tested in the relatively brief business paper section. Because of the added flexibility in regard to type and quantity of information, the most significant of these modifications was probably the transition from tabular to columnar presentation. This shift to paragraph form was completed in January 1923, when the daily newspaper section, largest of the SRDS divisions at that time, was converted. (Figure VI-4.)

Services.—Accompanying the alterations in the format of SRDS during this period were frequent additions to the type and quantity of information made available. This pattern of expanding services had appeared at the very onset of SRDS. In the second issue (October 1919), for example, it was announced that the names of business and advertising managers for the listed publications had been added, that the populations of major cities were included, and that Canadian, religious, and foreign newspaper listings were to be available in the next issue. Subscribers were also encouraged to offer suggestions for additional classes of information. The same willingness to add features and services prevailed in succeeding issues, with the result that at the end of the first five years of publication, SRDS contained a vastly expanded array of useful information. (Compare Figures IV-3 and VI-4.)

One of the most important additions was the introduction of "maximil-minimil" rates in August 1921. This SRDS innovation was an adaptation of the "milline" system developed by Benjamin H. Jefferson of Lyon and Healy, Chicago, and reported in the June 1920 issue of *Printers' Ink.*

Simply stated, the milline rate is a device to facilitate comparison of rates of media whose circulation and rates differ. For example, when publication A offers a 417,693 circulation at $.93 a line and publication B a 673,207 circulation at $1.07 a line, a buyer wants to know what the relative cost per standard line per unit of circulation will be. In this case, the comparative figures are $.00000223 for A and $.00000159 for B. Since these are unwieldy figures, they are simplified by multiplying each by one million, resulting in a milline rate of $2.23 for A and $1.59 for B. The milline concept is especially valuable when rates are given in terms of a full or partial page, since the page sizes of both newspapers and periodicals vary widely.

The contribution of SRDS to this system was to calculate the milline rate for each publication, assuming the minimum and maximum discounts allowed for quantity purchase—i.e., "minimil" and "maximil" rates. As Mr. Jefferson had requested compensation for the use of his term, *milline*, the coining of the terms *minimil* and *maximil* by Richard Trenkmann proved a happy solution.

Space buyers to the last man welcomed the SRDS "minimil-maximil" system (trademarked), but publishers' reactions varied. Newspapers whose rates appeared out of line on the "minimil-maximil" basis objected on grounds that the system encouraged space buyers to overlook quality considerations when selecting media. In a gesture of cooperation with the objecting publishers, SRDS dropped "minimil-maximil" ratings in the March 1923 issue, leaving the way open to reinstate this feature if the subscribers wanted it. The response

72—MISSOURI STANDARD RATE & DATA SERVICE

Missouri—Cont'd.

ST. JOSEPH

Pop. 77,939; Trading Area 207,786

GAZETTE

Published Morning & Sunday.
Rates effective August 1, 1920.
Agency commission 15%; no cash discount.

General Advertising

	Daily	Sunday
Open	.10	.10
1000 lines	.08	.09
3000 lines	.07	.08
5000 lines	.06	.07
Fixed Space		
12 times	.08	.09
52 times	.07	.08
104 times	.06	.07

Classifications

Amusements, flat	.20	.20
Political, flat	.10	.10

Position not sold on classifications.

Position Charges—Extra

Next to reading	10%
Full position	25%

Minimum full position 28 lines.

Classified Rates
.10 line; set in agate caps or other acceptable display 100% extra. Minimum .20 each insertion.

Reading Notices
Readers following news .50 count line; preceded and followed by news .75 count line; political readers .50 count line; business notices .40 count line. Black heads charged as double space. Pure reading type not allowed. No first page readers.

Contract Requirements
Contracts expire 1 year from date of first insertion.

Representatives
J. P. McKinney & Son.

NEWS-PRESS

Published Evening except Sunday.
Rates effective October 25, 1920.
Agency commission 15%; cash discount 2%—20th following month.

General Advertising

Flat	.10

Position Charges—Extra

Next to reading	.02
Minimum depth 28 lines.	
Full position	.03
Minimum depth 35 lines.	

Island position—not sold]
First page—readers only.
Publisher will not accept a contract for service on a designated page nor a contract covering the elimination of any page or pages. Service as to page location entirely at option of the publisher.

Minimum Depth R.O.P.
1 or 2 columns 14 lines; each additional column 14 lines. Ads exceeding 280 lines deep charged and run as full page depth.

Classified Rates
Set in solid agate, undisplayed .02 word. Minimum 1 time .20; min. for consec. insertions .20; 10% discount for cash with order. Set in paragraphs, lined up matter, caps, white margin, hollow faced display type, leaded, etc., .15 measured line, 14 lines to inch. Minimum 7 lines. Classified ads with borders 100% extra. All classified cash with order.

Reading Notices
Set in body type and inserted among reading matter 1.00 count line; set in agate on first page, at foot of column, 2.50 count line. Local notices, set in solid nonpareil or agate, position at pub's option, and may be grouped with other paid matter .20 count line. Single line bold face head counted as 2 lines, at least 2 lines of reading matter being necessary.

Contract Requirements
Contracts expire 1 year from date of contract.
A condition of all contracts, whether so written or not, is that copy must start with a full and regular schedule within 60 days from date of contract, or be subject to rates in effect at the time of such beginning.
Predated contracts not accepted until 10 days prior to date thereof.
Acceptance will not be given to any order or contract unlimited as to time.
All advertisements set in imitation reading display style will be marked "advertisement" either at top or bottom at option of pub. In advertising of this character strictly news type is not permitted.
Pub. not responsible for key nos.
Pub. reserves right to omit advertisements because of paper shortage, labor difficulties or other conditions beyond control.

Representatives
Chicago—Ford-Parsons Co.
New York—I. A. Klein.
San Francisco—Ford-Parsons Co.

STOCK YARDS JOURNAL

Published Evening except Sunday.
Rates effective June 1, 1922.
Agency commission 15%; cash discount 2%—10th following month.

General Advertising

Flat	.025

Minimum Depth R.O.P.
1 column 14 lines; each additional column 14 lines.

Classified Rates
.01 word. Minimum .25 each insertion. Set in larger type than 6 pt .35 inch. Blind ads not accepted.

Reading Notices
Readers or locals in body type .15 count line. Heads charged on line basis.

Representatives
S. C. Theis Company.

ST. LOUIS

Pop. 933,013; Trading Area 1,300,000

GLOBE-DEMOCRAT

Published Morning & Sunday.
Rates effective February 1, 1921.
Agency commission 15%; cash discount 2% if payment is received on or before 15th follow. month.

General Advertising

Open (Daily or Sunday)	.45
3000 lines	.40
5000 lines	.35
Fixed Space	
26 times	.40
52 times	.38
156 times	.35

Classifications
No reservations or yearly contracts for flat rate classifications.

Amusements, flat	.65
Hotels, resorts, steamships, schools	
1 time	.35
30 times or more	.30
*Photoplays	.40
Political	.65
*Publications	.40

(*) Minimum gen'l display rate applies if earned.

Marriage or death notices, 6 lines or less, per insertion	1.50
For excess of 6 lines, line	.25
Over marriages or deaths, line	.50

Position Charges—Extra

Next to reading	25%
Full position	50%

Minimum space 50 lines.
Center spread charged 4950 lines.

Minimum Depth R.O.P.
1 column 14 lines.

Classified Rates
Set solid agate .25 line daily or Sunday. Six ordinary words of solid agate constitute 1 line; hyphenated or long words should be counted as 2 words. Displayed .40 line. Agate caps or white space constitute display. Five words of agate caps constitute 1 line. Personal & medical .35 li. Minimum all classified 2 lines.

Reading Notices
2.00 count line, full faced heads 50% extra; on society page (no full face heads permitted) 2.50 count line. Set 6 pt type. Minimum space 2 lines.

Contract Requirements
Full amount of space contracted for must be used within 12 months or short-rate charges paid.
Orders at rates quoted herewith for longer periods than 1 year will not be accepted.
Claims for allowance for errors must be made within 30 days after insertion; serious errors will be rectified by republication without additional charge, but such republication will not be made where error does not materially affect value of the advertisement.
Insertions on contracts must begin within 30 days.
Cancellation of orders over telephone not recognized unless confirmed same day in writing.
"Till forbid" orders are without time limit and subject to change in rate at any time.
Publishers reserve the right to revise or reject advertisements deemed objectionable, or because of shortage of paper, or labor conditions, or material supply or other conditions beyond their control, and to mark as "advertisement" when deemed necessary to comply with law or rules of paper.
Publishers not responsible for key numbers. No display advertisement set in news type.
Medical and financial copy censored. Consumption, tuberculosis and epilepsy treatment and speculative finan. copy not acceptable.

Special Pages
Rotogravure, comic and magazine sections Sunday.

Representatives
Chicago—Guy S. Osborn.
New York—F. St. J. Richards.
Detroit—Guy S. Osborn.
San Francisco—C. Geo. Krogness.

POST-DISPATCH

Published Evening & Sunday.
Rates effective January 1, 1921.
Revised July 1, 1922.
Agency commission 15%; cash discount 2%—15th following month.

General Advertising

	Daily	Sunday
Open	.50	.60
2000 lines	.39	.47
5000 lines	.35	.42
10000 lines	.33	.40
Fixed Space—Minimum 14 lines		
26 times	.39	.47
52 times	.37	.43
156 times	.33	.40

Yearly reservation orders earning discounts for news sections will not be accepted unless they carry an obligation of 2000 agate lines or more or 26 insertions or more of 14 lines or more.

Classifications

Books, flat	.33	.40
Financial	.35	.35
Political, flat	.50	.60
Resorts, flat	.33	.40
Schools & col., flat	.33	.40
Steamships, flat	.33	.40

Position Charges—Extra

Next to reading	30%
Full position	50%

Minimum depth full 42 lines.
Pages 2 or 3—Guarantee of page 2 or three—selection of page at publisher's option—100% extra. Full position on either of these pages for an additional 50%. Advertisements accepted with guarantee of one or the other of these pages or with guarantee of both page and position will be inserted as ordered or omitted at publisher's option. Minimum space on pages 2 and 3 is 42 lines. Maximum 200 lines. Copy larger than 200 lines may be submitted for optional dates, but must be subject to rejection on account of the limited space available on these pages. Except for pages 2 or 3 the Post-Dispatch will not contract to place advertising on any named page and never in a specified spot.
Center spread charged 4620 lines.

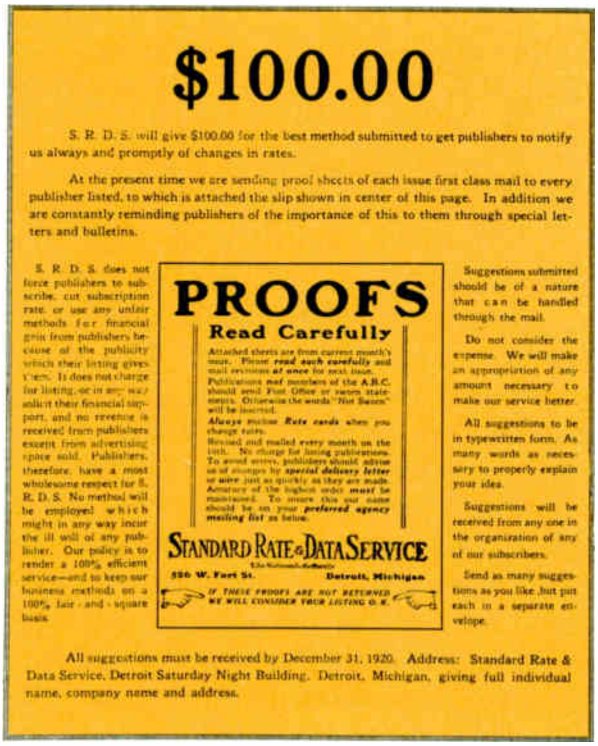
Minimum Depth R.O.P.
1 column 14 lines; 2 cols. 28 lines; 3 cols. 75 lines; 4 cols. 125 lines; 5 cols. or more 140 lines.

Classified Rates
Set solid agate. Farms .25 line daily or Sun.; personal, medical, toilet articles .35 line daily or Sun.; all other classifications .25 line daily, .30 line Sun. Agate caps .05 line extra for all classifications; white space or dashes centered at display rates. Count 6 ordinary words to the line. Minimum 2 lines. Display on classified pages daily .40 line; Sun. .45 line. Real estate inserted in real estate classified section only daily .40 line, Sunday .45 line. Heavy borders, cuts or black face type not accepted for classified pages.

Reading Notices
Publishers will not accept paid reading notices. All advertisements resembling reading matter must carry the word "advertisement" over them.

Contract Requirements
If actual service is not begun on a contract within 30 days from its

FIGURE VI-4



$100.00

S. R. D. S. will give $100.00 for the best method submitted to get publishers to notify us always and promptly of changes in rates.

At the present time we are sending proof sheets of each issue first class mail to every publisher listed, to which is attached the slip shown in center of this page. In addition we are constantly reminding publishers of the importance of this to them through special letters and bulletins.

S. R. D. S. does not force publishers to subscribe, cut subscription rate, or use any unfair methods for financial gain from publishers because of the publicity which their listing gives them. It does not charge for listing, or in any way solicit their financial support, and no revenue is received from publishers except from advertising space sold. Publishers, therefore, have a most wholesome respect for S. R. D. S. No method will be employed which might in any way incur the ill will of any publisher. Our policy is to render a 100% efficient service—and to keep our business methods on a 100% fair - and - square basis.

PROOFS

Read Carefully

STANDARD RATE & DATA SERVICE

536 W. Fort St. Detroit, Michigan

IF THESE PROOFS ARE NOT RETURNED WE WILL CONSIDER YOUR LISTING O. K.

Suggestions submitted should be of a nature that can be handled through the mail.

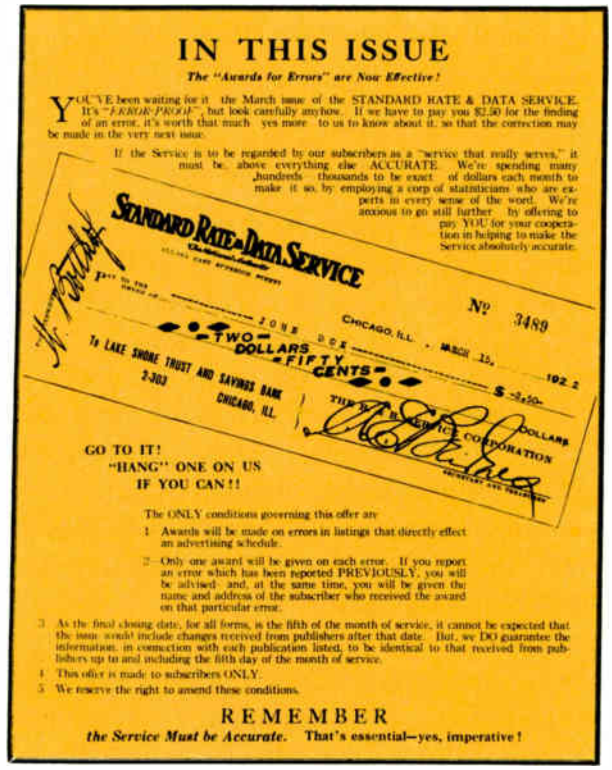
Do not consider the expense. We will make an appropriation of any amount necessary to make our service better.

All suggestions to be in typewritten form. As many words as necessary to properly explain your idea.

Suggestions will be received from any one in the organization of any of our subscribers.

Send as many suggestions as you like, but put each in a separate envelope.

All suggestions must be received by December 31, 1920. Address: Standard Rate & Data Service, Detroit Saturday Night Building, Detroit, Michigan, giving full individual name, company name and address.



IN THIS ISSUE

The "Awards for Errors" are Now Effective!

YOU'VE been waiting for it—the March issue of the STANDARD RATE & DATA SERVICE. It's "*ERROR-PROOF*", but look carefully anyhow. If we have to pay you $2.50 for the finding of an error, it's worth that much—yes more—to us to know about it, so that the correction may be made in the very next issue.

If the Service is to be regarded by our subscribers as a "service that really serves," it must be, above everything else, ACCURATE. We're spending many hundreds—thousands to be exact—of dollars each month to make it so, by employing a corp of statisticians who are experts in every sense of the word. We're anxious to go still further—by offering to pay YOU for your cooperation in helping to make the Service absolutely accurate.

GO TO IT!
"HANG" ONE ON US
IF YOU CAN!!

The ONLY conditions governing this offer are

1. Awards will be made on errors in listings that directly effect an advertising schedule.
2. Only one award will be given on each error. If you report an error which has been reported PREVIOUSLY, you will be advised, and, at the same time, you will be given the name and address of the subscriber who received the award on that particular error.
3. As the final closing date, for all forms, is the fifth of the month of service, it cannot be expected that the issue would include changes received from publishers after that date. But, we DO guarantee the information, in connection with each publication listed, to be identical to that received from publishers up to and including the fifth day of the month of service.
4. This offer is made to subscribers ONLY.
5. We reserve the right to amend these conditions.

REMEMBER

the Service Must be Accurate. **That's essential—yes, imperative!**

FIGURE VI-5

from subscribers was immediate and positive, and the "minimil-maximil" ratings returned within a few months as a permanent feature of SRDS.

Quality.—Concurrently with the changes in format and scope a strong drive to improve the accuracy of SRDS was undertaken. Procedures to detect reproduction errors by the SRDS staff were inaugurated. A proof sheet was mailed to each publisher listed at the time of each new issue. Subscribers were encouraged through frequent editorial exhortations to check accuracy, and cash prizes were awarded for the first report of any error. This award campaign proved remarkably successful; literally thousands of SRDS users became proofreaders and the accuracy of the publication shortly approached perfection (Figure VI-5). When, after a few months, the U.S. postal authorities found the error-reward system to be a "lottery" and in violation of postal regulations, a contest to obtain suggestions for procedures to insure accuracy was conducted. Winning suggestions were published and the winners given cash awards. This campaign was also very fruitful. Finally, the continuing tendency of some publishers to exaggerate circulation figures was combated by the stipulation that, beginning in June 1921, SRDS would report only the latest ABC reports or, for nonmembers, only U.S. Post Office Statements.

In addition to publishing rates in force at the time of issue, each issue of SRDS gave prominence to notices of rate changes scheduled for adoption during the coming month. Whenever SRDS was not given advance notice, interim rate changes were sent to subscribers three times a week through its bulletin service.

Among the devices for educating subscribers in the use of SRDS was a special promotional edition, issued separately. It contained sample pages from each section but without the publishers' advertisements. Occupying the advertising space were suggestions for the use of SRDS prepared by agency personnel. The mock edition also contained a series of articles explaining the relationships of "The Advertiser and SRDS" as well as "The Publisher and SRDS" (Figure VI-6). Finally, the edition included testimonials from agencies, advertisers, publishers, and the 4-A's. As might be expected, the special edition was well suited to stimulating the purchase of space in SRDS by advertisers and so served a dual purpose—promoting advertising and advancing the interests of the circulation department.

In summary, the record of the first five years of publication supplies convincing evidence of an intense desire to make SRDS a well-nigh indispensable tool of the space buyer and at the same time to make sure that subscribers were aware of these efforts on their behalf. The means employed to accomplish these objectives indicate a flexible and imaginative management, willing to test and to experiment and ever mindful of the importance of an interchange of ideas and opinions with subscriber-customers.

Increasing Advertising Revenue.—Advertising revenue grew at a rapid rate during the first five years of SRDS publication —from $43,000 in 1920, the first full year of operation, to $205,000 in 1924, an increase of some 375 per cent. This expansion is the more remarkable because the publication's circulation increased only 50 per cent, from 1,000 to 1,500 copies.

Though this achievement in respect to advertising revenue was of necessity dependent upon making and holding satisfied subscribers by such means as have just been described, the fact remains that publishers did not rush to purchase space in the new publication. Instead, it was a "push and pull" force that actually brought in the advertising dollars. The "pull" force of the sales campaign was generated from the joint effort of Botthof and Moss to explain to publishers how SRDS was being used by media buyers throughout the country and how this gave publishers an opportunity to influence the media-buying public at the moment of decision, through ads placed on the same page as their listings. The "push" force was generated by the gradually accumulating weight of example; each publisher's ad provided an incentive to others to do likewise, not to be left out, not to be made conspicuous by the absence of an advertisement. The SRDS practice of confining editorial matter to two thirds of each page, leaving the remaining space to be

The Advertising Agency and the Standard Rate & Data Service—

Probably it would be well to emphasize here how the service functions in the organization of the advertising agency. So that you can assimilate the thoughts quickly we will analyze the subject from the standpoint of the several departments.

The Executive He is a man of rare judgment and uses *THE STANDARD RATE & DATA SERVICE* to keep himself posted on the many publications. He represents the final check on the development of the campaign which means much to the expansion of his client's business. The executive invariably in discussions with his client relies on the information embraced in the service to supplement that rare judgment of his.

The Contact Man In the discussions in the office of his client he never fails to have the service in his portfolio, ready for instant use, to sell his ideas on the campaign. His influence in the use of certain publications is great.

The Space Buyer Without the *STANDARD RATE & DATA SERVICE* as a part of the equipment of his department he would be lost from the viewpoint of its efficient operation with the least expense. He must have the service before him when interviewing publishers' representatives—to follow their line in selling. His interest in the client's campaign causes him to be regarded as an authority on the buying of space. He is consulted by the executive and the contact man in his own organization and outside—by the client.

Mechanical Dept. This department functions efficiently when it places the order for cuts and gives instructions on the set-up of the advertisement right—the first time. Because *THE STANDARD RATE & DATA SERVICE* gives just the information necessary for the efficient functioning of the mechanical department, it is invaluable.

Accounting Dept. Much money is frequently lost in improperly checking up invoices for service. Whether it is an invoice for electrotypes, halftones, space in publications, etc., *THE STANDARD RATE & DATA SERVICE* affords a quick and *ACCURATE* check.

The Publisher and The Standard Rate & Data Service—

The Executive—

Naturally he is always keenly watching the progress his publication is making compared to that of others—not only editorially but from the standpoint of circulation, rates, etc. He is doing this with just as much enthusiasm as the executive of the large industrial who is always keeping in close touch with the activities of his competitors. *THE STANDARD RATE & DATA SERVICE* has become indispensable to him in making these comparisons—to him it performs the function of a "market report," in that it places all the data right before him and on the same pages where the listing of his own publication is shown. It has been instrumental in gauging his efforts to overcome inertia which may possibly exist in his organization.

The Representative—

In his activities among advertisers and advertising agencies he often has to meet arguments that tend to decrease the strength of his sales talks. Mere statements do not convince the space buyer who is anxious to place his message in a publication where he will be assured of the best results. The advertiser is buying something and he's naturally just as "hard boiled" as the purchaser of any other commodity. He *MUST* be shown.

THE STANDARD RATE & DATA SERVICE in the portfolio of the publishers' representative, ready for instant use, proves the sales talks to the buyer and has the tendency to make the story short and effective. Most representatives carry the *SERVICE* with them at all times and have found that it has led to greater sales.

The Advertiser and the Standard Rate & Data Service—

The Executive Staff—

They are at the head of the business—they have their hands on the "wheel that guides the course of the ship"—they take a keen interest in the methods being used in merchandising because they are responsible to the stockholders from the profit end of the business—they most frequently consult with the advertising manager on the publicity given the product. *THE STANDARD RATE & DATA SERVICE* plays an important part in this final analysis of judgment displayed.

The Advertising Manager—

His judgment on the kind of copy to be used in the advertising campaign; the strength of illustrations and more important the media to be patronized—must be regarded as far superior to that of any one else in the organization. He stands out prominently among others in his company—his work is being watched by everyone, Executive Staff, General Sales Manager, District Sales Managers, Salesmen, and even the clerks in the sales department. *BECAUSE*—his efforts develop the "advance messenger" to the trade that the company has a superior product to sell. If the selling end of the organization is to capitalize on the publicity given the product, the advertising must be good—yes, better than that of any competitor. The Advertising Manager's judgment in the efficient development of the campaign helps make the selling easy.

The Advertising Manager and his assistants have found *THE STANDARD RATE & DATA SERVICE* to be a very necessary part of the many sources from which they gather their knowledge. Even with the highest type of copy, with illustrations that represent the last word in visualizing the story, the effect of the campaign *will* be lost if a most complete study of the available publications in the field to be reached—is not made. No mistakes in the use of the proper media will be made if *THE STANDARD RATE & DATA SERVICE* is close at hand, because it gives all of the information required to make *THIS COMPLETE STUDY*.

FIGURE VI-6

filled in by either paid or self-advertisements, kept the advertising motif conspicuously displayed.

The "pull," then, required an educational program to acquaint publishers with this new means of influencing buyers of media. Although sales promotion pieces, such as the special edition of August 1921, were useful sales supports, the main reliance was on personal sales effort. During these years Botthof and Moss constituted the entire sales staff and traveled almost constantly—Moss being responsible for covering the East Coast and Botthof the rest of the country. Interestingly enough, most sales were direct, although commissions were allowed to advertising agencies. On the subject of agency commissions, Botthof comments:

> I recall distinctly—it was very, very early, perhaps in the first few months of our business existence—that I became convinced of the necessity of allowing an advertising agency a commission. We had started with the idea that we would not do it and that it was not the usual practice for business publications to do so. But we later found that it was being done on all sides, and publishers had already started to complain to me that we were running counter to a common practice and would be in difficulty if we should argue against the principle of the agency commission. I therefore persuaded Al Beirnes that we must allow an agency commission.

In 1924 SRDS became a member of the ABC and began to list its own publication in the business publications section of SRDS, thereby adding two more opportunities to inform publishers about the Service.

It is of considerable importance that the use of SRDS as a vehicle for advertising was a matter of contention between Beirnes and Botthof. Beirnes, like Barbour, wished to stress the service aspect of the publication and to avoid the use of advertising. Botthof was of the opinion that advertising was an absolute necessity to the success of the venture and that its potentialities should be fully exploited. As a compromise between no-advertising (Beirnes) and extensive advertising (Botthof), it was at first decided that the front and back covers and the bottom one third of the intervening pages might carry advertising copy. Any disruption of the continuity of the tabular listings was strongly opposed by Beirnes. This policy was adhered to until the transition from tabular to columnar listings (1921–24), at which time it first became feasible to carry advertisements adjacent to publication listings in one third, two thirds, or even full-page sizes. It seems that Beirnes feared such a practice might detract from the value of the publication in use, and opposed placing advertisements anywhere except at the bottom of the page, as before. To settle the matter, it was finally decided to test the subscribers' reaction to the use of advertising space in a variety of forms. This was done and, when no adverse comment resulted, the widened variety of space offerings became a permanent feature of SRDS policy.

In summary, it was, as Barbour put it, "the commercial point of view" that differentiated SRDS from BARS, its primary rival during most of this period. Prominent among the reasons for the success of SRDS were a low subscription price coupled with the sale of advertising space, an aggressive promotional campaign, the increased variety of advertising space made possible by the shift from tabular to columnar form, and the liberalization of policy regarding advertising placement. In all these matters it seems to have been Botthof who provided the impetus for innovation.

The Move to Chicago.—In December 1921 the B. and B. Service Corporation moved lock, stock, and barrel from Detroit to Chicago. Beirnes and Trenkmann oversaw the loading of a boxcar with SRDS office furnishings, files, and production equipment on a Friday afternoon in Detroit. Monday morning the procedure was reversed in Chicago, and by that afternoon normal office and production routine had been resumed. (See Figure VI-7.)

Both personal and business considerations determined the choice of Chicago as a new home office. Among cities with ready access to important publishers in all fields and to advertising agencies, New York probably ranked first and Chicago second, with Detroit not even in the running. It was almost a foregone conclusion, then, that SRDS should have sales offices in both New York and Chicago. The heavier concentration of publishing and advertising activity in and near New York might well have favored the choice of that city as a headquarters site, with a branch office in Chicago.

In respect to the expense of the physical publication, the cities ranked about the

FIGURE VI-7

same. The question of comparative mailing costs was more complicated. Postal charges for the editorial (nonadvertising) portion of SRDS publications were assessed, as second-class mail, at a flat rate per pound regardless of point of entry or of destination. The advertising portions were assessed at a zone rate, and hence the charges increased with the distance between the destination and the point of entry into the postal system. Because of the heavy concentration of SRDS subscribers in and near New York, there might have been some slight advantage in selecting that city as a publishing site. On the other hand, SRDS mailing costs in 1921 were less than $300 an issue, or $3,600 a year, and the amount of possible savings was really insignificant.

Business considerations, therefore, tended to favor New York as a headquarters site. Why, then, was Chicago chosen? On this point, Walter Botthof recalls:

> Chicago's central location, from the standpoint of distributing our service nationally, was naturally considered a big advantage, and that, plus the fact that Chicago was the second largest advertising center in the country, was the principal reason for the move. Also considered were travel time and expense. It was necessary for me, in addition to all my other travels around the entire country, to run back and forth between Detroit and Chicago frequently.

The original choice of Detroit had been a historical accident resulting from a combination of circumstances: Botthof's position with G. Logan Payne, Beirnes's location in nearby Toledo, financial and other support from the *Detroit Saturday Night* group, and limited finances, which severely restricted the choice of location. As soon as the business acquired sufficient financial stability, both Botthof and Beirnes began to think of moving away from Detroit. An ever increasing area of disagreement between themselves and certain minority stockholders, most of whom lived in Detroit, also made a move to another city appear attractive. In short, a move was indicated, and New York and Chicago were the two most logical choices. New York was already being covered by Al Moss, and Walter Botthof favored Chicago because to him it was home.

The Chicago location did not bring an end to the difficulty between majority and minority interests, however, and the two parties moved gradually toward a more permanent solution of their differences.

Merger of Ownership and Control.—It will be recalled that SRDS began publication with a paid-in and subscribed equity capital of only about $5,000. The other "capital" contributions were a credit extension of some $5,400 from the Saturday Night Press (arranged by H. L. Nimmo) and the services of Beirnes and Botthof. Thus, although the company's capital structure consisted of 200 shares of stock, with a par value of $100 per share, only about one fourth of the 200 authorized shares were issued in return for cash invested. The contributions of the promoters, Botthof and Beirnes, had been mainly in terms of time and services, and for these essential factors they and their wives had retained subscription and voting rights to about three fourths of the stock. As these holdings carried with them the right to elect a majority of the company's directors and to change the by-laws of the corporation, it might be expected that the composition of the board would reflect this stock control. There were, nonetheless, certain nonlegal limitations that Beirnes and Botthof felt they should respect in regard to the conduct of the business. These limitations derived mainly from the promoters' personal relationships with the three subdivisions of the minority stockholder group—members of their own families, business associates, and one employee of the company, Jane Dempsey. In this connection Botthof reports:

Practically every stockholder in the company was a personal friend of mine. I believe the only exception was Charles Bartow. All the others bought stock not so much because of their faith in the venture as because of their faith in me. Beirnes did not sell one penny's worth of that stock, nor would he permit me to offer stock to, or otherwise influence, any of his closest friends and relatives. Bartow was a friend of Beirnes but, I gathered, not in a close, personal way.

The investment motives of these groups fell into two distinct categories: those who were mainly interested in helping the two young men start a business of their own and those who considered their purchase of stock primarily in the light of a business venture.

The first, or "passive," group consisted of certain family members and some of the business associates, such as Gallogly and Hammel. After their act of faith in providing funds, the members of this group took no part in the conduct of the business.

The second, or "venture," group—consisting of Bartow, Cox, Miss Dempsey, Nimmo, Ridenour, Shields, and Veon—was keenly interested in the operation of the business. Bartow, Cox, Ridenour, Shields, and Veon were directors at various times. Shields and Veon acted as officers (without salary). Jane Dempsey became circulation manager.

The difference in the degree of participation of the two groups reflected basic differences in original motivation and financial expectations. Consequently, the stock holdings of the passive group were reacquired by Botthof, Beirnes, and Moss relatively early and at modest cost. As the financial prospects of the business improved, the members of the venture group, by contrast, became progressively more interested, and one member, Ridenour, even increased his holdings. The general attitude of this group was that the corporation had hit upon a "good thing" and that, like investors in any "growth" situation, they were entitled to a fair share of the increasing prosperity of the B. and B. Service Corporation. In addition, some members of the venture group, mainly those connected with the *Detroit Saturday Night*, had exercised considerable early influence upon the company's policies and had contributed to its progress during the critical 1919–20 period.

At first it seemed entirely reasonable to Beirnes and Botthof that the minority stockholders should have a voice in corporate financial policy, at least at the directorship level. In fact, a majority of the company's directors during the entire period 1919–23 were from the venture group. (See Appendix 2.) This did not mean, however, that the promoters had relinquished control, for their majority stock interest carried with it the right to elect a majority of the directors at the annual stockholders' meeting. While Botthof and Beirnes did not at first exercise this option, it is clear that throughout these early years they exercised absolute control in a latent if not an immediate sense.

During the years 1920–23, the business acquired financial and market stability, and its earning prospects greatly improved, largely through the personal efforts of Botthof and Beirnes. Coincident with these developments, the relationship between Beirnes and Botthof, on the one hand, and the minority stockholders, on the other hand, underwent a gradual and highly significant change. By mid-1920 Botthof and Beirnes were no longer attempting to promote an idea, but were owner-managers of a going business whose financial prospects appeared very bright indeed. Overt evidence of the changing attitude first appeared in October 1920, when Botthof and Beirnes, who had been drawing salaries of $100 per week each since the inception of the business in early 1919, requested a 25 per cent increase in their annual salaries. This was granted by the Board of Directors, but only after a *monthly* dividend of 4 per cent ($800) was also agreed to. At successive meetings the salaries of the owner-managers were regularly increased, as were dividends. (See Appendices 1 and 5.) The exact distribution of earnings was always a matter of contention, however, and the actual allocation was usually a compromise that pleased neither group. Finally, at the stockholders' meeting of September 1922, Botthof and Beirnes abandoned their conciliatory position and openly assumed control of the situation. Elected to the Board were Botthof, Beirnes, and Moss, representing the owner-manager group, and Bartow and Cox, representing the minority stockholders.

Beirnes, writing a few years later about this period of dissension, said:

> True, Mr. Botthof and I have always held the majority stock, but we felt [that] because of the financial assistance of the minority stockholders, which enabled us to start the business, they should be allowed as far as possible to have their way in the operation of the business, *so long as it did not materially affect it.* (Author's italics.)[6]

The shift in control of the Board from minority stockholders to owner-managers was immediately followed by further salary increases for Botthof, Beirnes, and Moss. At the same time the dividend rate, by now $1,000 per month, was slashed to zero. Less than two months later *Barbour's Advertising Rate Sheets* was purchased, and the directors decreed a program of strict economy: no further increases in officers' salaries, continued cessation of dividends, and the elimination of directors' fees, heretofore $10 per meeting.[7]

A recapitulation as of December 31, 1922, shows that, since July 1, 1919, some $70,000 in salaries had been distributed to officers, primarily Botthof and Beirnes, and $18,200 to stockholders in the form of cash dividends. Some three-fourths of these dividends had accrued to the owner-managers,

6. Letter of March 30, 1926, to C. E. Boldon, supervising Internal Revenue agent, from B. and B. Service Corporation files, signed by A. E. Beirnes, secretary and treasurer.

7. Directors' Minutes, January 22, 1923.

giving them a gross income of nearly $85,000. The remaining dividends, amounting to some $4,500, had been distributed to the minority stockholders. Meanwhile the surplus account had increased from minus $23,000 to minus $9,000. (See Appendices 1 and 4.)

During the ensuing year, 1923, some $1,800 in dividends was distributed, bringing the total to $20,000, the exact amount of the original capitalization. Officers' salaries continued at the combined rate of $26,500 for the year. At the same time Bartow and Cox, representing the minority stockholders, were adamant in their opposition to further salary increases proposed by and for Beirnes, Botthof, and Moss. In the course of this dispute an auditor's report was received that gave the minority group strong moral support in respect to the salary issue and cautioned the directors in regard to the company's financial condition and financial practices (Figure VI-8). While the report did not specify the divergence of interest between owner-managers and minority stockholders as a cause of the company's financial situation, there can be little doubt that this constituted a basic element of the problem.

No change in the relative positions of the owner-managers and minority stockholders occurred as an immediate result of the report, however, and the contention continued for another six months. Then, perhaps frustrated by their position, the minority stockholders allowed themselves to be bought out by Botthof and Beirnes in January 1924. Beirnes was rather explicit about his motives in regard to the purchase:

> This oppression [by the minority stockholders] grew so rapidly that it eventually became obnoxious to the point where we were compelled to purchase their interest at a fabulous price.[8]

The purchase price of $400 per share, plus dividends of 1920 through 1923, totaling $100 per share, provided a gross return to the minority stockholders of $500 for each $100 invested. On this basis the price paid to the minority group appears very generous indeed. In the light of subsequent developments, however, Botthof and Beirnes were most fortunate in having persuaded the minority group to sell when they did.

The stock purchase price of some $14,000 was paid by the company, and Botthof proposed that the stock be immediately resold to Moss. Although Beirnes had previously seemed favorably disposed toward this recognition of Moss's considerable contributions to the company's sales effort, he now had reservations. The prospect of two of the owners' siding together against the third troubled him greatly. So did the fact that Walter Botthof, as president, seemed to him to receive the lion's share of recognition for the success of the business. As a *quid pro quo* for agreeing to the sale of the stock to Moss, therefore, Beirnes proposed that a long-term employment contract be accepted by the three owner-

8. Letter of March 30, 1926, to C. E. Boldon; *op. cit.*

AUDITOR'S REPORT TO THE BOARD OF DIRECTORS

As presented to the Board on June 29, 1923, and as recorded in the minutes of that date

ACKNOWLEDGMENT OF THE REPORT

Present: E. C. Cox, C. Bartow, A. E. Beirnes, W. Botthof. Absent: A. H. Moss. The following financial report (of G. Overlook, certified public accountant) was accepted and approved by all present:

SUMMARY STATEMENT OF FINANCIAL CONDITION

A condensed comparative summary of your Balance Sheet at the close of business December 31, 1922 and May 31, 1923 shows the following condition:

ASSETS	December 31, 1922	May 31, 1923	Increase—Decrease (-)
CURRENT ASSETS	$24,640.22	$23,282.62	$ 1,357.60 (-)
CAPITAL ASSETS	58,198.09	51,493.42	6,704.67 (-)
TOGETHER	$82,838.31	$74,776.04	$ 8,062.27 (-)
LIABILITIES			
CURRENT LIABILITIES	$67,038.04	$47,751.70	$19,286.34 (-)
CAPITAL STOCK	20,000.00	20,000.00	—
SURPLUS OR DEFICIT	4,199.73 (-)	7,024.34	11,224.07
TOGETHER	$82,838.31	$74,776.04	$ 8,062.27 (-)

AUDITOR'S COMMENTS ON FINANCIAL CONDITION

The improved financial condition at May 31, 1923, as compared with December 31, 1922, is due to the favorable earnings for the first five months of this year and to the fact that dividends have not been paid during the period.

Notwithstanding this improvement, your statement at both dates shows a very unhealthy condition, due to the fact that current liabilities are in excess of current assets and unearned revenue, and every effort must be made to reverse the condition that now exists.

• • • •

With reference to your Company declaring a dividend at your next Director's Meeting, and increasing the salary of the officers of the Company, I wish to call your attention to the fact that in previous years, by declaring dividends as they did, your Directors drained the cash resources of the Company to a point where the business could not satisfactorily finance the purchase of Barbour's Advertising Rate Sheets, allowed accounts to become past due, issued notes in payment of accounts and in addition made themselves liable for the dividends they did declare and pay, while a deficit existed in the accounts of the Company.

• • • •

In conclusion, I wish to reiterate that, in my opinion, dividends, salary increases, and other similar financial matters which you might have under advisement at your next meeting should be deferred until after the close of the current year. At the end of that time I know you will have every reason to feel satisfied with the healthy condition of the Company which you have developed, and a conservative dividend program can then be adopted and carried out.

FIGURE VI-8

managers and that in this contract he (Beirnes) be referred to as "*the* founder" (italics added by author) of the Standard Rate and Data Service. The latter qualification was an especially bitter pill for Botthof to swallow, but there seemed to be no other way of bringing Beirnes into agreement. The contract was drawn and signed, and Moss's holdings were increased to 46 shares of stock, Botthof and Beirnes retaining 77 shares each. The salary arrangements and other conditions of the agreement follow:

Officer	*Salary*	*Life Insurance**
W. Botthof	$30,000	$200,000
A. Beirnes	$30,000	$200,000
A. Moss	$24,000	$160,000

* Payable to beneficiaries designated by the respective officers rather than to the company.

If an officer retired during the contractual period, his compensation would be 75 per cent of his regular salary, and as much as five years of illness could be accumulated with no reduction in salary.

In retrospect, it is clear that the relations between Beirnes and Botthof, as managers and principal owners, and the minority stockholders followed a well-marked path. True, in such a situation personalities largely determine the intensity of the conflict and the exact mode of its resolution, but the fundamental conflict of interest was inevitable. It is the awareness of this tendency that quite properly causes experienced investors to view equity interests in small businesses as fraught with risk, *even though other important factors, such as managerial ability and profit potential, are highly favorable*.

This being the case, it is fortunate that the issue of SRDS ownership and control was settled without serious effects on the firm's prospects.

The End of an Era.—The consolidation of ownership and control that occurred in January 1924, coupled with the elimination of *Barbour's Advertising Rate Sheets* and the achievement of financial stability during 1923, augured well for the future. Botthof, Beirnes, and Moss were understandably proud of their achievements and confident of the viability of the business. The era of trial had ended, and the future seemed a simple matter of onward and upward. But this state of relative complacency was soon to be disrupted by the threat of competition from an unexpected quarter.

VII

Continued Growth & the Challenges of the ABC & of Radio, 1924-1929

CHALLENGES to the management team of Botthof, Beirnes, and Moss during the remainder of the "roaring 20's" were not lacking. First, there was the rather pleasant task of adjusting to the new pattern of ownership and control and of institutionalizing the management organization and procedures. Second was the continuing challenge of educating the market to the use of SRDS as a media-buying tool and as an advertising medium in its own right. Third was the need for further improvement of the Service itself. Next came the threat of competitive service from a new quarter—the Audit Bureau of Circulations, or "ABC." Finally, the rapid growth of a new advertising medium—radio—created an opportunity for expansion of the SRDS idea.

The Owner-Management Team.—A small, closely held business such as SRDS was during the 1920's is typically characterized by highly informal and personalized management practices and by an almost complete absence of written memoranda relating to organization, standard operating procedures, and statements of policy. Its success depends upon the mutual understanding that develops among men who work in close association day after day and upon a reasonable continuity of this arrangement. To this generalization SRDS was no exception. The owner-manager team of Botthof, Beirnes, and Moss and the distribution of functions among them were fairly well established within two years after the founding of the business. During the entire decade of the 1920's Botthof, president, was the chief executive and sales manager; Beirnes, secretary-treasurer, was in charge of finance and production and also acted as compiler of the Service; and Moss, vice-president, continued in charge of sales at the company's strategic New York office.

Key Employees.—Among the employees of the company, probably the key figure of the period was Richard A. Trenkmann, who had joined SRDS in 1921 to assist Botthof in the internal administration of the company's sales activity. This was in keeping with his previous experience in sales, promotion, and advertising as western service manager of the Atlas Portland Cement Company of Chicago. Trenkmann proved to be extremely alert and diligent, took a keen interest in all aspects of the business, and was entrusted with ever increasing responsibilities in sales and other home-office activities.

Two other early employees of the company were Howard E. Rogers and Frank Muench. Rogers, who came to SRDS from BARS early in 1922, was active, as has been noted, in changing the SRDS listings from tabular to paragraph form. Throughout the period Rogers worked under Beirnes and helped to develop many improvements in coverage and format. Muench came to SRDS when it purchased *Barbour's* in late 1922. With Barbour he had been in charge of the collection and organization of data—the equivalent of the SRDS "compiler." In the SRDS arrangement he reported to Beirnes, as did Desire Eugene, chief composing room operator, who assisted in converting SRDS from monotype to linotype. Not only was Eugene industrious, but he relished the challenge of adapting standard equipment to the special needs of SRDS composition. His previous experience as a linotype operator at the *Chicago Tribune* had provided him with the technical know-how necessary to his new task. In the field of sales Botthof was assisted in the Chicago area by Clarence W. Doheny, who started his career with SRDS in 1924 and continued with the company until his untimely death in 1951.

This entire group was relatively young. In 1924, for example, Botthof at the age of 36 was the oldest of the owner-manager group. All had entered some business either during or immediately after their secondary education, and only Botthof seems to have sought additional formal education. For each of the owner-managers this was a first experience as an entrepreneur. In point of personality, Botthof was easily the most aggressive and probably the most imaginative and receptive to new ideas. A very real desire to produce a fine service, ability to organize vast amounts of detailed data, and frugality were Beirnes's outstanding characteristics. Moss is less easily characterized. Though quiet and even retiring in a social gathering, he was an excellent salesman because of his command of the facts and his friendly and dignified presentation. Moreover, Moss had an easy poise that served to counterbalance Botthof's ebullient personality.

"Barbour's Advertising Rate Sheets."—It will be recalled that, under the understanding reached with the 4-A's in October 1922, SRDS was pledged to complete the unexpired subscriptions for BARS, some of which had been paid up for nearly two years in advance, with either the BARS service at $250 per year or SRDS at $30 per year, at the discretion of the subscriber. Most of the BARS subscribers, some 150 in all, elected to continue the BARS service. This was provided by the SRDS organization, and for a time it appeared that, because of the reduction in overhead, the BARS service might be put on a paying basis. Barbour, who came to SRDS to oversee the transfer, soon left, however, and with his departure the spark that had so long sustained the service died. As paid-up subscriptions expired, most subscribers failed to renew and in 1925, a little more than three years after the purchase, BARS was discontinued.

During its brief existence (1917–25) BARS had made several significant contributions to the compilation and reporting of media information and, through its strong impact on SRDS, continued to serve the media-buying function even after its publication ceased. Probably at no period during its nearly 50 years of publication did SRDS improve more rapidly than during the years 1919–23, a phenomenon that is in no small part a tribute to the influence of BARS as a competitor.

Promoting SRDS through Advertising.—Interestingly enough, the first few years of B. and B. Service Corporation saw relatively little use by it of advertising in media other than SRDS itself. A few one-third page insertions in *Printers' Ink* on an irregular schedule constituted the entire campaign during the period through 1924. In 1925 a slightly expanded budget for advertising in other media was inaugurated. *Sales Management* and *Advertiser's Weekly* were added to *Printers' Ink*, and a quarterly insertion schedule for each (still one-third page) was adopted. In the main these advertisements were addressed to publishers and industrial advertisers, and stressed the use of the Service in comparing media rates. Regarding this policy, Botthof comments:

> In retrospect, I would agree that we might have appropriated larger funds for advertising in the business press, but we must not overlook the fact that any advertising we might have put in the business press to attract advertisers to *Standard Rate and Data Service* would have run in competitive media that were doing nothing to help us. And while we may have been shortsighted, this was nevertheless a rather dominant influence in our decision. (November 26, 1960)

This reluctance to use other media, however, in no sense reflected a lack of confidence in the power of the printed word, for intensive and continuous use was made of

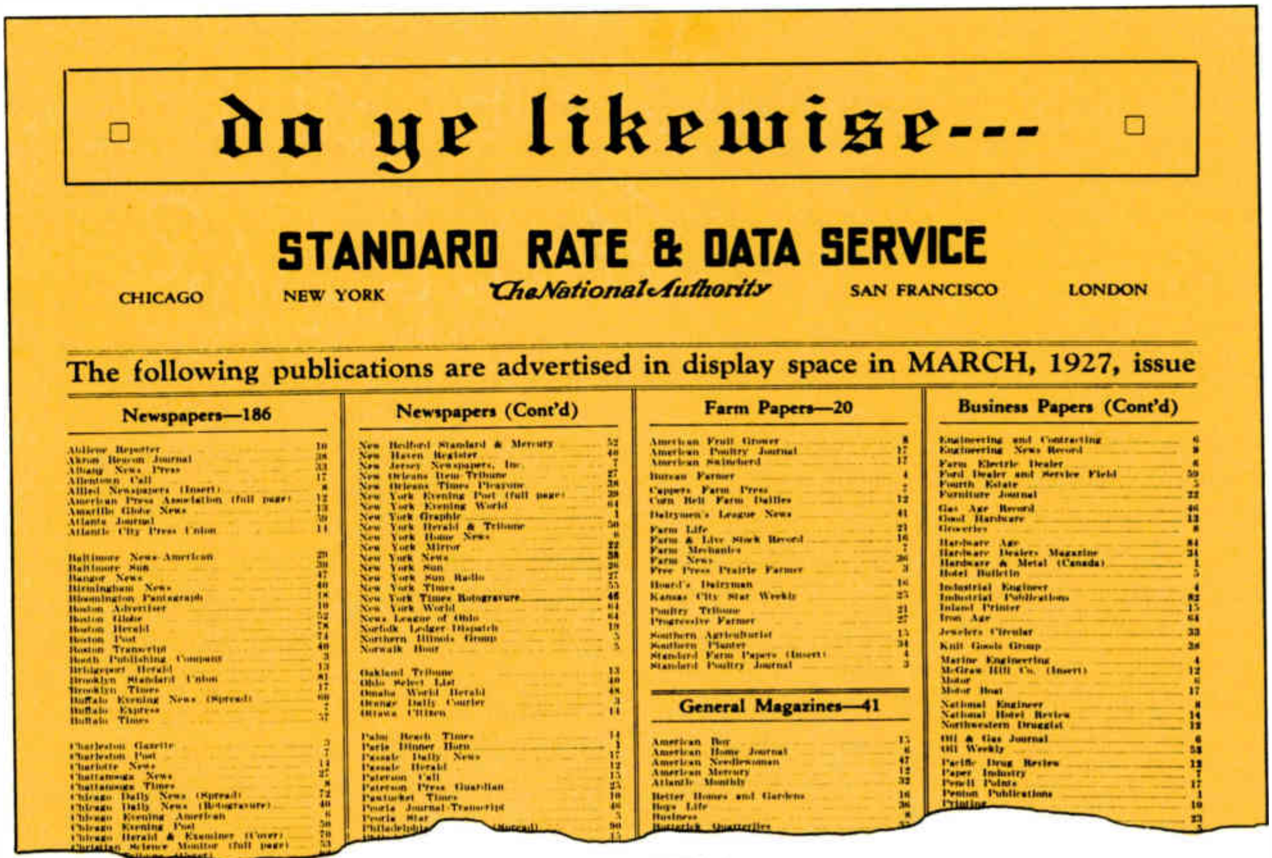


FIGURE VII-1

SRDS itself as a promotional vehicle. Unsold display space, frequently in very large amounts, and editorial pages were used to convey the SRDS message to the subscription list, apparently in the conviction that a continuing program of subscriber education would help readers to "stay sold." That subscribers did in fact "stay sold" is clear, for the renewal rate during the period of the 1920's was over 98 per cent annually.

Messages directed to advertisers, as opposed to subscribers, were also a prominent aspect of the self-advertising program, and from 1924 on an index of advertisers was included as a regular feature in every issue of SRDS. As part of this campaign, a résumé of the very impressive group of advertisers from 1919 through 1926 appeared in the January 1927 issue under the compelling heading "Do Ye Likewise" (Figure VII-1). This list showed an increase in the number of advertisers from 83 in 1919 to 332 in 1926, nearly half of whom had run continuous insertions for two years or longer. Not mentioned was the more important fact that annual advertising revenue had risen from $43,000 to $309,000 during the same period.

To summarize, the primary SRDS promotional effort, other than direct mail and personal selling, was through the use of its own publication as an advertising vehicle. The expense of the latter type of campaign was minor, since most of the insertions occupied portions of the book that were reserved for paid advertising but remained unsold up to the time of publication. The technique of reserving space reduced make-up costs because the basic format of an SRDS page could be "frozen," except for (minor) changes in rates or data, through a large number of issues. The use of that space, when unsold, for self-advertising was a perfectly logical development and one that has continued to this day. The effectiveness of this form of advertising may be questioned, however, since the principal users of SRDS were media buyers, not the publishers whose advertising was being solicited. It should be noted, on the other hand, that some publishers did employ advertising agencies in the development of their promotional programs and the account executives of these agencies were reached by the internal advertising of SRDS. In respect to subscriptions, it does seem clear that, while the list itself was probably not lengthened through the influence of internal advertising, multiple-copy sales to subscribers were effectively promoted. In any event, throughout the 1920's a very limited program of external media advertising was used in the promotion of SRDS advertising and subscription revenue.

Direct-mail advertising was quite another matter. Printed promotional material was mailed regularly according to a planned schedule, as were personal letters of solicitation. These efforts brought excellent results and therefore help to explain the relatively light expenditures elsewhere.

A New Section: "Media Market Place."—Changes in the basic service offered by SRDS were also occurring. Especially noteworthy because it exemplified a promotional idea to which the SRDS management has frequently returned in one form or another was "Media Market Place." At its beginning, in June 1924, "Media Market Place" consisted of special pages of classified advertising placed at the end of each major SRDS section—"Newspaper," "General Magazine," etc. The purpose of "Media Market Place" was to offer media a low-cost means of supplementing the material carried free of charge in the SRDS listings. Presumably some media that could not (or simply did not) incur the cost of display advertising in SRDS would choose to use this means of supplementing their listings with additional qualitative or market information in "Media Market Place" (Figure VII-2).

The new advertising opportunity was cautiously received. Most receptive to the idea were low-circulation media such as the specialized business and professional journals. Even under aggressive sales pressure, income from the section rose only to the unimpressive high of $12,000 in 1925 and trailed off to $4,000 by 1929. The abandonment of the section was voted by the directors on April 17, 1928, but somehow the decision was ignored and the section was still in evidence as late as December 1929. In retrospect Richard Trenkmann observed, "The real reason for the failure of 'Media Market Place' was that it was too far removed from the related listings."

Competition from a New Quarter: The ABC.—In June 1926 the board of directors of the ABC decided "to give opportunity to all publisher members, who might so desire, to insert their standard rate cards on the last page of their publisher's statements." [1] According to O. C. Harn, ABC president, and Stanley Clague, its managing director:

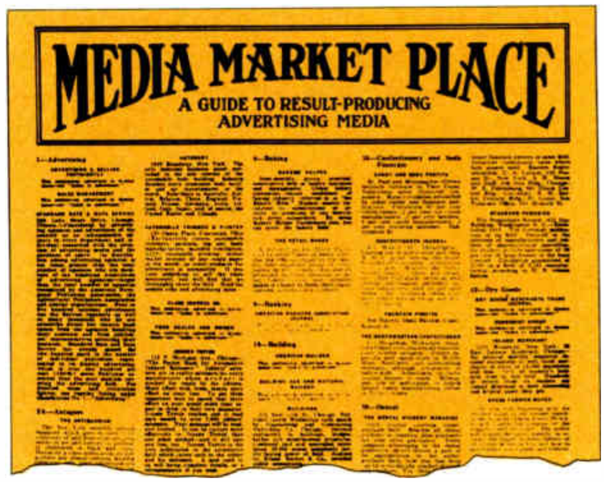
> The Board was unanimous in its belief that this additional service, giving as it would *all the facts about circulation and rates* in one document, would be appreciated by all member advertisers, advertising agents, and publishers.[2]

It was the opinion of the ABC board that the inclusion of rate-card information would be

> . . . another step toward the attainment of its objective to secure thorough knowledge by advertisers of all the facts concerning publication circulations, through the studying of every page of the ABC reports *instead of relying upon condensed excerpts.*[3]

Finally, Harn and Clague reported:

> It was also the opinion of the Board that in concentrating attention on ABC publications, [thus] giving added publicity without extra cost, it was serving every member of the Bureau and making ABC membership increasingly valuable.[4]



MEDIA MARKET PLACE
A GUIDE TO RESULT-PRODUCING ADVERTISING MEDIA

FIGURE VII-2

Thus did ABC announce its intention of entering the field being served by SRDS. The key phrases, "all the facts concerning circulation and rates" and "instead of relying upon condensed excerpts," were apparently aimed at SRDS, which was necessarily eclectic in printing the information provided by ABC publishers on their rate forms. First, these forms frequently ran to two or three pages of information, less than half of which was considered sufficiently essential to be reproduced in the SRDS listings. Second, complete reproduction was prohibited by ABC rules and regulations.

This action by ABC marked the culmination of several years' study by Stanley Clague, managing director since 1917, and other ABC board members. Some of Clague's reasoning is indicated in the fore-

1. "A.B.C. Answers Opposition to Plan for Listing Advertising Rates," *Editor and Publisher*, October 2, 1926, p. 6.
2. *Ibid.* Italics added by author.
3. *Ibid.* Italics added by author.
4. *Ibid.*

going extracts; other reasons, perhaps equally important, can be suggested.

Why the ABC Broadened Its Scope.—It will be recalled that in 1914 the ABC was created by an association of publishers, advertisers, and advertising agencies to provide an accurate source of circulation data for those publications which voluntarily accepted a prescribed reporting and auditing procedure, and that this was one of the conditions which helped make services such as BARS and SRDS feasible. Beginning with 499 members in 1914,[5] the ABC list grew to nearly 2,000 by 1926.[6] Moreover, the scope of the circulation information compiled by ABC expanded greatly during this period. By 1925 it was comprised of seven separate reports: magazines and periodicals; business papers; farm papers; newspapers in the New England and North Atlantic states; newspapers in the middle states; newspapers in the northern and western states; and all classes of Canadian publications.

Indirect Competition between ABC and SRDS.—The reporting and auditing procedure prescribed by ABC and the publication of the results for distribution to member agencies and advertisers were fairly expensive. As a result membership fees and subscription charges were high in comparison with the SRDS subscription rate of $30 per year. For example, advertiser members were billed at $240 annually if they took all seven services, or $60 for any one service. Advertising agencies might obtain the complete service for $360 a year, or any one service for $90. It might have appeared to Clague that these comparatively sizable, though necessary, charges by the ABC were causing many advertisers and advertising agencies to seek other means of obtaining similar information, probably the most significant alternative being SRDS.

But Clague might have also felt that, in addition to causing a possible reduction of ABC subscriptions among advertisers and advertising agencies, SRDS was making ABC membership less attractive to publishers. Almost from its beginning SRDS had required, as a condition for listing, an ABC report of circulation *or* a post office report of copies submitted for mailing *or* a "sworn" statement from the publisher. Much of the SRDS success in obtaining the cooperation of publishers was attributable to the existence of ABC. To nonmembers of ABC, more or less on the defensive with respect to their circulation figures, the respectability of publication in a journal whose reputation was based upon accuracy—i.e., SRDS—was highly desirable. Thus to the extent that these publishers might otherwise have become ABC members, SRDS may have seemed to compete with ABC.

In addition to reporting gross and net statements of circulation, SRDS also showed the distribution of circulation by geographic region and, in the case of business periodicals, by occupation of the subscribers. The latter information SRDS ob-

5. William H. Boyenton, *op. cit.*, p. 12.
6. "Audit Bureau Adds to Its Board of Directors," *Printers' Ink*, October 28, 1926, p. 50.

tained directly from the ABC reports. (SRDS carried a subscription to the entire ABC service and was itself a publisher-member of ABC.) This method of deriving circulation information was essentially a convenience, however, for the publications audited by ABC probably would have readily supplied SRDS with the same information had it been requested.

It may also be argued that SRDS did much to increase membership in ABC because of the preferred treatment SRDS gave to circulation data verified by the ABC—as, for example, in the case of circulation-distribution data just mentioned. This coverage was later extended to CCA (Controlled Circulation Audit) publications but was never accorded to non-ABC or non-CCA members. The SRDS management considered that such preferential treatment placed the ABC publications in the "limelight" and hence made ABC membership seem more attractive. In fact, far from feeling that their service was competing with ABC, the SRDS management felt it had done everything possible to advance the cause of that highly respected and vitally important nonprofit institution.

Even though SRDS could probably have obtained circulation information directly from ABC members, it was nevertheless almost imperative for SRDS that ABC or its equivalent exist. As ABC's managing director, Clague must have been well aware of his organization's importance to SRDS. But to contemporaries he seemed critical or even resentful of the rapid growth and relative prosperity of SRDS, probably because he felt these had been achieved in part at the expense of ABC. For example, the gross revenue of SRDS in 1926 was about $300,000 compared with some $460,000 for ABC. As a contemporary observer stated to the author in a recent interview, "SRDS was a thorn in the side of Stanley Clague." [7]

The First Reaction.—The ABC's invitation to its members to send in their rate cards for publication in ABC semiannual reports seems to have met with a highly favorable response as far as sheer numbers of publishers were concerned, but many publishers of large newspapers took strenuous exception. The spokesmen for this group—J. F. Bresnahan, business manager of the *New York World;* F. A. Walker, managing director of the *New York Telegram;* and E. J. Martin of the *Brooklyn Eagle*—charged that ABC's publication of rate-card information was not consistent with its basic statement of objectives, that this new activity would significantly increase the cost of ABC's service, and that the rate-card information so provided would not serve the intended purpose because interim changes in publication rates would not be available to users. In an open letter responding to these charges, Harn and Clague stated that the new service would add less than 1 per cent to ABC expenses and that an interim bulletin would be published to carry rate changes to all interested members and subscribers. The question relating to ABC ob-

7. The interviewee is still associated with ABC and desires to remain anonymous.

jectives was not explicitly recognized. And, as if to offset earlier charges that ABC's operating costs were excessive, Harn and Clague reported that the directors had authorized a 7½ per cent rebate of membership fees for the fiscal year ending August 31, 1926.

As can readily be imagined, the SRDS management was vitally concerned with these developments. By a stroke of good fortune, however, it did not become necessary for the firm to enter the fray directly. Walter Botthof recalls the situation:

> When it became known generally that Stanley Clague and O. C. Harn were determined to put rates on the back of semiannual publisher's statements, I received a call from a New York publisher, whose name I shall not reveal even at this date because I was sworn to secrecy at the time, and briefed on the action that a certain group of publishers would take in response to Stanley Clague's proposal. SRDS was asked not to complicate the situation by arguing on our own behalf, since these publishers would in effect represent us.
>
> In addition to providing a peg upon which to hang their opposition to the Bureau's system of representation, many publishers felt that the addition of rates would give the ABC too much of a strangle hold on services. Others felt that since ABC could not properly give rate information on nonmember publications, the service would not be complete and therefore would be a foolish, unbusinesslike venture. I knew from my personal experience at the convention that a lot of newspaper publishers, at least, did not want the ABC to go beyond giving circulation information.

Subsequent events suggest that there was a basic issue between the Bureau directors and the New York group, quite aside from such questions as the cost or the adequacy of the ABC rate-card service, or the efficiency with which the Bureau was being operated, or even the logic of combining rate-card information with circulation information—i.e., that an underlying goal of the New York group was an increase in the number of ABC directorships allocated to newspaper publishers. This objective dated at least from 1920 when, under the battle cry of "Taxation without representation," the newspaper group had attempted to obtain a voice in the ABC more nearly proportionate to their numbers. In 1926, for example, newspaper publishers comprised nearly 63 per cent of the ABC's publisher members yet had only 8 per cent of the directorships.

In order to whip up enthusiasm and interest in strengthening their voice in ABC affairs, the New York City newspaper group needed an issue which would indicate that the ABC directors had acted without giving proper consideration to the interests of ABC's newspaper-publisher members. The rate-card issue seems to have been chosen as the rallying point for the campaign to obtain more directors, on the ground that a decision affecting ABC services and costs had been made without proper consideration of the interests of newspaper publishers. The strategy apparently decided upon by the New York spokesmen was to avoid discussion of the rate-card issue in advance of the coming annual meeting of ABC members and instead to call for a full discussion of the issue at the convention itself, October 20–21, 1926. There the full numerical strength of the newspaper publishers could be made evident, and a strong case for increased representation might be made.

In carrying out this strategy, the New York spokesmen played the rate-card issue to the hilt. Newspaper publishers throughout the country were urged to attend the convention or, if they could not, to send their proxies to Bresnahan of the *New York World*. At the convention the careful planning of the New York group yielded a bountiful harvest. As reported in *Editor and Publisher* (October 23, 1926, page 1):

Chicago, Oct. 21.—The expectantly awaited Audit Bureau "battle of proxies" has been fought and the rebellious New York City delegation and their backers, 477 strong, are in possession of the field as the 13th annual convention of the Audit Bureau of Circulations prepared for its second-day general session.

Today in the newspaper division meeting they pushed through three resolutions which in effect rebuke the board of directors for passing the rule permitting publication of rate cards on publishers' statements.

The resolutions not only knocked the rate-card issue into a cocked hat, but also expressed the will of the newspaper members that no further rules not directly connected with circulations shall be passed by the ABC directors and that no rules of any kind affecting the newspaper members be passed before they have been submitted to the full membership.

A fourth resolution . . . requested an increase of the newspaper representation on the board of directors from two to six, and the advertiser representation from eleven to fifteen, four each.

The board of directors on Thursday evening until midnight considered the New York resolutions in executive session. Managing Director Clague declined to forecast the result of their deliberations.

The second day's session was marked by the ABC board's initial refusal to accept the resolutions of the newspaper division and a subsequent threat of mass withdrawal of ABC support by the newspaper group. This threat brought about a compromise solution that was almost entirely in favor of the newspaper group. The number of ABC directors elected by the newspaper division was increased from two to four, instead of two to six, as originally requested. Likewise the number of advertiser members was increased by two, thus allowing the advertisers to retain over 50 per cent of the board membership. The ABC's decision to publish rate-card information was rescinded, and its bylaws were amended to state that circulation information *only* was within its proper scope of activity.

An appraisal of these events suggests that considerable opposition to the Bureau's publication of rate-card information might have developed even if the New York group had not needed an issue on which to hinge its drive for greater influence in ABC councils. Although over 80 per cent of the publisher members had already submitted their rate cards for ABC publication before the New York group seized upon the directors' decision as an issue, a substantial element within the publisher group may have recognized the threat that the expansion in ABC services posed to SRDS as well as other perils and inadequacies in the plan. Perhaps fortunately for future ABC-SRDS relations, it did not become necessary for SRDS to oppose the ABC on these grounds.

The Coming of Radio

Radio: A New Medium.—For advertising in the United States probably the most important single development of the first half of the twentieth century was the introduction and growth of radio broadcasting as an advertising medium. And for SRDS too the development of the new medium would be important. During the 1930's, for example, when all other sources of revenue were declining, subscription and advertising revenue from a new SRDS radio service would be increasing. Toward the end of that decade, income from the radio service would increase to one third of that generated by all the older SRDS services combined. And in the decade of the 1940's the existence of an SRDS radio service would lead the company directly into the even more profitable field of television media and market data. But the prospect for a financially significant SRDS service in these new fields would depend on how the United States allowed the two new instruments of mass communication to develop. In Great Britain and in Europe, advertising in radio and television broadcasting would be greatly restricted, and the opportunity for an SRDS type service would be correspondingly reduced. Since the pattern for TV broadcasting in the United States would follow directly from that established by radio, it becomes especially important to inquire into the evolution of radio broadcasting. This evolution, which was to contribute so much to the growth of SRDS, was very gradual and, as will be seen, quite haphazard.

Some 30 years elapsed between Guglielmo Marconi's first wireless transmission on his father's estate at Bologna, Italy, in 1895 and the formation in the United States of that essential ingredient in large-scale broadcasting, the national radio network. With the organization of the National Broadcasting Company in 1926, the character of the nation's radio (and television) broadcasting began to solidify in its present mold.

During the three decades that preceded the coming of age of commercial radio broadcasting, four major obstacles were overcome:

- Technically reliable broadcasting and receiving equipment was developed.
- Technically adequate receiving sets, suitably priced for a mass market, were developed and produced.
- A means was provided for controlling the use of the airways, so that broadcasts intended for mass audiences would be received without interference from other radio broadcasts.
- A source of sufficient revenue to support broadcasts capable of engendering public support was found, so that adequate numbers of radio sets could be sold to the potential mass audience thus created.

The first problem, that of equipment suitable for the transmission of vocal and instrumental sounds, was quickly solved. As early as 1910 the voices of Enrico Caruso and Emmy Destinn, singing backstage at the Metropolitan Opera House, were broadcast through a DeForest radio-phone and were heard aboard the S.S. Avon at sea and by wireless operators in Connecticut. The refinement of this technique and its commercial application were to be delayed more than a decade, however, by an international contest for command of the new means of communication. Central to this struggle was the control of strategic patents.

The Struggle for Patent Control.—At the turn of the century the important patents, both in the United States and abroad, were controlled by the Marconi interests.[8] The first radio company in the United States (1899), the Marconi Wireless and Telegraph Company, was organized principally to provide wireless service to ships and was owned and directed by the British Marconi Company. As the potentialities of radio began to be appreciated, a number of American inventors turned their talents in that direction and made important discoveries. These led to scattered holdings of patent claims, most of which could not be efficiently used except in conjunction with apparatus controlled by other patentees. As the commercial possibilities of radio became clear, a number of American companies, including General Electric, Westinghouse, and American Telephone and Telegraph, undertook research in hopes of gaining possession of important radio patent rights. The result was further dispersion of patent control, with attendant charges of patent infringement and threats of litigation. Prior to World War I these conflicts of interest posed a serious obstacle to the commercial application of radio and indeed to all types of research and product improvement in wireless communication.

During World War I the United States government took control of all radio-communication facilities, including those of the American Marconi Company. Since the government was interested in securing the most efficient radio apparatus available, it directed its suppliers to cut through the patent tangle and assumed responsibility for such patent infringement suits as might develop. The result was the most successful radio transmitting and receiving apparatus yet developed. At the same time the war experience called attention to the fact that international radio communication facilities in the United States were largely in the hands of foreign radio companies. After the war the Navy Department expressed the hope that radio communications in the United States would be retained under American control and that an American company could be formed to achieve this purpose.

At this critical point the General Electric Company seized the initiative. Aided by pressure from the government, the Ameri-

8. This section draws heavily upon Merle Fainsod and Lincoln Gordon, *Government and the American Economy* (New York: W. W. Norton and Company, Inc., 1941), pp. 381–90.

ESTIMATED NUMBER OF RECEIVING SETS IN USE IN THE UNITED STATES, 1922-1932*

YEAR	NUMBER OF SETS
1922	60,000
1923	1,500,000
1924	3,000,000
1924	3,000,000
1925	4,000,000
1926	5,000,000
1927	6,500,000
1928	7,700,000
1929	9,000,000
1930	12,048,762
1931	15,000,000
1932	16,679,253

*Herman S. Hettinger, A Decade of Radio Advertising, (Chicago: University of Chicago Press, 1934), Table II, page 42.

FIGURE VII-3

can Marconi Company was persuaded to sell out to General Electric, which then organized the Radio Corporation of America to acquire the assets and patent rights of the American Marconi Company as well as all rights under radio patents owned by General Electric. RCA agreed to purchase all its radio equipment from General Electric and in effect became a distributor for the latter's manufactures. This development aroused immediate reactions from Westinghouse and AT and T. Patent-infringement suits were threatened, and the many conflicting claims promised prolonged strife and litigation. This threat was temporarily averted in 1920–21 by a series of cross-licensing agreements between RCA and GE on the one hand, and Westinghouse, AT and T, and several smaller companies on the other. In addition, Westinghouse acquired a stock interest in RCA, and the management of RCA agreed to divide that company's purchase of radio equipment between Westinghouse and GE. As a result of the community of interest thus established, RCA, Westinghouse, and GE became known as the Radio Group.

Set Manufacture.—With the patent issue temporarily settled, the way was cleared for the manufacture of adequate receivers at reasonable prices. This began in 1922 and sales of radio sets boomed, as is evidenced by the figures in the table below (Figure VII-3), thereby diminishing the second obstacle to commercial broadcasting.

Broadcasting Facilities.—The next two problems—the need for means of supporting broadcasting efforts and for interference-free transmission—now began to receive more attention. As before, the primary contestants (and innovators) were the Radio Group (RCA, GE, and Westinghouse) versus the established electronic communications services (AT and T, Western Union and Postal Telegraph, but primarily AT and T).

Between 1922 and 1926, AT and T expanded aggressively in the broadcasting field. It established and operated several stations and sought to use its control over wire facilities essential to regional or national broadcasting in order to make its foothold secure. Members of the Radio Group, led by RCA, also established a number of stations and experimented with various forms of commercial broadcasting and radio communication. Further conflict was averted in 1926 when AT and T sold its radio broadcasting interests to RCA. In exchange, AT and T was able to strengthen its hold both on the furnishing of wire facilities for broadcasting and on two-way radiotelephone commercial service.

With the end of the struggle between AT and T, GE, and Westinghouse, the way was open for commercial development to begin in earnest. Immediately following this settlement, RCA announced the formation of the National Broadcasting Company, the nation's first permanent radio network. Stations founded by AT and T, RCA, GE, and Westinghouse formed the nucleus of the NBC operation.

The formation of this network was a logical development, since RCA was already "the largest distributor of radio receiving sets in the world . . . handling the entire output in this field of the Westinghouse and General Electric factories." [9] A national network carrying programs of high audience appeal provided further impetus to the burgeoning demand for radio sets and, almost incidentally, promised to pay its own way through the sale of time to advertisers.

Allocating the Air Waves.[10]—The problem of regulating air-wave usage, long neglected, came to the fore with the formation of NBC. The basic decision that broadcasting should be limited to the 500–1,500 kilocycle portion of the radio spectrum had been determined at the International Radio Telegraphic Conference in London (1912), which had set up regulations to secure uniformity of practice in radio communications service. At this time and by two subsequent acts of the International Radio Bureau at Berne, Switzerland, the United States was assigned the call letters KDA to KZZ, N, and W.[11]

The allocation of United States stations was administered by the Secretary of Commerce (Department of Navigation), as specified by the Act of 1912. This act had established the authority of the Secretary of Commerce to license all forms of radio communication and provided that operation without a license was punishable as a misdemeanor, the apparatus being subject to forfeiture. When the question arose as to whether the act authorized the Secretary to exercise any discretion in the issuance of licenses, the Attorney General replied that no such discretion was explicit in the act. Under this interpretation, the ether appeared to be available to all comers, regardless of whether they could be accommodated without causing intolerable interference.

As broadcasting passed into a stage of more rapid growth, it became increasingly evident that the Act of 1912 was inadequate to cope with the problem. The Secretary of Commerce sought to deal with it by asserting his discretionary right to refuse a license where technical factors of interference

9. E. P. J. Shurick, *The First Quarter-Century of American Broadcasting* (Kansas City, Missouri: Midland Publishing Company, 1946), p. 164.

10. This section also draws heavily upon Fainsod and Gordon, *op. cit.*

11. *Commercial and Government Radio Stations of the United States* (Washington, D.C.: Government Printing Office, 1920), pp. 5–6.

made it seem necessary. In *Hoover* v. *Intercity Radio Co.*,[12] February 5, 1923, the Court of Appeals of the District of Columbia, though reiterating that the issuance of a license was a mandatory act, declared that under the act the Secretary of Commerce might designate the wave length upon which the licensee was to operate. Aided by this hint, the Secretary called a conference of broadcasters and other interested parties, the result of which was a procedure for the allocation of frequencies in the "broadcast band," 500 KC to 1,500 KC. As stations multiplied, problems of allocating the limited air space grew critical, and a test of the legal powers of the U.S. Secretary of Commerce became inevitable. The test occurred in 1926 when Station WJAZ, Chicago, owned and operated by Zenith Radio Corporation, "jumped" its wave length and also operated at hours not permitted by its license.

The WJAZ case was decided in favor of the station, and a subsequent opinion of the Attorney General (July 8, 1926) held that the Secretary of Commerce did not have the authority to refuse a license upon proper application, to designate the frequency on which a broadcasting station must operate, to prescribe hours of operation, to limit the power of stations, or to issue licenses of limited duration. A mad scramble ensued as stations sought to preempt favorable wave lengths and to install greater power. The result was pandemonium on the air. Broadcasting was in danger of becoming thoroughly discredited. The industry now joined with the listening public in demands that something be done to "clear the air," and the way was at last prepared for some more thoroughgoing scheme of radio control.

12. 286 F. 1003.

While Commerce Secretary Herbert Hoover and his successors were battling to bring some degree of administrative order to the radio waves, considerable progress was being made in overcoming the fourth and last obstacle to radio's commercial success—the problem of developing revenue to sustain the broadcasting effort.

Commercial Broadcasting.—The use of air waves to advertise products and services began in the United States at least as early as 1915. In that year Arthur B. Church, subsequently the founder of KMBC, Kansas City, began offering radio parts to fellow "ham operators" over his own amateur radio station 9WU in Lamoni, Iowa.[13] Several Westinghouse, AT & T, and GE stations began commercial broadcasting on an experimental basis between 1920 and 1922, and AT & T formed a commercial radio network (WEAF, New York City, and WJAR, Providence) in 1923. By the time NBC was formed (November 1, 1926) several of the essential features of commercial radio broadcasting as we now know it had already developed: sponsored programs, spot announcements, and station censorship of advertising copy. By 1928 Frank Presbrey could write:

13. Shurick, p. 176.

Radio broadcasting, the other member of the trio, is a medium of first rank, and one with fascinating potentialities. . . . At this writing, besides the many local advertisers who are "on the air," the new medium is being employed by national advertisers over the chains of the National Broadcasting Company and the Columbia Broadcasting System. These radio advertisers include many leaders of advertising in printed media. . . .

When Dodge Brothers in 1928 put $65,000 into an hour's broadcasting through thirty-three stations—the sum included payments as high as $7,500 to individual artists—it felt assured the sum thus spent on sixty minutes of entertainment for a dozen or more millions of people would produce a big profit, though perhaps only three or four minutes of the time was used in direct advertising of the Dodge automobile.[14]

Presbrey also commented:

In 1928 the technique generally employed in radio broadcast advertising is in the proclamation stage, not permitting much more than a mention of the advertiser's name and product, though experiments are being made with longer product talks which precede the musical or other entertainment.[15]

As for the future, this highly imaginative author wrote:

It seems likely the radio will evolve a form of "copy" *which will be a continuous advertisement and yet obtain and hold the attention of the audience*, although current belief is that the public resents advertising. The method finally found may be one as little dreamed of at this time as radio broadcasting of advertisements was a quarter of a century ago.[16]

14. Presbrey, p. 579.
15. *Ibid.*, p. 580.
16. *Ibid.*, p. 580. Italics added by author.

Meanwhile advertising agencies were finding the new advertising medium a somewhat vexing boon. As expenditures for broadcast advertising over national networks increased from $3.8 million in 1927 to $19.7 million in 1929, most agencies struggled to develop techniques appropriate to the new medium. As noted in the history of N. W. Ayer and Son, the transition from printed media to radio was not a simple one:

Certainly radio was no special boon to the agencies. It forced them into the entertainment business, a field in which they had no experience and one which contains many severe headaches. It compelled them to extend operations into *a medium in which rates and selling arrangements were bound, for some years, to be unstable*, in which the number of persons reached would long be a matter of wild guesses, in which the results of a campaign (so long as efforts were confined to good-will objectives) would be intangible indeed.

In using periodicals, agencies had supplied the advertisements, while the editors had provided the editorial content (entertainment and educational material). In using radio, agencies had not only to alter their advertising message to conform to the medium of sound (in contrast with a visual one) but also to prepare the "editorial content" of the programs which were to bear the message. Moreover (and this is still a bitter pill to swallow!), the editorial content had to predominate in quantity and the advertising message be small and unobtrusive. Additional difficulties arose from the fact that agencies had to buy time rather than space—time which could not be expanded as pages are added to a newspaper or magazine when additional advertising is to be inserted. Time which varied widely in advertising value at different hours of the day and different days of the week. Time, too, which confronted agencies with the problem of exclusiveness: a large number of advertisements can be printed in the same issue of a periodical and the reader can see them all if he wants to; but only a single program can be broadcast from a given station at a given time, and, if a listener tunes in to the program, the others which are being broadcast at the same hour are irrevocably lost to him.

In short, the advent of radio gave the agencies much trouble and expense, without any considerable amount of gain in revenue to offset the new burden. For the testimony of agency executives, and of statistics of advertising in the various media, is that, to a large extent, the expenditures on radio advertising represent money and effort diverted from periodical and other printed forms of advertising rather than any substantial addition to the total amount of advertising. Even so, the advantages which radio offered made its use in advertising practically inescapable.[17]

SRDS and Radio.—The evolution of broadcasting as an advertising medium was watched with considerable interest by Botthof and Beirnes, especially after the formation of NBC in late 1926 enhanced its stature as a vehicle for national advertising. It seemed to them, however, that the incorporation of a radio-rate section as part of the SRDS book must be deferred until station rate cards acquired more meaning. They saw little merit in publishing such rates when agencies and advertisers were well aware that a station's quoted schedule of charges was merely a point of departure for bargaining purposes.

On the other hand, considerable interest in a radio-rate service was expressed to the SRDS management by officials of NBC and of many large independent stations. These persons felt that an SRDS radio service would exert a stabilizing influence on station rates and would enhance the attractiveness of radio to media buyers and advertisers. Botthof and Beirnes were still wedded to the view that the rate situation was too unsettled for SRDS action when, in early 1927, Congress passed the long-awaited Radio Act (44 Stat. L 1162). Under the act, five commissioners were appointed to regulate broadcasting in the "public convenience, interest, and necessity" (Section 4, opening paragraph). The principal duties of the new regulatory body according to the law were to classify stations, prescribe the nature of the service for each class of station and for any individual station, assign wave lengths, determine location of stations, regulate the kind of apparatus used, regulate the elimination of interference, establish areas of service for individual stations, make special regulations applicable to stations in network broadcasting, and issue regulations regarding station records.

St. Paul Firm Jogs SRDS.—Apparently stimulated by the expectation that the act of 1927 would bring some semblance of order to the distraught industry, a St. Paul firm began to plan to publish a radio-rate service. As a precaution, however, its manage-

17. Hower, pp. 136–37. Italics added by author.

ment wrote SRDS to ask whether any similar action was contemplated. The effect of this news on the SRDS management was galvanic. Walter Botthof describes it:

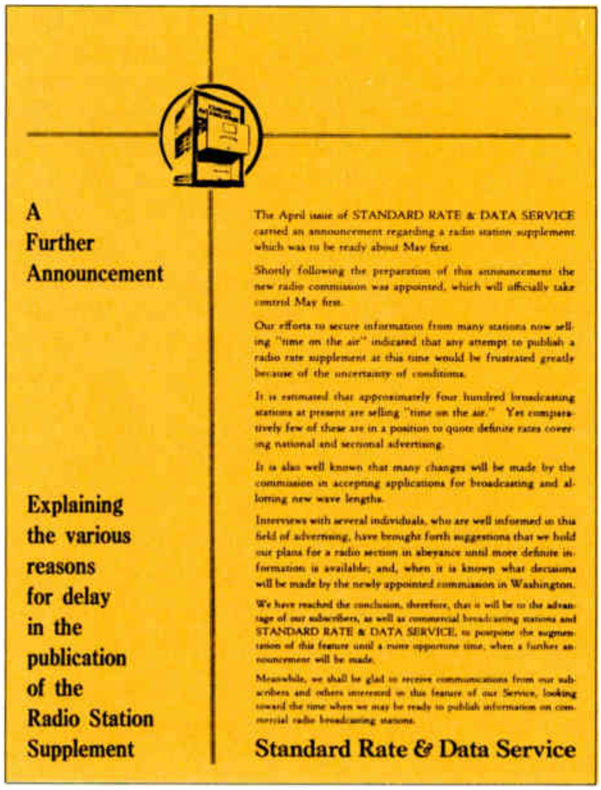
> Although we were not ready to publish a radio-rate service and did not feel the field was ready for it, that was our cue. Within 24 hours we had wired every subscriber to SRDS that they could very shortly expect a service on radio similar to that which we had been rendering on publications. Three days later a telegram was received from the firm in St. Paul, in effect saying, "If you are coming out, we fold up." [18]

Over the years that have elapsed since this episode, Botthof has come to the conclusion that the St. Paul firm was prompted by a radio network to make the inquiry to SRDS in the hope of inducing precisely the response that did result. Though the exact facts will probably never be known, the net effect was the staking out of an SRDS claim to a new field of rate-service activity.

More than good intentions were involved in fulfilling the promise of a radio service. Although the first target date for publication was May 1, 1927 (see Figure VII-4), the new section was not published until March 1929, nearly two years later.

Prominent among the reasons for the delay was the confusion created by the Davis Amendment to the Radio Act of 1927 (45 Stat. L 373, passed March 28, 1928). This act complicated the duties of the Radio Commission by requiring that broadcasting

18. Walter Botthof, *The SRDS Story*, an unpublished manuscript.



A Further Announcement

The April issue of STANDARD RATE & DATA SERVICE carried an announcement regarding a radio station supplement which was to be ready about May first.

Shortly following the perparation of this announcement the new radio commission was appointed, which will officially take control May first.

Our efforts to secure information from many stations now selling "time on the air" indicated that any attempt to publish a radio rate supplement at this time would be frustrated greatly because of the uncertainty of conditions.

It is estimated that approximately four hundred broadcasting stations at present are selling "time on the air." Yet comparatively few of these are in a position to quote definite rates covering national and sectional advertising.

It is also well known that many changes will be made by the commission in accepting applications for broadcasting and allotting new wave lengths.

Interviews with several individuals, who are well informed in this field of advertising, have brought forth suggestions that we hold our plans for a radio section in abeyance until more definite information is available; and, when it is known what decisions will be made by the newly appointed commission in Washington.

We have reached the conclusion, therefore, that it will be to the advantage of our subscribers, as well as commercial broadcasting stations and STANDARD RATE & DATA SERVICE, to postpone the augmentation of this feature until a more opportune time, when a further announcement will be made.

Meanwhile, we shall be glad to receive communications from our subscribers and others interested in this feature of our Service, looking toward the time when we may be ready to publish information on commercial radio broadcasting stations.

Explaining the various reasons for delay in the publication of the Radio Station Supplement

Standard Rate & Data Service

FIGURE VII-4

facilities be distributed *equally* among the five geographic zones created by the act and according to the population of the states within the five zones. These distribution requirements proved difficult to administer, and confusion and dissatisfaction in the industry continued.

Finally, in February 1929, SRDS was prepared to publish the first issue of its radio service. The company's decision was explained in an editorial:

> Of the 544 stations operating under government license, definite data is shown for 308

which sell time on the air; 71 do not sell time, and no information has been received from 165. In view of the conditions in the radio broadcasting field at this time, we feel this first issue represents a real accomplishment in several ways. Many of the stations are not satisfied with the wave length allotted them; others are saying nothing, while some are unwilling to furnish any information for publication which may react unfavorably to them. Possibly that explains why no response has been received from the 165 stations mentioned above.[19]

Response to Radio Section.—There is clear evidence that the budding radio broadcasting industry was ready for the new SRDS service. The example of the 308 stations that did respond caused the remainder to hasten to conform, and by December 1929 the number of "no responses" had been reduced to less than 10 per cent of the total.

19. *Standard Rate and Data Service, Radio Rates and Data*, March, 1929.

The hoped-for stabilization of station rates did take place during the next few years, but the contribution of SRDS is difficult to evaluate because so many factors played a part: federal allocation of station frequencies and wattages, SRDS publication of station rates, network expansion, and a growing understanding of the appropriate role of radio as an advertising medium. It is possible, however, that the users of SRDS tended to transfer their confidence in the accuracy of that publication to its printed rates for radio stations. Also the opportunity for comparing rates of various stations within and among geographic areas caused deviations from the normal to be identified with a resulting "leveling" influence. Finally, the task of constructing radio schedules for advertising campaigns was greatly simplified. Thus SRDS helped in many ways to bring order out of chaotic conditions in the new field of broadcast advertising and did much to hasten its growth.

VIII

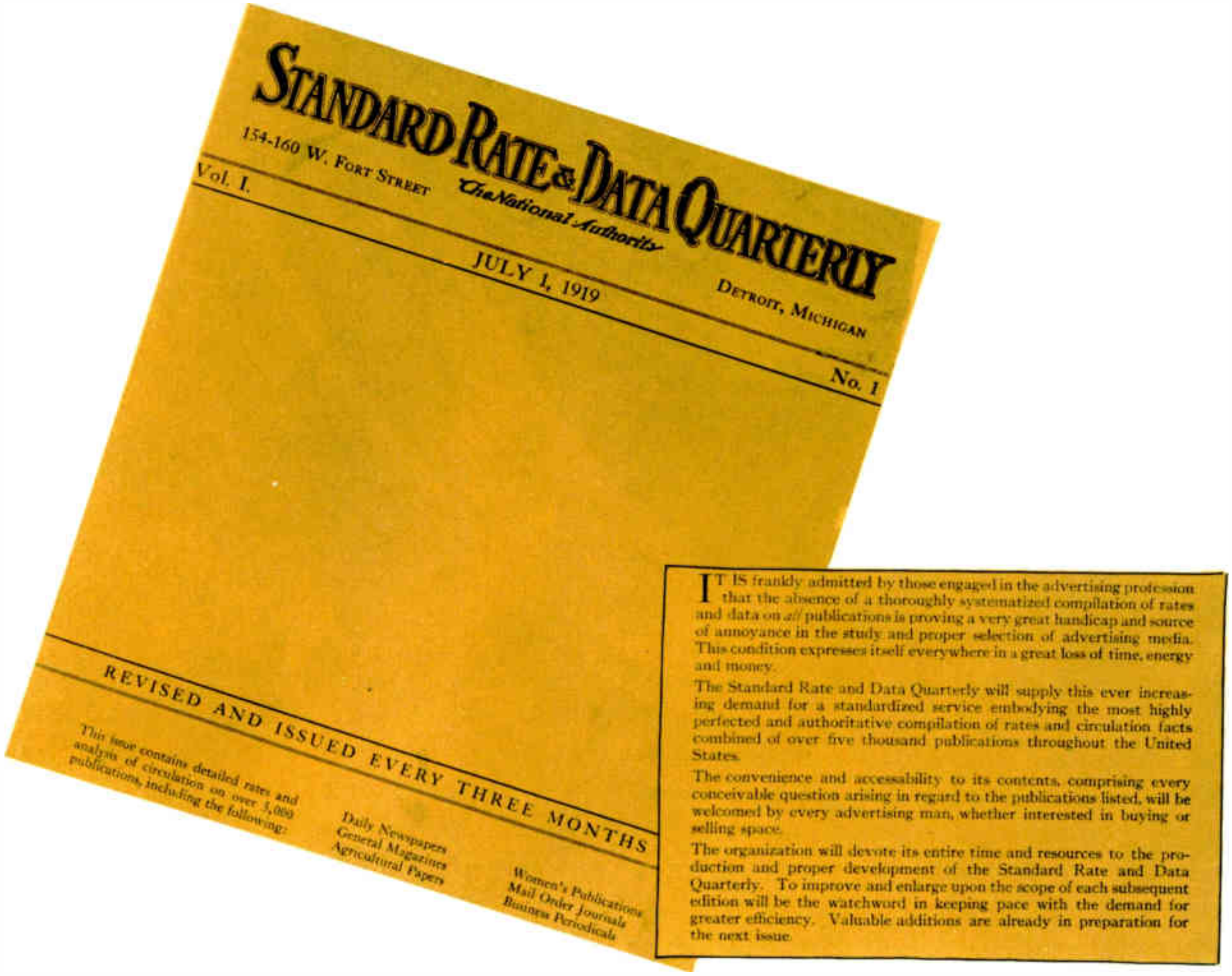
The First Decade: An Overview

THE END OF A DECADE is a natural milestone in human affairs, an occasion for reflection and reappraisal. In July 1919 Botthof and Beirnes had undertaken to provide "a thoroughly systematized compilation of rates and data on all publications, . . . to improve and enlarge upon the scope of each subsequent edition," and to devote the "entire time and resources" of their organization to these ends. (See "Statement of Purpose, SRDQ-1919," Figure VIII-1.) Such a statement of purpose, appearing as it did in the first issue of the publication, might well have been taken with a grain of salt by the edition's fewer than 200 subscribers. Yet by 1929 these objectives not only had been adhered to and substantially achieved but for the most part had been exceeded. The status to which the publication so quickly rose is suggested by an excerpt from Frank Presbrey's *History and Development of Advertising*. Presbrey, writing in 1929, paid homage to the influence of such outstanding advertising journals as *Printers' Ink* (founded in 1888) and *Editor and Publisher* (founded in 1884) and then wrote:

> In 1919 was begun the publication of *Standard Rate and Data Service,* that compact monthly volume of information on magazines and newspapers which has so greatly facilitated ascertainment of rates, location of circulation, column sizes, closing dates, and other essentials. To these various publications advertising is indebted for much of that spirit of good practice which, in two generations, raised selling through the printed word from more or less a guess to something approaching a science.[1]

This was a heady compliment indeed for

1. Presbrey, p. 323.



STANDARD RATE & DATA QUARTERLY

154-160 W. FORT STREET *The National Authority* DETROIT, MICHIGAN

Vol. I. JULY 1, 1919 No. 1

REVISED AND ISSUED EVERY THREE MONTHS

This issue contains detailed rates and analysis of circulation on over 5,000 publications, including the following:

Daily Newspapers
General Magazines
Agricultural Papers

Women's Publications
Mail Order Journals
Business Periodicals

IT IS frankly admitted by those engaged in the advertising profession that the absence of a thoroughly systematized compilation of rates and data on *all* publications is proving a very great handicap and source of annoyance in the study and proper selection of advertising media. This condition expresses itself everywhere in a great loss of time, energy and money.

The Standard Rate and Data Quarterly will supply this ever increasing demand for a standardized service embodying the most highly perfected and authoritative compilation of rates and circulation facts combined of over five thousand publications throughout the United States.

The convenience and accessability to its contents, comprising every conceivable question arising in regard to the publications listed, will be welcomed by every advertising man, whether interested in buying or selling space.

The organization will devote its entire time and resources to the production and proper development of the Standard Rate and Data Quarterly. To improve and enlarge upon the scope of each subsequent edition will be the watchword in keeping pace with the demand for greater efficiency. Valuable additions are already in preparation for the next issue.

FIGURE VIII-1

a publication only 10 years of age. The publishers of SRDS were understandably proud at having their efforts so recognized.

The Nature of the Service Compared.—A comparison of the indexes for the 1919 and 1929 editions gives some indication of the growth of *Standard Rate and Data Service* in its most important function—as a source of media-buying information. Important among the added features were the following:

- Radio section
- Maximal-minimal rates
- Subscriber information (such as geographic distribution and occupation)
- Media-market maps

Gross line and inch scale (a table for rapid computation of rates)
Three-year calendar

In addition, considerably more information was given in the listing for each publication. Finally, there was a substantial increase in the sheer number of both listings and advertisements:

COMPARISON OF 1919 AND 1929 LISTINGS AND ADVERTISEMENTS

	JULY 1919	DECEMBER 1929
LISTINGS	5,000	6,500
ADVERTISEMENTS		
POSITIONS	2	460
ADVERTISERS	2	441

The distribution of the advertisers by media in 1929 indicates that the greatest strength of the service was in its newspaper section, closely followed by the section on business papers. Together, these two sections accounted for some 78 per cent of the total advertising revenue:

DISTRIBUTION OF ADVERTISING BY MEDIA, DECEMBER 1929

NEWSPAPERS	228
BUSINESS PAPERS	115
MAGAZINES	47
FARM PAPERS	20
FOREIGN LANGUAGE	5
RELIGIOUS	2
RADIO	24
TOTAL	441

The supplementary services, increased volume of information per listing, and growth in advertisements resulted in a tenfold increase in the size of the book—from the 70 pages of the first issue to an average of over 700 pages monthly in 1929. But in spite of the improvement in service rendered, the subscription price of SRDS remained the same, $30 per year, while subscription income rose from $34,000 in 1920 to $62,000 in 1929. The management's ability to offer more value at the same price was primarily due to the substantial increase in advertising income—from $43,000 for the first full year to $425,000 for 1929. In light of the significant increase in the usefulness of SRDS during these years, and considering the extent to which its value as an aid to media selection was recognized, it seems likely that the subscription price could have been raised at any time after the acquisition of *Barbour's Advertising Rate Sheets* with virtually no loss in circulation. In fact, an increase of 100 per cent or more (from $30 to $60 or more a year) could probably have been accomplished without serious loss or protest from subscribers. Since the record shows that SRDS advertising rates were frequently increased during this period, as costs and circulation rose, we may ask why this same pricing policy was not followed with respect to subscribers. Several answers suggest themselves:

First the SRDS management may have felt that its unique position, unchallenged since 1926 when Stanley Clague and the

ABC created such a stir, was always capable of being contested. The listing information carried by SRDS would very probably have been made available to rival organizations upon request, and the remainder of the SRDS editorial matter could have been developed or duplicated fairly readily, though at considerable initial cost. Any substantial differential between the subscription price and the production cost of the basic SRDS book would have been, therefore, a standing invitation to competition.

A second consideration is that the management may have desired to "saturate" the market—quite literally to put a current issue of SRDS on the desk of every media buyer. For an agency with 12 persons more or less regularly involved in the media-buying function, the target of the SRDS management was 12 subscriptions. Progress toward this goal was surely aided by increasing the usefulness of SRDS and by holding down its cost.

Behind this objective of "saturation" was the management's ever present desire to expand publishers' advertising—the source of 86 per cent of total SRDS revenue in 1929. The advantage of a 100 per cent increase in subscription revenue would, for example, be offset by a mere 20 per cent decrease in advertising revenue. In addition, the SRDS management strongly desired that advertising agencies, and the media buyers thereof, have a favorable image of SRDS. This image could then be translated into SRDS revenue by demonstrating to advertisers that SRDS was universally used and highly regarded by media buyers. An increase in subscription price sufficiently large to be financially attractive might well result in a less favorable image, with an attendant reduction in value as an advertising vehicle.

It appears, then, that the stable-price policy might have been based upon any of a number of persuasive considerations or upon some combination thereof. But it is significant that Walter Botthof, upon reading the foregoing reconstruction, said:

> Everything you have written there is well taken, but I feel that our primary reason for not increasing the subscription price at the time was our concern for the reaction of the 4-A's and others in the agency field. We did not want them to feel that, after taking over *Barbour's*, we were going to "soak" our customers.

In keeping with the same line of reasoning were the many self-promotional messages carried by SRDS during the 1920's. A typical one (April 1923) read:

> *Keeping Faith with our Subscribers*
>
> This issue contains over 400 pages, an increase of more than 300 pages over the first monthly issue, and we believe a 100% improvement several times over in the service as a whole. . . . No increase in the cost of service; . . . and just as your firm support and liberal cooperation has enabled us to give you 100% service in the past, so will your continued GOODWILL enable us to serve you in a most satisfactory way in the future.

The Rewards of Innovation.—Toward the end of 1929, Botthof, Beirnes, and Moss had reason to feel that 10 years of vigorous personal effort on behalf of SRDS had been well rewarded. They were the managers and sole owners of a firm that, over the decade, had returned to them roughly $950,000 in the form of salaries, dividends, and life insurance premiums. At the end of that decade a fair market value for SRDS, based upon its demonstrated earnings capacity, was probably in the vicinity of $750,000. It was evident that SRDS was a financial, as well as a "service," success.

WALTER E. BOTTHOF

A. E. BEIRNES

ALBERT H. MOSS

RICHARD A. TRENKMANN

Walter E. Botthof in his office in the late 1930's

Office of R. A. Trenkmann, General Manager

The SRDS Composing Room in the late '30's

IX

Endurance through Conflict and Chaos: SRDS in the Great Depression

For the SRDS owner-managers the decade from 1930 to 1940 was dominated by two factors—the great depression and an internal struggle for control. Also important were the rapid growth of the recently instituted radio section (1929) and an experiment with a new publication, *Standard Media-Market Service* (SM-MS).

The era of the 1930's opened on a note of optimism. True, the stock-market crash that began on "Black Friday," October 28, 1929, had set off a downward spiraling of business activity that would continue through 1930 and 1931 before leveling off in 1932 and 1933, but the duration and severity of this phenomenon were not even vaguely anticipated as 1930 dawned.

The optimism with which Botthof, Beirnes, and Moss began the new decade did not immediately encounter disillusionment. Both subscription and advertising revenue for SRDS held steady during 1930, and revenue from the new "Radio Station" section more than doubled—from $23,000 to $47,000. The result was an even better return than in 1929. The management's sense of well-being was marred, however, by mounting signs of a major economic collapse. As one company after another, in all lines of business, sought to reduce costs by slashing selling expenses, the total of advertising expenditures in the United States sagged even more rapidly than national income, dragging SRDS revenue down with it (Figure IX-1).

The effect of this vast disruption of economic activity upon entrepreneurial attitudes at SRDS, a very small business unit, is perhaps indicative of business attitudes generally. The high sense of adventure that had characterized the management's outlook during the period of continuous expansion appeared to wilt. The owner-managers seemed to concentrate for a time on a holding posture—struggling to maintain advertising and circulation revenue in the face of high odds rather than pushing on into new fields of activity. For several years this task absorbed almost their entire attention, even though the firm continued to be relatively prosperous. At no time, in fact, could SRDS be said to have been in financial difficulty. A brief pause to consider the general economic background may help to throw light on the firm's activities during this period.

The Great Depression.—It is a fact that the depression of the early 1930's set back

STANDARD RATE AND DATA SERVICE ADVERTISING REVENUE,* STANDARD RATE AND DATA SERVICE TOTAL REVENUE,* TOTAL REVENUE OF U.S. BUSINESS PAPERS,† TOTAL REVENUE OF U.S. ADVERTISING,† AND NATIONAL INCOME‡

	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939
ADVERTISING REVENUE—SRDS (IN 000's)											
STANDARD SERVICE	$399	$384	$304	$222	$165	$162	$160	$173	$193	$166	$171
RADIO STATION SERVICE	22	44	52	39	33	43	56	52	57	41	55
LISTING ADVERTISEMENTS				10	7	7	8	8	8	7	7
MEDIA MARKET	4	3	2					35	25		
TOTALS	$425	$431	$358	$271	$205	$212	$224	$268	$283	$214	$233
PERCENTAGES	100	101	84	64	48	50	53	63	67	50	55
TOTAL REVENUE—SRDS (IN 000's)	$493	$504	$428	$333	$261	$271	$287	$344	$364	$295	$319
PERCENTAGES	100	102	87	67	53	55	58	70	74	60	66
TOTAL REVENUE—U.S. BUSINESS PAPERS											
PERCENTAGES	100						51				69
TOTAL U.S. ADVERTISING REVENUE											
PERCENTAGES	100	76	66	47	38	47	49	55	58	55	58
TOTAL U.S. NATIONAL INCOME											
PERCENTAGES	100	84	66	49	52	62	68	7	86	84	90

*Statements of Income and Expense, Standard Rate and Data Service, Inc.
†Advertisers' Guide to Marketing for 1957; Printers' Ink supplement (New York: Romer Publishing Company, August 1957).
‡1929–37: U.S., Bureau of National Affairs, Verbatim Record of the Proceedings of the Temporary National Economic Committee, 1938. Reference Data Section II, Table 5, p. 41; 1938–39: U.S. Office of Business Economics, Survey of Current Business; July, 1957.

FIGURE IX-1

the economic progress of the American people by more than 10 years. In 1929 the gross national product (GNP) was $149 billion.[1] An extension of the normal growth rate for 1910 through 1929 would put the GNP for 1939 at about $200 billion. Instead, the GNP for 1939 was $158 billion, only slightly above that of 1929, despite the fact that 1939 marked the high point of economic activity for the decade. Actually the GNP did not catch up with the 1900–29 projection until well after the start of World War II. The estimated loss of production during the 1930's (expected GNP minus actual GNP) was in the vicinity of $430 billion, or about two and one half years of output for the entire economy. It is important to note, moreover, that World War II rather than the New Deal provided the stimulus which finally lifted the economy back to the growth level indicated by the nation's previous experience. This is not to say that the New Deal was ineffective, for indeed the 1939 GNP of $158 billion was 52 per cent above the low point of $104 billion in 1933. No one knows what would have happened had it not been for the fresh approach Franklin D. Roosevelt brought to the nation's problems in March of that year.

The tragedy of that period lay in its effect on human beings. It was the first extended depression since the 1890's, and at that earlier time the majority of the nation's work force was still close to the land and could draw aid and sustenance from the family and the soil. But few seeds grew in the brick and asphalt jungles of the industrial cities, and city dwellers were generally too far removed from the land to return to it. The great depression was a time when mere willingness to work was not enough, a time to sear men's souls.

The depression also demonstrated that, even in the United States, traditional political convictions may be subordinate to the desire to regain the standard of living to which one's family and oneself had become accustomed. Thus it was that changes in the economic and social order were welcomed by the vast majority of the electorate. True to their heritage, the American people voted for action as exemplified by the New Deal.

There was another side to the great depression, however, a side that was particularly important to men of business. Times of extreme depression are times of great opportunity also to those with sufficient resources to grasp it. Property values are low, skilled management and labor can be had for a pittance, and desire for change is in the air. There is a certain zest in looking toward the future. Everyone "knows" that the situation will begin to improve, the only question being "When?" Together with the vast majority of their peers in the business community, SRDS concentrated on conserving its dwindling resources, both personal and corporate. Thus it was that

1. Source: *National Finance, 1954 Edition,* a supplement to the *Survey of Current Business,* p. 5. All the GNP figures and comparisons given in this paragraph are in terms of 1947 dollars.

they were keenly concerned about the depression's effect on SRDS subscription and advertising revenue.

Advertising Revenue.—The remarkable feature about SRDS advertising revenue during the 1930's is not that it declined by over 50 per cent between 1929 and 1933 but that, at the end of the decade (1939), corporate revenue was still only about 55 per cent of the 1929–30 level. Astonishing though this may be, the SRDS record was almost identical with the experience of the entire advertising industry (see Figure IX-1). It now appears that a basic change in the role of advertising in the nation's economy, as judged by the relation between advertising expenditures and national income, occurred during the 1930's and that this change affected SRDS in much the same way as it affected advertising as a whole.[2] In light of the industry's decline, and assuming that SRDS by 1929 had very nearly satisfied the potential demand for advertising space in this unique type of business publication, it would be reasonable to expect SRDS advertising to react as it did.

An important aspect of the decline in SRDS revenue from advertising was that advertisers typically did not shift to smaller units of SRDS display space; they either retained their usual space or eliminated it entirely. For example, the number of display advertisers per issue of SRDS during 1929 was about 460, and the average annual revenue from each advertiser was $850. In 1939 the display advertisers numbered about 180 per issue, and the average annual revenue per advertiser was about $950. The increase from $850 to $950 reflects an increase of 10 to 15 per cent in SRDS charges for most types of display advertisements.

The first of these phenomena, i.e., the decline in number of advertisers, may be interpreted as meaning that SRDS advertisers had a clear conception of the size of advertisement that was appropriate to the character of the publication being promoted. A certain metropolitan newspaper, for example, felt that the image it desired to maintain in the minds of media buyers required a full-page advertisement in each of various media. When its budget for a depression year necessitated a cut in advertising appropriations, the newspaper did not simply take less display space in all the advertising media it was accustomed to use. Instead it either shifted to a reduced schedule of full-page advertisements in one publication or maintained the same schedule in fewer publications. Though this is only a speculative interpretation of a widespread depression trend, it does conform to the facts and suggest why the pattern should have existed. In any event the effect on SRDS was a drastic reduction in the number of advertisers—from 484 in December 1929 to 193 in December 1939 (Figure IX-2).

After reviewing the foregoing interpretation, Walter Botthof commented:

2. See further: Kenneth H. Myers, "Have We a Decline in Advertising Appropriations?" *Journal of Marketing*, April 1959.

SRDS DISPLAY ADVERTISERS AND CIRCULATION
DECEMBER ISSUES
1929-1939

SECTION	1929	1930	1931	1932	1933	1934	1935	1936*	1937	1938	1939
NEWSPAPER	230	191	140	110	86	85	81	90	88	76	76
MAGAZINES AND AGRICULTURAL PAPERS	69	43	25	23	18	13	15	19	15	9	11
BUSINESS PAPERS	146	117	78	29	29	32	15	44	62	56	57
RADIO	—	49	39	30	26	46	54	49	45	37	49
OTHER	3	3	1	2	—	—	—	—	—	—	—
CANADIAN NEWSPAPERS	19	18	19	3	2	3	2	0	—	—	—
CANADIAN MAGAZINES AND AGRICULTURAL PAPERS	6	4	5	4	2	3	—	—	—	—	—
CANADIAN BUSINESS PAPERS	11	10	—	—	—	—	—	—	—	—	—
TOTALS	484	435	307	198	163	182	167	202	210	178	193
CIRCULATION	2,544	2,846	2,589	Not Available	1,818	1,772	1,873	1,917†	2,147†	2,216†	2,194†

*In 1936 the one-volume SRDS was divided into four separate books: The Newspaper section, Magazine-Agriculture section, Business Papers section, and Radio section.
†Newspaper section only.

FIGURE IX-2

The conclusion about concept of size of advertisements seems to me to be well founded on the basis of the evidence cited. Back of all this evidence, however, is the influence of our sales effort and policy, the philosophy of which was to promote the so-called standard unit only. (See Figure VI-7.) The psychological effect of this sales technique was that the great majority of our advertisers bought just that. As in every human experience, however, there were those who did not conform. As time went on, two things happened: Certain advertisers purchased larger units in spite of our lack of promotion of them, and I realized that we had limited our sales unnecessarily with the standard unit concept. The absence of criticism, by the users of SRDS, of the larger space bought by the nonconforming publishers suggested that our fears regarding the intrusion of advertising as an objectionable element in a service such as SRDS were unfounded.

In spite of appearances to the contrary, the above statement is not intended to deny that different media have very definite ideas as to the size and style of advertisements which best represent them and which contribute toward the building of their desired images. (January 26, 1960)

The second phenomenon—that of the relatively modest increases in SRDS space charges—is more readily explained. When SRDS advertising revenue declined sharply, publication expenses proved to be considerably less flexible (see Figure IX-3). The result was a narrowing of profit margins, which caused the management to look

SRDS SUBSCRIPTION REVENUE, CIRCULATION, AND PUBLICATION EXPENSE, 1929-1939

CIRCULATION	ONE BOOK–$30 PER YEAR 1929	1930	1931	1932	1933	1934	1935	MULTIPLE BOOKS–$30 PER YEAR* 1936	1937	1938	1939
NEWSPAPER	2,544	2,846	2,589	Not Available	1,818	1,772	1,873	1,917	2,147	2,216	2,194
MAGAZINES AND FARM PAPERS								1,888	2,038	2,118	2,096
BUSINESS PUBLICATIONS†								1,886	2,037	2,100	2,076
RADIO								—	2,458	2,520	2,487
PUBLICATION COSTS (000's)‡	$239	$236	$234	$189	$162	$168	$170	$195	$217	$225	$239
SUBSCRIPTION REVENUE (000's)	$ 73	$ 73	$ 70	$ 62	$ 56	$ 59	$ 63	$ 76	$ 81	$ 86	$ 85

†Radio circulation is included with Business Publications from 1929 through 1936.
‡Exclusive of officers' salaries and the cost of publishing Media Market (during 1936 and 1937 only).
*The subscription price of multiple books was $30 in combination or $15 each. After 1936 Radio was sold individually for $15 per year

FIGURE IX-3

askance at any reduction in display advertising rates. Lower space charges might result in the sale of more space units but probably too few to increase the total revenue. On the other hand, a substantial increase in advertising rates in the face of a market that was both cost-conscious and shrinking seemed unwise, particularly in view of the decline in SRDS circulation. Thus it happened that SRDS, in company with most publications serving the advertising profession (*Advertising Age, Editor and Publisher, Printers' Ink*), held the price line until the upswing of the late 1930's and then increased charges only modestly (Figure IX-4).

RATE* AND CIRCULATION DATA OF SRDS AND RELATED PUBLICATIONS
1929, 1934, 1939
(Data as of December)

BUSINESS PUBLICATION	1929 RATE	1929 CIRCULATION	1934 RATE	1934 CIRCULATION	1939 RATE	1939 CIRCULATION
ADVERTISING AGE	$180	5,281	$210	7,985	$275	14,540
EDITOR AND PUBLISHER	$250	9,615	$250	9,167	$275	12,468
PRINTERS' INK (MONTHLY)	$225	18,650	$225	11,909	$250	13,844
SRDS	$150	2,731	$150	1,772	$180	2,194

*For full page, black-and-white, 12 times annually.

FIGURE IX-4

Subscription Revenue.—The circulation of SRDS held up well during the early stages of the depression, proving to a considerable degree the management's contention that the Service was indispensable to media buying. But as time went on even this indispensable Service was affected by the depression, losing both advertising agencies and media buyers. In 1929 there had been about 1,500 agencies; by 1939 there were only some 1,200. Paralleling this decline, SRDS subscriptions fell from 2,544 in 1929 to 1,772 in 1934 and rose to only 2,194 in 1939. During the same years the composition of the SRDS list shifted slightly toward a heavier concentration in agency subscriptions:

SRDS SUBSCRIPTION ANALYSIS

YEAR	TOTAL NUMBER	TOTAL PER CENT	DISTRIBUTION AGENCY PER CENT	DISTRIBUTION ADVERTISERS PER CENT	DISTRIBUTION PUBLISHERS PER CENT	DISTRIBUTION OTHER PER CENT
1930	2752 (ONE BOOK)	100	55	20	23	2
1939	6434 (FOUR BOOKS)	100	60	18	18	4

tion, near-saturation of the market still existed. Therefore a reduction in the subscription price would at best bring in a few more multiple-copy subscriptions from agencies. An alternative to increasing revenue by creating an expanded demand through price reductions was to increase prices. But in respect to the sale of advertising space, this alternative appeared blocked by the 25 per cent decline in SRDS circulation. Increasing the subscription price might cause the circulation to contract even further, an alarming prospect.

Reaction to the Depression.—The substantial shrinkage of both advertising and subscription revenue, coupled with a fairly rigid cost of publication, confronted the SRDS management with a dilemma. As we have seen, a reduction in space charges would be unlikely to promote an increase in net revenue. Despite the loss of circula-

In the midst of this uncertainty, Walter Botthof suggested a tactic that seemed to hold great promise. It was to divide the already bulky book (687 pages in December 1929 and around 500 pages in December 1935) into several separate books: *Newspaper*, *Business Publications*, *Magazine and Farm Papers*, and *Radio*. This step would, it was hoped, have three favorable effects:

1. If the sections were bound separately instead of being combined in a single unit,

the greater flexibility would make the publication more useful to agency subscribers. As it was, agencies often separated each issue and put the various sections into temporary binders—this in order to avoid buying multiple subscriptions to the combined unit. The publication of separate sections would also permit independent pricing of the books as opposed to the present combined rate of $30 for the complete service. Botthof and Beirnes were not unmindful of one disadvantage of this plan: that a firm with three buyers, one each for newspapers, business papers, and magazines, might previously have purchased three SRDS subscriptions. With the new arrangement the agency might need only one copy of each section, at the combination rate of $30 for all.

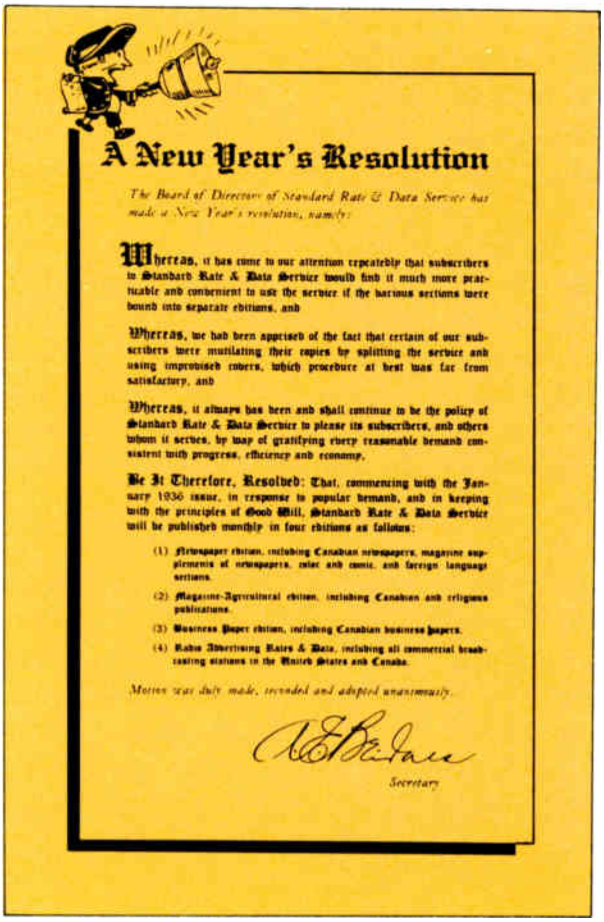
2. The second favorable aspect of the new plan was an outgrowth of the first. Instead of four high-revenue cover positions for advertisers, plus two lower revenue positions at each section divider, now 12 cover positions would be available, four for each independent book. The effect of this change would be to increase the income from advertisements in the high-revenue positions, assuming that the additional covers could be sold at comparable prices.

3. The bulky, unwieldy, and cumbersome single book would be replaced by three smaller, lighter, and easier-to-handle books —a highly desirable improvement.

Thus the proposal seemed to have positive advantages with respect to advertising revenue and doubtful advantages or even some disadvantages in respect to circulation revenue. These were offset, however, by the fact that the individually bound books would be distinctly more satisfactory to use. In balance, then, the prospect of additional advertising revenue and greater satisfaction for users seemed to outweigh the possible effect on circulation. The shift to three books—*Newspaper, Magazine,* and *Business Publications,* plus *Radio*—was made effective January 1, 1936 (Figure IX-5). To avoid additional loss of subscription sales, it was decided to offer only the combined unit, at $30 per year as before.

Subscribers' reactions to the functional advantages of the new format were prompt and favorable, but there were also persistent requests that the books be offered separately for subscription purposes. Hence in September 1936 the management, with considerable misgivings, offered each of the three "print" books at $15 annually as well as $30 per year in combination. *Radio* continued to be offered only as part of a combination subscription.

Logical as it might have been to expect an increase in advertising revenue and a loss in subscription revenue, the separation of the books actually had very little effect upon either type of income, as may be seen in the tables on pages 125 and 129. But the change had other long-run advantages. For one thing, the sheer bulk of the material would eventually have necessitated a physical separation of the several sections, although the precise timing of the move seems to have been unimportant on this



A New Year's Resolution

The Board of Directors of Standard Rate & Data Service has made a New Year's resolution, namely:

Whereas, it has come to our attention repeatedly that subscribers to Standard Rate & Data Service would find it much more practicable and convenient to use the service if the various sections were bound into separate editions, and

Whereas, we had been apprised of the fact that certain of our subscribers were mutilating their copies by splitting the service and using improvised covers, which procedure at best was far from satisfactory, and

Whereas, it always has been and shall continue to be the policy of Standard Rate & Data Service to please its subscribers, and others whom it serves, by way of gratifying every reasonable demand consistent with progress, efficiency and economy,

Be It Therefore, Resolved: That, commencing with the January 1936 issue, in response to popular demand, and in keeping with the principles of Good Will, Standard Rate & Data Service will be published monthly in four editions as follows:

(1) Newspaper edition, including Canadian newspapers, magazine supplements of newspapers, color and comic, and foreign language sections.

(2) Magazine-Agricultural edition, including Canadian and religious publications.

(3) Business Paper edition, including Canadian business papers.

(4) Radio Advertising Rates & Data, including all commercial broadcasting stations in the United States and Canada.

Motion was duly made, seconded and adopted unanimously.

Secretary

FIGURE IX-5

account. Subscribers reported their satisfaction in the greater flexibility of the new arrangement, and the firm's reputation for providing an accurate, complete, and convenient service at modest price was further strengthened.

Media-Market Service.—At about this same time a major departure from the company's established pattern of publication was suggested. This was *Standard Media-Market Service,* SM-MS, a series of annual publications to parallel each of the company's basic books: *Newspaper, Business Publications, Magazine,* and *Radio.* It was thought that each section of the new SM-MS service would consist entirely of elaborate, service-type publishers' advertisements. An annual publication, it would be distributed free to subscribers to the basic SRDS services. For example a media buyer using the basic SRDS *Business Paper* book would be alerted to the existence of additional media information in the SM-MS *Business Paper* book by the SM-MS symbol (SM-MS) at the top of a media listing. Presumably the media buyer would then turn to the SM-MS companion volume for information supplementing that carried in the SRDS listing or in SRDS advertisements. There he would find, in standard form for each participating publication, "information of extreme value to an intelligent purchase of advertising space," i.e., the media-market characteristics, the circulation coverage, the editorial features, and the personnel of the organization. It was intended that SM-MS be as indispensable to the media buyer as *Sweets Catalog* is to the architect and construction engineer. The cost of the new service, and hopefully a substantial profit, would be recovered from the sale of advertising space to publishers.

Botthof, Moss, and Trenkmann each discussed the proposed publication with both media buyers and publishers. They found an almost uniformly favorable response, and in November 1935 it was decided to launch the new service with an SM-MS companion to the *Business Paper* section of SRDS.

Under Walter Botthof's general direction, responsibility for promotion, sale, and publication of the new service was exercised by Trenkmann, assisted by Jay Colvin in promotion and two field men in sales. Before long it became apparent that the task of publication was enormous for an organization the size of SRDS, and the anticipated publication date was moved back several times before the first SM-MS book was put into the mail in October 1936.

The new publication, SM-MS, *Business Publication Edition,* was a hefty 663 pages, all paid advertising, but the initial expense of publication had been high also—$44,000 for direct costs, plus a considerable amount of executive and sales time that the accounting records did not allocate to the new project. The $35,000 in advertising revenue fell considerably short of meeting these expenses. Since production costs were only $662 above the amount estimated by Beirnes, the deficit resulted from high initial sales and editorial and promotional expenses, coupled with lower-than-anticipated sales revenues.

While this initial *Business Publication Edition* of SM-MS was not a financial success, the subscribers' reactions to the new service at first seemed favorable. Media buyers reported SM-MS to be helpful—so helpful, in fact, that they needed to give less time to interviewing the sales representatives of publishers of the various business papers represented in SM-MS.

As the first year wore on, a number of SRDS subscribers commented that portions of the media-market data contained in the *Business Publication Edition* of SM-MS had become outdated, recommending more frequent publication. The suggestion was welcomed by the SRDS management, which had been encountering some degree of sales resistance in soliciting advertisements for a forthcoming *Magazine Edition* of SM-MS. Some publishers' advertising departments were wondering whether SM-MS reached exactly the same market as SRDS and, if so, why they should make the combined budget for SRDS and SM-MS any larger than that previously allocated to SRDS alone. This argument proved difficult for SRDS field salesmen to counteract, because whatever they said in favor of SRDS tended to deprecate SM-MS, and vice versa.

Nevertheless the SRDS management was still sanguine about the future of SM-MS. They hoped that more frequent publication, say semiannual, would not only improve the timeliness of the SM-MS media data but also nearly double the advertising revenue (assuming the same rates and similar advertising space per issue). This, then, would help overcome any small decrease in revenue per issue. Thus it was announced that SM-MS would henceforth appear semiannually.

The *Magazine Edition* of SM-MS was published in September 1937, but even before the formal accounting it was clear that this edition had incurred a greater financial loss than had the *Business Publication Edition*. The reported costs of publication had been $41,000 as opposed to only $25,000 in revenue. As before, unallocated costs may also have been high, and some advertising revenue had possibly been diverted from SRDS.

The loss was the more disheartening because initial space sales had indicated that the *Magazine Edition* of SM-MS would be a distinct financial success. Then, a month or so before publication, Botthof outlined the entire SM-MS plan before a meeting of Hearst magazine promotion managers. The questions they asked led the SRDS men to believe that something was stirring, and future events proved them right. Within a few days after the meeting, cancellations of sales contracts began to pour in, and new business became much harder to obtain. Further inquiry indicated that the promotion managers, despite their original enthusiastic reception of the SM-MS idea, had had second thoughts—particularly in regard to the effect of SM-MS upon their direct-mail programs. If the SM-MS service was to be as complete as described at the meeting, there might be little for the promotion men to add, and the importance of their work would diminish.

Similarly, it was ascertained, some sales managers of publishing firms had begun to wonder whether the completeness of the SM-MS service might mean fewer contacts with media buyers and thus fewer opportunities for their own salesmen to exert a personal influence. Since most sales managers had more confidence in a salesman's ability to close a sale than that of an SM-MS advertisement, it apparently seemed wise to remove the possibility of competition between SM-MS units and the salesmen by canceling SM-MS advertising.

Just about this time the incipient business boom of 1937–38 also collapsed, and advertising budgets were further slashed by anxious executives, still fear ridden by the traumatic experience of the previous eight years. In view of this publisher reaction, therefore, the SRDS management was convinced that further promotion of SM-MS would be futile. They put aside all plans for expanding or even continuing the new publication and again gave full attention to SRDS.

Organization.—The conduct of the business in an organizational sense remained unchanged during the early 1930's. The Board of Directors consisted of Botthof, Moss, and Beirnes, who carried the titles of president, vice-president, and secretary-treasurer, respectively. In a day-to-day operating sense, Botthof continued in charge of relationships with publishers and the sale of advertising space to this group. In this task he was assisted by Moss, who continued in charge of the New York office, and by Trenkmann, who carried the title of "administrative assistant to the President." Moss, being geographically isolated, occupied a key sales position in representing SRDS at New York, the nerve center of the nation's advertising world.

Beirnes, nominally secretary-treasurer,

acted as operating manager of aspects of the business other than sales, promotion, and advertising. Reporting to him were the editors of the various sections of the Service, the production personnel, and the general office force. As treasurer he also exercised control over the company's financial and accounting activities.

In reviewing the author's appraisal of the managerial situation, Walter Botthof observed:

> The truth of the matter is that neither Beirnes nor Moss exercised much discretion. They didn't because I didn't let them! When decisions had to be made, I made them. I didn't abdicate my responsibility as president, nor did I hide behind someone else when the decisions proved wrong. Fortunately most of them were such that we didn't have to regret them.

In general this pattern of operating responsibility corresponded to the 20-year employment contracts negotiated in 1927 between the three men and the corporation. These stipulated that Botthof was "to act as manager of sales and administration," Beirnes was "to act as manager of its [the company's] production and finances," and Moss was "to act as manager of the eastern offices, with headquarters in New York City."

Matters of general policy were most frequently settled by discussions between Botthof, Trenkmann, and Beirnes in Chicago. On major decisions Moss was contacted, and two to four times a year a formal meeting of the Board of Directors was held, with Botthof presiding.

Attitudes.—The nature of the operating responsibilities of Botthof, Moss, and Trenkmann on the one hand and of Beirnes on the other hand quite naturally led to differences in interests and attitudes.

The Botthof-Moss-Trenkmann group was primarily concerned with increasing or at least maintaining revenue from advertising, the immediate source of about three fourths of the company's income. Beirnes, by contrast, was emotionally more allied with the subscribers to the Service. As the original compiler of the Service, he had worked with Botthof to set up the SRDS format and the data-collecting, verifying, and classifying procedures that formed the basis of its appeal to the subscribers and, though indirectly, to the advertisers. Perhaps as a result, Beirnes had what Botthof viewed as "extreme" convictions concerning the subscriber point of view and tended to regard advertising as an encroachment upon the prerogatives of the users of the Service.

It will be recalled that there were also differences in attitudes toward financial operations. For example, sums expended for sales promotion—and especially the travel expenses of the sales personnel—gave concern to Beirnes, who was quite frugal in his personal habits and who at times seemed unconvinced of either the need for, or the propriety of, advertising in SRDS.

These differences in outlook among the four men tended to create a mutual misunderstanding of their respective roles in the business and of their contributions thereto. Botthof was inclined to see Beirnes as a man who did little but sit unproductively in the home office, supervising activities that were so routinized as to be virtually self-sustaining. Beirnes tended to view certain sales and promotion activities of Botthof, Trenkmann, and Moss as similarly undemanding, unnecessary, or even undesirable.

The Dynastic Problem.—Such differences in concept and attitude are common to most business operations, and they might have persisted indefinitely had it not been for another problem, also common to nearly all owner-manager businesses—the question of family succession.

In 1935 Botthof, Beirnes, and Moss, all now between the ages of 45 and 50, each had a son in college. As is usual among first-generation owner-managers, each man was extremely proud of the business he had founded or, in the case of Moss, had joined in the first critical year of its existence. Each member of the triumvirate thought of the business as the outstanding achievement of his life, and was reluctant to think of its ever passing out of his control. Because of its relatively small size and currently adverse growth trend, however, the business did not promise to provide positions adequate for the three sons, especially since the three owner-managers were still too young to think of accepting a passive role in the operation.

The Break.—All this emotional friction seemed to come to a head late in 1935 and in the first few months of 1936. In November 1935 Beirnes suggested to Moss that he arrange to terminate his interest in SRDS at some future date in order to simplify the problem of succession. Moss did not react favorably to this request, and the matter was not pressed.[3]

In February 1936 Botthof proposed to Beirnes that one of the two buy the other out at what he (Botthof) considered a generous price. Beirnes did not act on the proposal, and Botthof withdrew his offer on April 7.[4] But relations between him and Beirnes became more and more strained. The climax came at a directors' meeting on May 5, 1936, when Botthof and Moss voted, over Beirnes's objection, to establish the post of general manager and elected Trenkmann to fill it. This action, and others that followed, virtually eliminated Beirnes from the operating management by the summer of 1936.

Both parties then engaged legal counsel, Beirnes charging that the creation of the post of general manager and subsequent actions made it impossible for him to fulfill the terms of his 1927 employment contract with SRDS. Botthof and Moss, in turn, charged that the new post of general manager had been created because Beirnes had failed properly to carry out certain of his contractual obligations.

Charges and countercharges continued in an atmosphere of spirited acrimony until a settlement was reached in the fall of 1938. Under the terms of the agreement, Beirnes

3. Directors' minutes, February 2, 1937.
4. *Ibid.*

relinquished his 38½ per cent interest in SRDS for the sum of $200,000, payable in equal installments over a 10-year period, and accepted a cancellation of his employment contract in return for an assured annual income of $15,000 for 10 years.

The Results.—As was to be expected, considerable confusion attended the shift in responsibilities from Beirnes to Trenkmann. Trenkmann had had relatively little previous contact with the financial aspects of the business supervised by Beirnes, and the conditions of transition were anything but orderly. For example, the books of the company had been posted through April 1936 and the year-end statements drawn off before the break in May 1936, when Beirnes had been barred from office and the bookkeepers had resigned en masse. When Beirnes was rebuked some months later for not having kept the company's accounts in order, he replied that the accounts had been left in good condition but that the new employees had not known where to locate information.

In any event, Trenkmann called in the firm's auditor immediately upon taking charge and with his assistance employed and organized a new accounting group. Awkward as the initial transition period may have been, Botthof and Trenkmann quickly regained control. Before long, the production and financial operations of SRDS were again running smoothly.

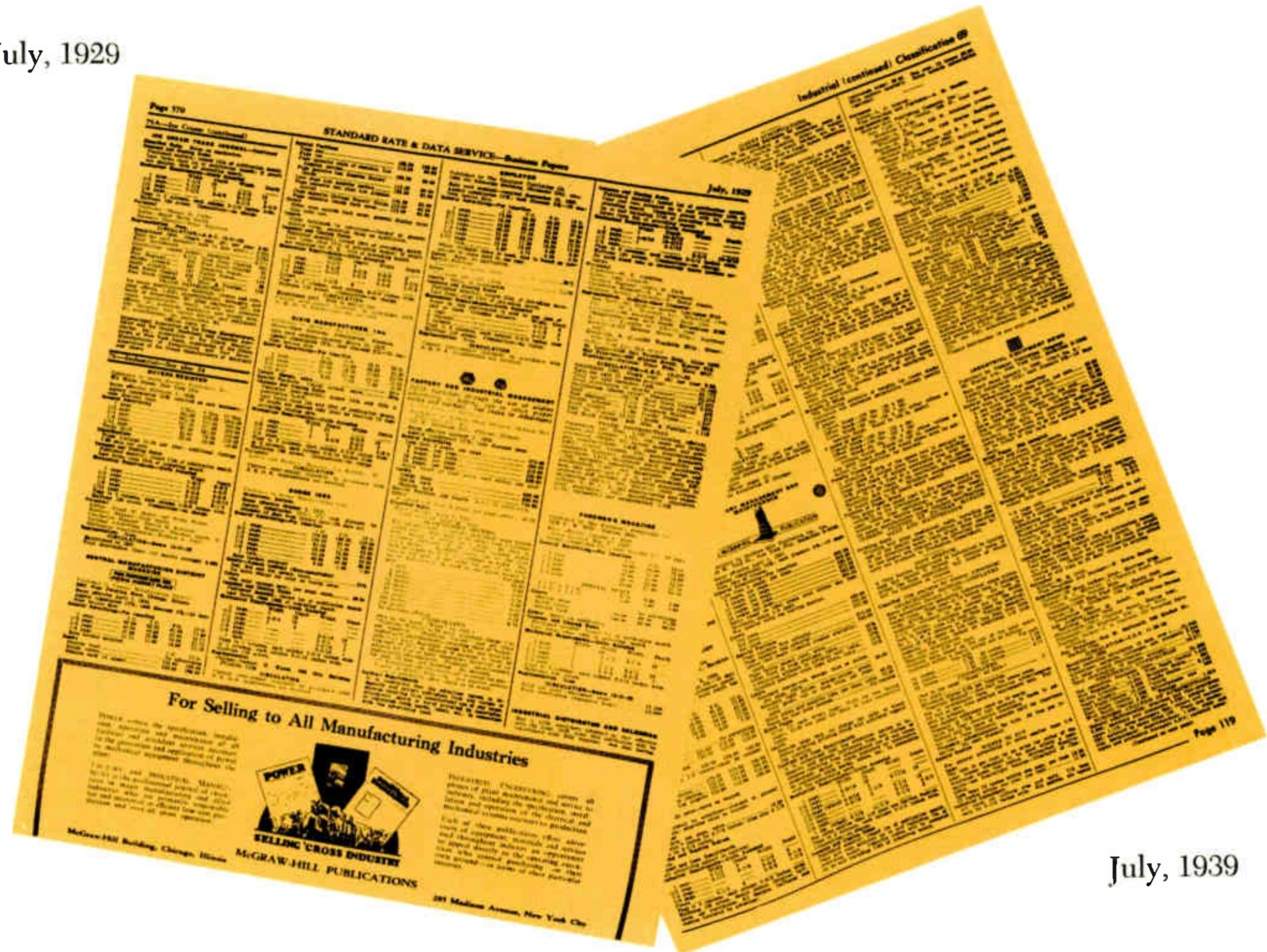
In organizations whose day-to-day operations demand that the owner-managers work closely together, the individuals involved must be willing to face and solve the problem of conflicting personal objectives, even to the extent of dissolving certain relationships. In this regard it seems that Botthof was willing to face the fact of conflicting interest and to approach it constructively, with the offer to sell or to buy on equal terms. Beirnes did neither, and the eventual outcome stemmed from this inaction.

The terms of the settlement—$350,000 in total, at the rate of $35,000 per year—seem to have been reasonable in light of SRDS' current prospects and the previous performance. For the five years 1933–37, inclusive, the rewards to the three owner-managers had totaled $547,000: net earnings ($47,000), life insurance premiums ($90,000), and salaries ($410,000). Beirnes's share of this in terms of salary, insurance benefits, and net profit, including earnings retained in the business, had been about $203,000, or $41,000 per year. Of this some $30,000 was, nominally at least, payment for services rendered, and $11,000 was a return on his 38½ per cent equity in the business. The settlement provided him with an assured income of $35,000 per year for 10 years in return for the surrender of his equity interest.

Such calculations do not take account of personal feelings, however, and it is unlikely that any purely monetary settlement would have prevented the bitterness that ensued. But since matters of this kind always involve an organization as well as individuals, it is important to give weight to the survival of the business under a competent management, united in purpose and able to devote its full energies to the tasks ahead.

SRDS Comes of Age.—Over the next few years many features of SRDS were revised and expanded. Additional market and population data were included, a business paper editorial section was introduced, and

July, 1929



July, 1939

FIGURE IX-6

the map sections were improved. Almost incidentally, on January 17, 1939, the name of the company was finally altered—from the B. and B. Service Corporation to Standard Rate & Data Service, Incorporated. Since the firm had been generally known as SRDS for nearly two decades, the shift in formal title went almost unnoticed.

A 1939 summary of the growth of the company, on the occasion of its twenty-first year of publication, showed that SRDS had expanded from some 75 pages in 1919 to 844 pages in 1929 and 1,054 pages in 1939 without any increase in the subscription price of $30 per year. In view of the 44 per cent decline in advertising revenue between 1929 and 1939, it is apparent that the 25 per cent increase in number of pages reflected an even more substantial expansion in media-buying information—possibly as much as 40 per cent.

Perhaps the best indication of the changes that occurred in the Service is the comparison of a 1929 and a 1939 listing (Figure IX-6). This expansion, undertaken in spite of substantially reduced revenue, shows the extent to which the revised management team was continuing the service-oriented policies established 21 years earlier.

An Overview.—The general performance of the company during the 1930's can best be described as a holding operation. The revenue from SRDS subscriptions in relation to the number of advertising agencies was about the same at the end of the period as it was at the beginning, and the relation of SRDS advertising revenue to total national advertising expenditures remained nearly constant also. The SRDS "product line"—that is, its array of publications—remained the same except for the experiment with SM-MS and the subdivision of the basic book in 1935. The company's financial return to its owner-managers fell off sharply from the peaks of the late 1920's, but no more than would be expected in view of the decline in advertising volume. Perhaps the principal accomplishments of the period were these: first, the fact of sheer survival during the nation's most trying economic fluctuation in more than 100 years; second, the resolution of a serious conflict of personal interest among the owner-managers in such a way as to strengthen the firm's future prospects; third, the continued dominance of SRDS in its chosen field of specialization; and fourth, the emergence of the company at the start of 1940 as a sound and viable institution, running smoothly under its revised and united management team.

X

Management in Transition, 1940-1949

In any company the period during which control of operations is transferred from one generation of management to another is rarely a smooth one. When the members of the older generation actually founded the business and grew with it from its infancy, the transition is likely to be even more difficult. If the business is closely held and operated by its owner-managers, with little or no assistance from outside directors or other external balancing forces, the problem of shifting management responsibility to a new generation is often critical.

All these conditions prevailed in SRDS as of 1940. The business was still quite small, employing only about 25 persons. Its owner-managers, Botthof and Moss, supplemented by Trenkmann, had all grown with the business. The absence of outside directors, plus the commanding organizational and ownership position held by Walter Botthof, allowed him to operate the business virtually as sole proprietor, subject to such mild restraints as might be imposed by personal and family relationships.

Also, the isolated competitive position of SRDS and the relatively stable pattern of its operations since the early 1920's had permitted the business to survive without particularly tight financial or organizational controls. Finally, although two of the sons, C. Laury Botthof and Albert W. Moss, were old enough to enter the business and assume positions of considerable responsibility during the 1940's, their respective fathers and Richard Trenkmann were all around 50 years of age and seemingly not inclined to take less active roles in the business.

Viewing these factors, a contemporary observer would have been quite likely to predict that the period of training for the young men would be both long drawn out and frustrating, with no real transfer of authority in prospect for 15 to 25 years. Such a prediction would have been in error, however. By 1949 C. Laury Botthof had been president for two years, Albert W. Moss had been executive vice-president in charge of the SRDS office at New York since 1943, and the surviving members of the older management group had, in fact as well as in title, delegated a substantial portion of operating control to the younger men. Moreover, the transition occurred during a period of significant economic change and growth, to which the firm had adapted its operations and policies with notable success.

The reasons for this remarkable transition were primarily four: The first was the unexpected and premature death of Albert H. Moss on August 15, 1943, which catapulted the son, Albert W. Moss, into his father's position. The second was Richard Trenkmann's elevation to the presidency in September 1943 (Walter Botthof became chairman of the Board and publisher), followed later by an illness that led Trenkmann gradually to withdraw from the business. Third was the unusually fine atmosphere of mutual respect and understanding between Walter Botthof and the two younger men. Fourth was the emergence of C. Laury Botthof and Albert W. Moss as responsible, sensitive, and capable businessmen in their own right.

Albert W. Moss.—After earning his BA degree, with a certificate in journalism, at Washington and Lee University in 1935, young Al Moss took a position with the Westchester Group of Dailies, publishers of the Port Chester *Item*, the Westchester *Item*, and the *Citizen Observer* of nearby Harrison, New York. All were fairly small operations. The circulation of the *Items* was about 6,500 daily, and the *Citizen Observer's* was about the same on a weekly basis. As Moss recalls:

> You might say that I held a combination job with the Westchester newspapers. I solicited advertising, reported on news at Harrison for the Westchester *Item*, edited a sports page for the weekly *Citizen Observer*, and collected bills. The experience was certainly broadening, but after a year or so I decided that the ceiling was rather low and not likely to change. Agency work in New York was my next target, but the only attractive jobs available depended upon bringing a sizable account with you. SRDS had been considered "closed" to the family as a matter of policy. I had never really contemplated a career with the firm.

Nevertheless at this juncture Al's father and his uncle, Walter Botthof, urged that he consider joining SRDS at the New York office. He assented but with mixed feelings, he reports, for he could foresee some of the many difficulties that usually attend a close working relationship between two generations of the same family. On the other hand, his father was not in the best of health, and the older men were clearly eager to bring him into the company. He joined SRDS early in 1937.

The New York office at that time was quite small. Al's father and Jim Kelly, an SRDS salesman of long standing, constituted the regular force, although at first there were two or three extra personnel who handled SM-MS sales under the elder Moss's direction. In Al's words:

> The New York operation was primarily concerned with sales, and seemed quite isolated from the publishing office in Chicago. About twice a year a directors' meeting was held in New York, at which time Walter Botthof would make a number of sales calls with my father. Jim Kelly was extremely valuable to the company, especially in the field of radio. My father concentrated on the print media. Kelly took a strong interest in breaking me in, and was most helpful. Both W. B. and A. M. made it clear from the beginning that the second generation would have to make an individual contribution, and I always felt under pressure to produce.
>
> My starting salary was $35 per week, but within a short time the recession of 1937 hit hard. W. B. came on to New York and made a skillful and carefully planned presentation of the need for a salary cut. It was well received. My salary dropped to $25.

In his capacity as assistant manager, young Al began with subscription sales and some of the less active advertising accounts. In January 1939 he was made secretary of the company, and in February 1940 the title of vice-president was added. Over the next few years Al, together with Jim Kelly, assumed substantial responsibility under the guidance of the elder Moss.

When Albert H. Moss died suddenly in August 1943, Al Moss and Jim Kelly were placed in charge of the eastern office as executive vice-president (New York) and vice-president, respectively.

Albert H. Moss.—In the attempt to appraise the many contributions which the senior Moss had made to SRDS since he joined the firm in early 1920, first place must surely go to his skill as a salesman. As an example, it will be recalled that he stepped into the breach caused by Walter Botthof's physical and nervous exhaustion in 1921, and on an extensive trip single-handedly produced the advertising revenue essential to the firm's continuance. Like many outstanding salesmen, Albert H. Moss had an abiding interest in the welfare of others and a conviction that his role was to assist his customers or clients rather than impose upon them. He knew what a boon SRDS was proving to the media-buying function, and he had confidence that advertising placed in it would be noted and appreciated.

When young Al undertook to call on advertisers formerly serviced by his father, he found a reservoir of good will in all of them. Among the most frequent of their comments about his father were the phrases "a gentleman," "never failing in his sense of humor," and "always interested in bringing some idea that will help me do *my* work better." He preferred the role of salesman to that of administrator, and he excelled in his chosen work. His personal sales activity was always well planned, and he budgeted his time carefully. In his contacts with customers, he was persistent, suave, and, in a quiet way, aggressive. Leo E. McGivena, president of the New York advertising agency bearing his name, recounts this incident:

In the early 1920's, when I was advertising manager for the New York *News*, Al Moss called upon me regularly. He was a large man, grave in manner, and obviously completely convinced of the merit of his product. His interest, of course, was in obtaining an increase in our advertising schedule. I finally said one day, "Al, your publication doesn't warrant an increase. It is probably only read by clerks. It's primarily a reference volume!"

Moss looked hurt, said little more, and left. Some three weeks later he returned carrying a large fiberboard box, one such as is used by college students for mailing laundry home. Opening it, he displayed an enormous collection of letters and testimonials, mainly from heads of prominent agencies. I still recall one of them. This agency head said that he was practically never without a copy of SRDS within easy reach. He even kept one on the telephone stand in his bedroom. (December 1962)

During all his years with SRDS, Al Moss never took a vacation of more than a few weeks, with the one exception of a trip to Europe in the late 1930's, and he was always chafing to return before the vacation was half over. Clearly he was one of those persons who are thoroughly happy in their work and dedicated to it. As for SRDS, Albert H. Moss was synonymous with the New York office—the right man in the right place at the right time in the evolution of the company. He was sorely missed.

C. L. Botthof.—In the meantime, C. Laury Botthof, "Laury" to almost all SRDS personnel, had graduated from Princeton University in 1939 with a major in modern languages. In regard to this choice of majors, Laury Botthof comments:

This would seem to be a course of study highly inconsistent with a career in publishing and advertising, but in 1939 the opportunity to join SRDS upon graduation had been available for only about three years—that is, since the withdrawal of Beirnes from the business. My course of study had been dictated by two factors. One was that, as early as 1929, I had become aware of my father's somewhat idealistic view that no man could respect himself, much less hold the respect of others, if he did not build his ultimate position in life for himself.

As a result there had always been a tacit agreement between Dad and Beirnes, and later extended to Al Moss, Senior, to the effect that none of the progeny of the stockholder-officers would succeed to a position at any level at SRDS.

The second factor was that there had been a good deal of discussion about the future economic growth of South American countries and the prospect for trade between those nations and the USA. I determined that I would somehow carve a career from this budding commerce, and in preparation studied the language and culture of South America both in high school and at Princeton.

As the time for Laury's entry into the business world approached, Walter Botthof, in spite of his earlier outlook, became exceedingly interested in seeing his son enter SRDS. In September 1939, then, Laury began a planned program of activity at SRDS, starting in the production end of the business. This was an area close to Laury's earlier interests. Since boyhood he had been fascinated by the composing and printing shops at SRDS and had even run a small press of his own, printing and selling announcements and handbills for neighborhood consumption.

Following a stint in the production department, Laury pursued a similar program in the rate-service division, in circulation, in promotion, and in sales. In regard to the latter he reports wryly:

> I was given an assortment of "dog accounts" to call upon. I did make one sale, however, probably to an account that slipped in by accident. Incidentally, I am glad to say that that account, the Putnam Publishing Company, is still with us.

Meanwhile at the Board of Directors' meeting of February 27, 1940, both Laury and young Al Moss were made vice-presidents and directors of the company—Laury vice-president and assistant treasurer and Al vice-president and secretary (Appendix 1). The program of indoctrination continued over the next several years. As for his becoming treasurer in 1943, Laury comments:

> I think that by this time I was the only man in the company who had a sound working knowledge of each major phase of the firm's operations. There was no area, from production through accounting to sales, in which I had not served an apprenticeship.

In September 1943, when Albert H. Moss passed away, Laury became executive vice-president and treasurer. Soon afterward, however, he was taken ill with what was diagnosed as tuberculosis. This necessitated a year of inactivity and rest, following which he was inducted into military service. Between the time of his illness in 1943 and his return from military duty in 1946, Laury had an opportunity to devote considerable thought to his life objectives and to reconsider his position with SRDS—especially the fact that he had achieved it by accident of birth as well as by training and demonstrated merit. He experienced the kind of misgivings that may follow prolonged exposure to people less fortunate than oneself, particularly when the exposure is accompanied by some personal danger. This was especially true in Laury's case, as he was both intelligent and sensitive to the reactions of others.

While these thoughts had occupied Laury Botthof intermittently during his military duty and even before, it was in January 1946, on the long sea voyage from Guam to the United States, that his intentions took final shape. When the ship docked at San Diego, he was ready. His father and Richard Trenkmann greeted him and together the three began the drive to Los Angeles.

Walter Botthof recalls their conversation:

We were on the way to Los Angeles, where Mrs. Botthof and Mrs. Trenkmann were awaiting us. Over that 100 miles or more, Laury said to me, "Dad, I don't want to come back into your business unless I can make a contribution on my own." That shocked me. We were under quite a bit of strain and pressure when I finally said to him, "Well, that's a very interesting remark. Do you have anything in mind?" Laury replied, "Yes, I do. I've had a lot of time to think, Dad, and of course I do want to come back into the business if I can work out certain ideas, but remember that all the old-timers down there knew me as a little fellow, I was just a growing child to them. While I've spent time in every department of the business, and while I love it, this business is basically yours. It was your idea, and I don't want to be the fair-haired boy who just moves along and steps into his father's shoes."

I said, "All right, let's have it. You must have something in mind in saying you don't want to come back unless you can contribute something on your own." When he told me, my hair almost stood up. I was shocked; I was frightened; but I didn't reveal it to him. Dick Trenkmann felt exactly the same way. Laury told me that he was working on something in his mind that he believed could save the company a lot of money. He pointed out that we were spending probably $75,000 to $100,000 every three years to reset the battered standing type. Our Service, you understand, is all set in type and the type pages are carried in galley forms. We make the corrections from month to month on these galley forms, but all the old type that remains is eventually beaten down by the pounding of the press, so that you get a difference of 2,4,6,8, or 10 1/1000's of an inch of wear over a period of years. The new type stands out and is beaten down again because the type around it has been worn down. The old type wears still more. You have to put more and more pressure on the press until finally the printing is such that 3's look like 8's and 5's look like 6's. Then we begin to have many, many complaints from subscribers who can't read some of the type.

Laury said, "What I have in mind is a process whereby the type will no longer wear. Of course that will do more than just save us $75,000 or $100,000 every three years, or whatever it costs to reset our entire books. It will also produce a higher quality of copy and at the same time greatly reduce the labor cost of the processing of our issues." His actual invention is a story I will leave to him to tell. When he told me how he proposed to do it, I mentally threw up my hands because I knew it couldn't be done. (March 9, 1957)

Shocked or not at Laury's idea for a new printing process, Walter Botthof wanted above all to see his son return to the business willingly. This Laury did, resuming his duties as executive vice-president and treasurer in February 1946. But upon returning to SRDS, Laury found it necessary to give priority to his responsibilities as treasurer. Certain costs seemed to be getting out of hand, and the accounting, billing, and purchasing functions seemed to be "flying blind." It took the rest of 1946 and part of 1947 to ascertain the exact causes of the problems and to institute corrective measures. As might be expected, people (including an alcoholic who was being protected by other employees) were at the root of the difficulty, and changes in personnel as well as procedures were necessary to restore control.

Most of the company's problems, as Laury perceived them, were attributable to its rapid and continuing growth and to the difficulty experienced by many older employees in coping with their enlarging responsibilities. To assist in bringing the situation under control, and more especially to aid in planning for the future, Laury engaged a management-consulting firm to explore the company's organization, managerial resources, and operating procedures. The consultants' report was received in May 1947.

This was Walter Botthof's first experience with a comprehensive outside appraisal of his company's structure, the strengths and weaknesses of persons in managerial positions, and the organization's operating procedures. For a chief executive to see his organization, and indirectly himself, examined clinically by experienced, competent, and thoroughly objective management consultants is fairly strong medicine. This is particularly true when the patient, in this case SRDS, shows all the outward symptoms of good health—a strong growth trend

ORGANIZATION OF SRDS MAY 1947

As presented by Stevenson, Jordan, and Harrison, Inc., in report of May 24, 1947.

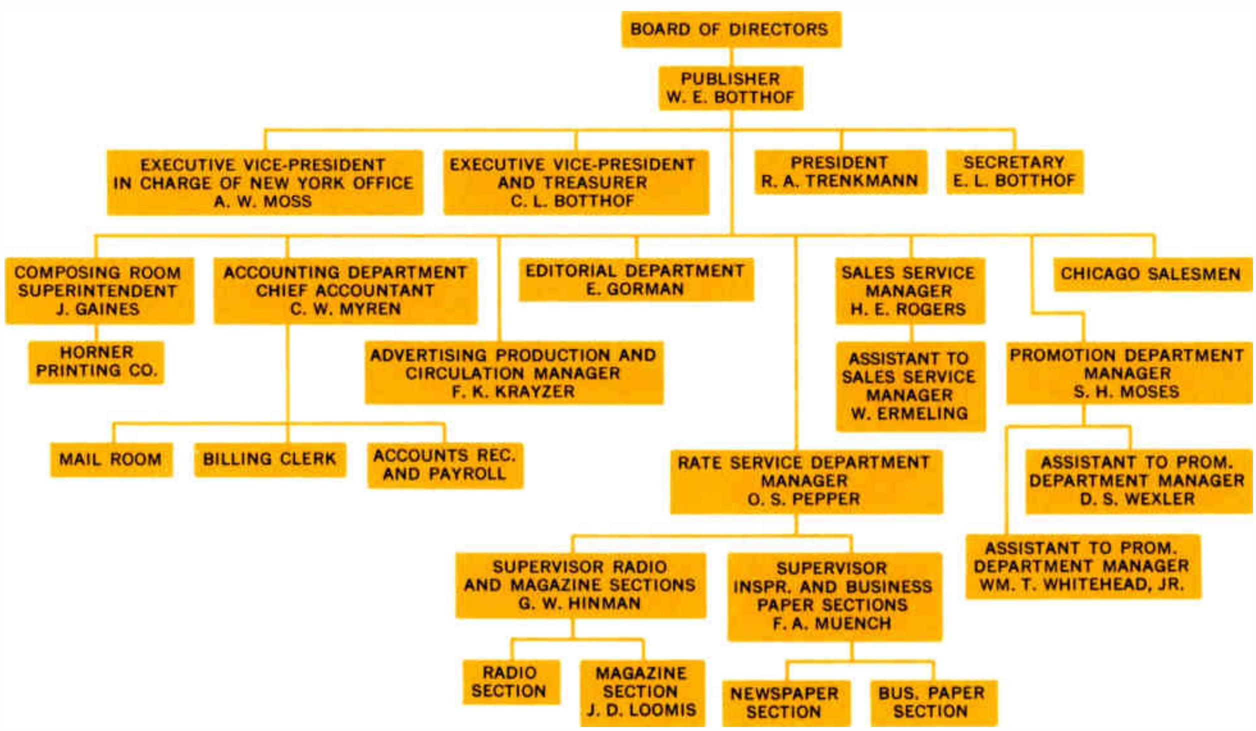


FIGURE X-1

THE NEW ORGANIZATIONAL SCHEME SUGGESTED BY
STEVENSON, JORDAN, AND HARRISON, INC.

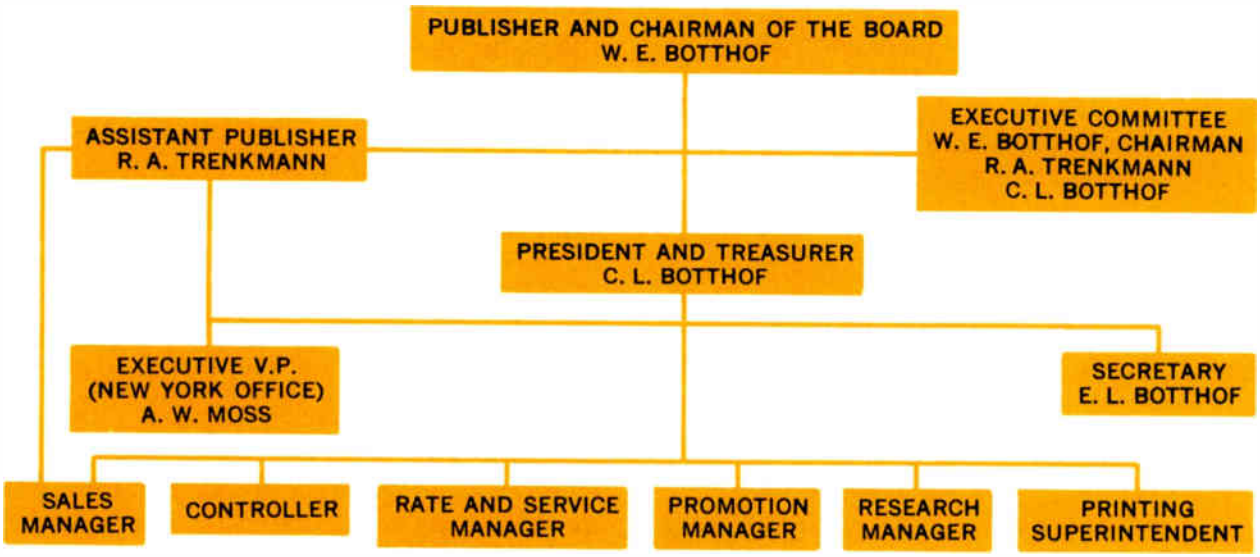


FIGURE X-2

in sales and earnings and a very favorable competitive position.

The report discussed three topics: organization, present and proposed; an audit of managerial personnel in light of the needs of the proposed organization; and the need for much more complete financial and accounting controls.

The current organization, as seen by the consultants, was as shown in Figure X-1. In their opinion:

> The present organization is of the "wagon wheel" type with all authority vested in the Publisher, and lines of control radiating outwards from the Publisher through four executives to some eight pseudo-department heads. The volume of business had expanded to such a point that this form of organization has resulted in overlapping and duplication of functions, confusion over indistinct and indirect lines of control, and a certain deterioration of morale. The President and Executive Vice-President and Treasurer have acted as staff assistants to the Publisher with no clear segregation of functions among these three top executives in the Chicago office. This condition has resulted in department heads reporting to that source of authority where favorable action might be anticipated.[1]

To replace this type of organization the consultants proposed a functional arrangement as shown in Figure X-2. The new organization scheme was designed to implement the following recommendations:

1. From the report of Stevenson, Jordan, and Harrison, Inc., May 24, 1947.

RECOMMENDATIONS CONCERNING ORGANIZATION

Relieve the Publisher and Chairman of the Board of the operating functions calling for direct supervision of the various department heads. This will permit the chief executive officer to devote more time to long-range planning and policy formulation.

Create the position of Assistant Publisher reporting directly to the Publisher with well-defined staff and operating functions. The sole operating responsibility of this position will be the supervision and direction of all sales activities of the company. All other duties will be of a reporting, analytical, and advisory nature to best serve the Publisher in arriving at decisions in the policy-making area.

Set up an Executive Committee, to be composed of the Publisher as presiding Officer, the President, and the Assistant Publisher. This committee will operate as a readily assembled Board of Directors with full authority to act upon important matters calling for immediate decision.

Endow the position of President and Treasurer with the additional functions and responsibilities of a general manager to whom all department heads report directly. Centralize in this one executive the duties currently being duplicated (and, in some cases, inadequately performed) by the Publisher, President, and Executive Vice-President. The Controller, Rate Service Manager, Sales Manager, Printing Superintendent, Promotion Manager, and Research Manager will report directly to the President on the activities of their various departments. The secretary will act as a staff assistant to the President in the conduct of purely corporate functions. The Executive Vice-President will report directly to the President on the operation and performance of the New York sales office. The President will, in turn, be responsible to the Publisher and Chairman of the Board on the over-all status and performance of the company. (See Figure X-2.)

Finally, the consultants' report gave considerable attention to the current state of the control and accounting functions within the firm:

FINDINGS CONCERNING ACCOUNTING AND CONTROL

The important function of control is almost nonexistent in the present organization and is the area of greatest weakness in Standard Rate and Data Service, Inc.

No effective control is being exercised over labor, material, overhead, selling, and general office expenses. No specific person or department has been authorized to exercise or set up such controls, with the result that cost-consciousness is a poorly developed and a rare virtue throughout the organization.

Materials of all sorts are being purchased by a multitude of people, with the consequent difficulty and loss of time in verifying the amount, the quality, the quantity, and authorization on each vendor's invoice.

All overtime, while nominally authorized by the department head, is very loosely controlled, even to the reporting of the actual time. Planning and scrutiny of overtime costs in the General Office, the Composing Room, and the Press Room have not been provided for sufficiently.

The present accounting organization is not set up to render the right kind of information for the guidance of management.

These candid observations were followed by a detailed analysis of areas in which improvement in cost control was most needed and by the following recommendations:

RECOMMENDATIONS CONCERNING ACCOUNTING AND CONTROL

Establish the position of Controller as a department head reporting directly to the President and Treasurer, with complete responsibility for the supervision and direction of all accounting, purchasing, and control functions.

1. The Controller will be charged with setting up budgetary controls for all major items of expense for profit forecasting.
2. He will be responsible for the furnishing of daily and periodic reports to management on the financial and cost performance of all departments.

Delegate responsibility for all accounting functions to a Chief Accountant who will report directly to the Controller.

Provide for the position of Office Manager and Purchasing Agent, reporting directly to the Controller, who will be responsible for all purchasing, time cards, overtime, and general office planning and scheduling. The possibility of combining these functions with those of the Controller should be considered at this time, although projected growth and expansion will necessitate a separate division within the Controller's department in the not-too-distant future.

In comparison with the foregoing findings and recommendations, the consultants' analysis of the remaining SRDS activities—sales, editorial, promotion, and printing—revealed little need for improvement either in internal departmental organization or in operating practices.

Reaction to the Consultants' Report.—The consultants had made a definite effort to prepare the SRDS management for their final report of May 24, 1947, and the verbal presentation of the report as well as the written document placed strong emphasis upon a more clearly defined functional organization and a more restricted span of control. The pattern of management which the recommondations entailed was not immediately applicable, however, partly because it was not compatible with the habits and attitudes of the senior members of the SRDS management and partly because new personnel would have to be brought into the organization gradually. It was Laury Botthof's judgment that the first order of business was to establish better financial and accounting control over SRDS operations, and to this end he initiated a search for a key person to head up this area. Consequently, a diagram of the organization as it actually functioned over the next few years would show 15 separate operating heads reporting to an Executive Committee (Figure X-3). The activities represented by these "departmental" units ranged from addressograph and mail to the individual regional sales managers.

At the end of the decade 1940–49, the Executive Committee, consisting of Walter Botthof (chairman), C. Laury Botthof, Richard Trenkmann, and, when available, Al Moss, was meeting several times weekly. To offset the natural tendency of heads of operating activities to bypass the committee by referring matters directly to a member of top management, a rule was adopted requiring that requests for decisions on matters either of practice or of policy be

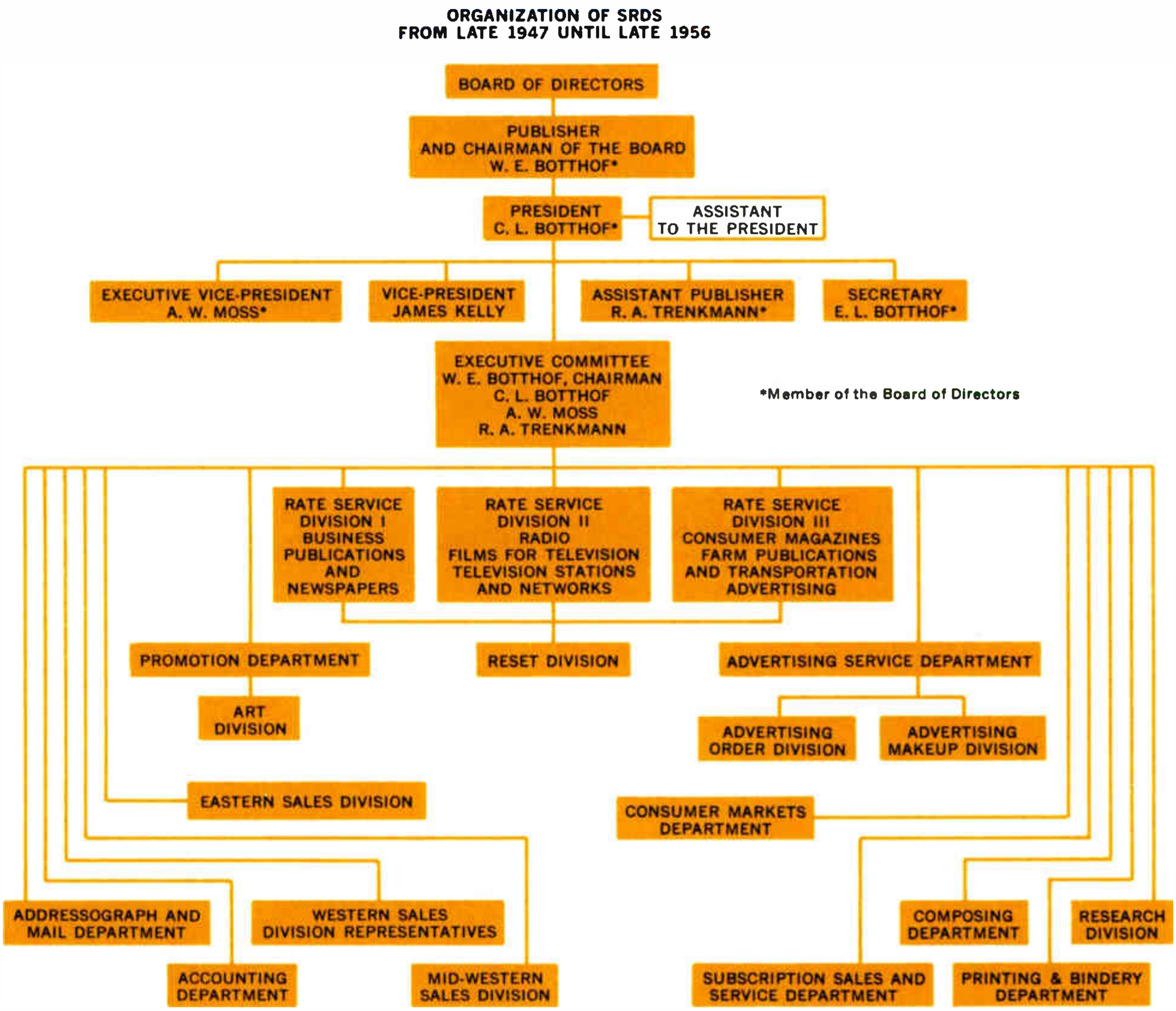


FIGURE X-3

submitted in writing to the secretary of the committee. This rule was not easy to enforce, partly because of some uncertainty as to the matters that really required committee approval and partly because informal discussions between a department head and an individual member of the committee sometimes carried the weight of a formal decision by the committee.

Most frequently the requests submitted to the Executive Committee concerned operating matters. The Executive Committee, in considering the request, endeavored either to follow a previously established policy and operating procedure or, if no relevant policy or procedure had yet been devised, to formulate an appropriate statement for future guidance. These written statements of policy and standard procedures were then distributed to all officers and department heads, who inserted them in a loose-leaf binder under an appropriate general classification, i.e., sales, production, rate service, etc. (see Figure X-4).

SRDS POLICY STATEMENT* SALES DIVISION
Listing of New Publications

Because of the complexity of numerous problems which arise in the consideration of any new publication for listing, each one must of necessity be considered individually in the light of its own merits This discretionary capacity is centered in the home office.

Under no circumstances is a salesman to give the impression that a publisher may obtain a listing in the Service by giving the salesman an advertising insertion order. No salesman, upon learning the first issue date of an incipient publication by other than an established publishing house, is to solicit the publication for advertising or suggest that they apply for listing.

Upon the advent of a new publication by an established publishing house, the salesman may suggest that it will be to the advantage of the publisher to apply for listing as soon as possible. Again, however, no solicitation of advertising is to be made until after listing arrangements have been made.

However, if a salesman is called in by either a new or an established publishing house to discuss the matter of listing and/or advertising in the Service, a very definite answer should be given. In such instances, a salesman is neither to give encouragement nor to disparage the chances of the publication for listing, but rather is to point to the published requirements and state that the entire matter must be decided by the home office. If a desire to use advertising space is expressed, without solicitation, this fact should be reported.

From that point on, requirements for listing in the Service determine whether or not the publication is accepted. See "Listing Requirements" under "Rate Service Division" or reprint of requirements in front part of the Business Publication Book or Magazine Book.

*From SRDS Policies and Procedures, pp. 112–113. 1st Rev. May 1, 1954.

FIGURE X-4

In a general sense the company continued to be run as before, with Walter Botthof at the hub of things but with the extent of his influence modified and screened from view by the Executive Committee. The committee meetings were often lively affairs, with first one and then another person expressing himself vigorously—as was necessary in order to hold one's own with Walter Botthof presiding. The give-and-take of the meetings was salutary in many ways. It allowed the younger executives to air their views freely, and frequently there were significant differences of opinion. Yet the conflicts were resolved in privacy, and a united front was presented to the rest of the organization. Looking backward, it is apparent that the Executive Committee provided a useful intermediary stage in Walter Botthof's transfer of many aspects of operating responsibility to C. Laury Botthof and Al Moss.

The foregoing account of organizational changes may have given the impression that these matters constituted the focal point of the company's activities during the decade of the 1940's. Nothing could be further from the truth. In fact the years 1940–45 witnessed the most rapid growth in the company's history, and the immediate postwar period (1946–49) was marked by a hitherto unequaled zest for innovation and experimentation. These developments will be treated in the next two chapters.

XI

The Unexpected Stimulus of the War Years

If Walter Botthof or any other member of the SRDS management had been asked in 1940 to predict the effect of a wartime economy upon the company, it is doubtful that he would have forecast a threefold increase in total revenue and a still greater increase in profitability. Nor would even a highly conservative outlook for SRDS have seemed unwarranted, for the sales of the company had maintained a fairly constant ratio to total national advertising expenditures for a number of years (Figure XI-1). There was little apparent reason to foresee that the level of the nation's advertising outlay would be maintained, let alone rise markedly, in a state of extreme national emergency.

When war came, measures that might have been expected to have a dampening influence upon advertising were in fact adopted: massive mobilization, a substantial increase in taxes, patriotic appeals to support war-bond drives and to accept an austere life, price controls, rationing of consumer goods and allocation of industrial output, shortages of paper stock (the ***sine qua non*** of the publishing business), and the complete cessation of production of many heavily advertised categories of consumer items—including that mainstay of the peacetime economy, the automobile. The result was a seller's market in nearly all classes of consumer and industrial goods, and the usual camp followers emerged—

SRDS REVENUE, NATIONAL INCOME, AND TOTAL ADVERTISING EXPENDITURES 1929 AND 1940-1949*

YEAR	NI (NATIONAL INCOME)	PDI (PERSONAL DISPOSABLE INCOME)	TAE (TOTAL ADVERTISING EXPENDITURES)	SRDS (SRDS REVENUE)	RATIO RELATIONSHIPS TAE/NI	TAE/PDI	SRDS/NI	SRDS/TAE
	billions	billions	billions	thousands	hundreds	hundreds	hundred thousands	thousands
1929	$ 87.8	$ 83.1	$3.4	$ 493	3.9	4.1	5.6	1.4
1940	81.6	76.1	2.1	331	2.6	2.8	4.1	1.6
1941	104.7	93.0	2.2	371	2.1	2.4	3.5	1.7
1942	137.7	117.5	2.2	387	1.6	1.8	2.8	1.8
1943	170.3	133.5	2.5	528	1.5	1.9	3.1	2.1
1944	182.6	146.8	2.7	803	1.5	1.9	4.4	2.9
1945	181.2	150.4	2.9	1,057	1.6	1.9	5.8	3.7
1946	180.9	160.6	3.4	1,252	1.9	2.1	7.0	3.7
1947	198.2	170.1	4.3	1,343	2.2	3.5	6.8	3.1
1948	223.5	189.3	4.9	1,501	2.2	3.6	6.8	3.1
1949	217.7	189.7	5.2	1,577	2.4	3.7	7.3	3.0

*Sources: Business Statistics, Supplement to Survey of Current Business, 1959, biennial edition, p.1; Advertisers' Guide to Marketing for 1959, (estimated advertising expenditures for newspaper, magazine, transportation, broadcast, outdoor, direct mail, and "miscellaneous").

FIGURE XI-1

"expediters," special-influence people, and black marketeers. Who would have guessed that these restricting circumstances would push billings for advertising media close to all-time highs and increase SRDS revenue to double that of the previous pinnacle of prosperity, the halcyon year of 1929?

Yet, as shown by the table on this page, total expenditures for advertising marched steadily upward from $2.1 billion in 1940 to a whopping $2.9 billion in 1945. The same exhibit also shows that expenditures for advertising, as a portion of national income, *declined* from 2.6 per cent in 1940 to 1.5 per cent in 1943–44 and rose to only 1.6 per cent in 1945. Similarly, advertising in relation to disposable personal income dropped from 2.8 per cent in 1940 to an average of about 1.9 per cent for the war years, 1942–45. Thus the war did reduce the proportion of national income devoted to advertising, as might have been forecast, but advertising's participation in the tremendous upsurge of economic activity tended to obscure its less than proportional advancement.

The result of the huge increase in dollars available was that the average American citizen was better paid, better fed, better housed, and better supplied with the necessities and many of the luxuries of life during World War II than at any previous time in the nation's history, including the peak of the lush 1920's.[1] Most businesses, even those concerned primarily with consumer goods, experienced marked improvements in both sales and pretax profits—a point illustrated by the rise in retail sales from $46.4 billion in 1940 to $63.7 billion in 1943 and $74.6 billion in 1945.

If retail sales did well, it goes without saying that manufacturers' pretax profits performed handsomely, rising from $5.6 billion in 1940 to $16.7 billion in 1943.[2] This welcome prosperity also affected the media of mass communication (and of mass advertising), as shown in Figure XI-2. The population was not only prosperous but news hungry, and newspaper circulation increased from 41.1 million daily in 1940 to 44.4 million in 1943 and 48.4 million in 1945.[3] With the increase in circulation, the effective cost of advertising in newspapers rose also, even though the cost per unit of circulation remained the same in many instances. Hence even with the reduction in lines of advertising occasioned by shortages of newsprint and goods to sell, newspaper advertising billings rose, as did those of magazines. But the chief advertising-media beneficiaries were radio broadcasting and business papers. Gross advertising billings of radio rose from $216 million in 1940 to $424 million in 1945, while those of business papers rose from $76 million to $204 million during the same period. Again the reasons are fairly clear: (1) the absence of production limitations on broadcasting comparable with those on newspaper and magazine publication and (2) the expanding interest in business and technical communication, coincident with the revitalization and expansion of the economy's industrial effort.

A final external, or environmental, factor affecting SRDS opportunities for sales and profit was the wartime corporate tax structure and the state of mind it induced. Because of the low level of prewar profits for most businesses, and the federal government's adoption of the years 1936–40 as the base for calculating a "normal" level of

GROSS BILLINGS OF PARTICULAR MEDIA
1940-1949
(In Millions of Dollars)

YEAR	NEWSPAPERS*	MAGAZINES*	BROADCAST* (RADIO ONLY)	BUSINESS PAPERS
1940	$ 815.4	$197.7	$215.6	$ 76.0
1941	844.4	213.6	247.2	88.9
1942	797.5	198.7	260.0	98.4
1943	899.9	274.9	313.6	142.4
1944	888.0	323.6	393.5	176.7
1945	921.4	364.5	423.9	204.1
1946	1,158.3	426.5	454.4	211.2
1947	1,475.0	492.9	506.4	232.5
1948	1,749.6	512.7	561.6	250.9
1949	1,915.7	492.5	571.4	248.1

*Source: Advertiser's Guide to Marketing for 1958.

FIGURE XI-2

1. Per capita disposable personal income, measured in constant dollars, averaged $933 for 1941–45 as compared with $677 in 1929. See *Statistical Abstract of the U.S.*, 1954, p. 302, Table 333.

2. Net income of industrial corporations as reported on federal tax returns.

3. As of October 1 of each year.

profits for tax purposes, most firms found themselves paying very heavy excess-profits taxes. These taxes on corporate income sometimes ran to 90 per cent on that portion of corporate income defined as excess. Hence many managements felt it wise to invest some of these "ten-cent dollars" with long-range benefits in mind. Advertising designed to keep alive the names and reputations of products and firms until the day when restrictions on production were lifted seemed to be one such investment. Many if not most publishers and manufacturers believed that wartime advertising would help them in the postwar period. At least it seemed a welcome alternative to carrying more revenue in their profit columns, then paying 90 per cent of it to the government.

As Al Moss put it:

> Business seemed to be generated without the same effort that became necessary immediately after the war. At times media representatives even called and requested a larger spread than had originally been scheduled. . . . It was a curious period. (February 1963)

SRDS and the Wartime Bonanza.—The prosperity of the times was shared by SRDS in many ways. Subscription rates, which had remained since 1919 at $30 per year for the sections pertaining to print media and since 1930 at $15 for the *Radio* section, were raised to $40 and $20, respectively, in April 1941. This 33 per cent increase, long overdue in view of the greatly expanded volume of information provided, was accepted in good spirit by clients of the Service. In addition, the number of subscriptions increased about 10 per cent during the period—from about 2,000 to some 2,200 for the sections dealing with print media and from about 2,500 to some 2,600 for the *Radio* section. These two factors combined to raise subscription revenue from about $70,000 in 1940 to around $116,000 in 1945.

Much more important was the increase in advertising revenue. Interestingly enough —and unlike the subscription revenue— very little of this increase was derived from higher advertising rates. In 1940 the 12-time rate for one page was $180 per insertion; in 1944 it was raised to $190, and there it remained through 1945. This small boost of around 5 per cent contributed little to the increase in total advertising revenue from $235,000 in 1940 to $866,000 in 1945. It becomes evident, then, that the prime source of the company's threefold growth during the war years—from total revenues of $331,000 in 1940 to $1,057,000 in 1945—was a remarkable expansion of advertising volume, especially in the *Business Paper* and *Radio* sections (see Figure XI-3).

In addition to a substantial increase in the sheer number of advertisers per issue,

GROWTH IN NUMBER OF SRDS DISPLAY ADVERTISERS
1940-1945

SRDS SECTION	NUMBER OF DISPLAY ADVERTISERS: JANUARY 1940	JANUARY 1945	ANALYSIS OF INCREASE: NUMBER	PER CENT
NEWSPAPER	77	133	56	17
MAGAZINE, ETC.	14	67	53	16
BUSINESS PAPER	62	193	131	40
RADIO	51	140	89	27
TOTAL	204	533	329	100

Figure XI-3

there was a marked change in the size of the advertisements and the type of copy they contained. For many years Walter Botthof and the other members of SRDS management had urged advertisers to provide useful facts and figures in their SRDS copy, not just vague generalities like "The *X Journal* Blankets the Y Market." For example, Richard Trenkmann recalled (May 1963) that, during the late 1920's, the firm had interviewed the personnel of advertising agencies to determine what information was desired in SRDS publishers' advertisements. The results of this survey had then formed the basis of an SRDS direct-mail campaign. The theme of this and many other SRDS space-sales efforts had been, in essence, "Tell the media buyers what they need to know about the market your publication reaches, and tell it in an advertisement that hits their eye at the point of buying decision—next to the publication's listing in SRDS." An examination of the display advertising carried by SRDS up to 1941 reveals, however, a few small islands of factual copy amid oceans of generalities. Evidently the early SRDS advice had not fallen upon ready ears, but this was about to change.

The ABP Convention of 1941.—In early 1941 the Associated Business Papers, a publishers' association, began an aggressive campaign to encourage industrial advertisers and, more especially, agencies handling industrial advertising, to "Tell All" —that is, to write copy that would give potential industrial buyers the essential facts and figures about the product or service being promoted. The reason for this campaign was ABP's concern over the failure of business paper advertising to revive to 1929 levels, despite the resurgence of business conditions generally. It seemed that, during the long depression, businessmen had become so accustomed to wielding an ax on advertising appropriations that they were still reluctant to expand their budgets. This concern was shared by the SRDS management. Through one of those fortuitous circumstances that have played a historic part in many successful ventures, SRDS had become a member of ABP just the preceding year. The younger Al Moss and advertising manager Clarence W. Doheny were selected to attend the spring meeting of the ABP at which the "Tell All" campaign was to be "kicked off." (The meeting, to be held at Hot Springs, Virginia, offered a welcome opportunity to combine business with a pleasant outing for themselves and their families.) On the program were two men who had been instrumental in organizing the ABP campaign, Schuyler Hopper of the ABP and James O. Peck, vice-president of research for the business publication divisions of McGraw-Hill Book Company. The campaign was built around an idea developed by one John E. Kennedy no less than 30 years earlier, and a key promotional piece of the 1941 ABP campaign was a report that Kennedy had submitted in 1910 to a group of business paper publishers.

In that report Kennedy had taken strong

issue with advertisements that displayed a company's name and product and little else. Advertising, he insisted, should be "salesmanship in print." Therefore he flayed the use of generalities unmercifully. He argued for informative copy, and plenty of it, to convince the potential user of what a product could do for him. Advertising copy should be directed to a specific audience—the potential buyers—and to no other audience. For the type of sales promotion that he urged, Kennedy coined the name "intensive advertising." The nature of his message can best be appreciated in the following example of his own clear, simple, and forceful language from pages 19 and 20 of his 1910 report, *Intensive Advertising.*

TO PLAN AND WRITE STRONG ADS

First study your Customers.

Sit down, close the door, and leisurely think out *who* are the Natural Buyers of the Article to be Advertised.

Make a penciled list of some typical cases.

Interview these typical cases.

Ask *why* they have not already bought the Article you are about to Advertise, or bought more of it.

Ask what objections they would probably raise against the article if a Salesman called upon them and tried to sell it to them.

Then list the probable objections.

And then find the most conclusive answer to these objections.

Next, compile all the Selling Points of the Article in question.

And remember that its exclusive selling points are to be the backbone of your Salesmanship.

To say that a certain machine will cut ice would avail little in advertising it against competing machines—all of which will cut ice.

It will be necessary to tell how much ice it would cut in a given time.

At a given cost per ton.

And *why.*

Contrasted with the cost by other Machines that cut ice at higher cost—

And *why*, at higher cost.

But the implementation of Kennedy's approach by ABP publishers and their advertisers required an answer to that recurring question—"Why?" Under Hopper's direction the ABP had gathered a small research staff, which it made available to ABP members who wished to investigate subscribers' attitudes. These investigations were collectively termed the "Baby Snooks Program" because of their repetition of the question "Why?"

At the ABP meeting of 1941, Hopper and Peck made a challenging presentation of the Kennedy thesis. They told how ABP and McGraw-Hill research had been used not only to ascertain potential markets but also to identify the buying interests and motives of potential customers in these markets. Moreover, they told of instances in which informative advertising based upon this research had been strikingly successful.

The "Tell All" Philosophy Hits SRDS.—To young Al Moss the ABP meeting opened up a new realm of ideas. He had been troubled by exactly the same practices against which Kennedy had inveighed, for much of the advertising carried by SRDS was of the most general character. Also, he had found that some publishers and broadcasters had not one but several reasons for advertising in SRDS—partly to support what they regarded as a needed service, partly because they wished to take as much space as certain competitors, and partly because they expected useful results from their advertisements. Since his own opinion, as well as that of the elder Moss and Botthof, was that advertising in SRDS was fully justified in terms of sales results, this discovery of mixed motives was highly disturbing. Being new to the business, he had patterned his sales approach after that of his father, who was thoroughly convinced that SRDS was the space buyers' bible and the constant companion of the account executive, and that these "facts" constituted almost prima-facie evidence of the merit of SRDS as a vehicle for a publisher's advertising. Young Moss had determined to his own satisfaction that SRDS was, indeed, very widely used, but this did not allay his concern. At the ABP convention the reason for his continued uneasiness in the role of an SRDS sales representative became crystal clear.

The basic problem was that he was not sure who in an advertising agency used SRDS, and when, and for what. Nor was it clear to him just what the user might like to find in SRDS but didn't, either because the information wasn't there or because the user wasn't aware of its availability. True, almost everyone in an advertising agency, from billing clerks to senior partners, used SRDS at some time or another, but *exactly* when did each use it, and how, and for what? This last question, "For what?" was especially important; on its answer depended the type of informative advertising that should logically be placed in SRDS. While his father and Walter Botthof, drawing upon their long experience, might answer these questions in detail and with great conviction, young Moss could not. This difference in experience might, he thought, be the reason why the sales results he and other new SRDS salesmen were achieving were, to him, not entirely satisfactory.

After the Hopper-Peck presentation, Al Moss was convinced that the task was to determine through field research not only how SRDS was being used but also how it *could be* used and then, having analyzed the findings, to make a study of how publishers and broadcasters could develop copy suited to the real needs of the users. (As it turned out, this meeting also marked the beginning of a long and fruitful association between SRDS and the two main speakers, "Sky" Hopper and Jim Peck.)

Appropriately enough, one of the ways in which the ABP chose to relay its message to advertising agencies and advertisers was through full-page advertisements in the *Business Paper* section of SRDS (Figure XI-4). Kennedy's findings were made available by the ABP's reprint of *Intensive Advertising* and were amplified in a booklet written by Hopper: *Tell All. . . . A Practical Guide to Successful Business Paper Advertising.*

Returning to New York and Chicago, Moss and Doheny reported on the ABP con-

FIGURE XI-4

vention with enthusiasm. Soon their salesmen-colleagues were employing the ABP approach so successfully that the "Tell All" slogan became a standard part of all SRDS sales efforts. To help implement the "Tell All" strategy, Stanley Moses, who had been engaged to assist with sales promotion, later devised the "Tell All" unit, a special type of space offering. This new unit was a two-page spread, or multiples thereof, consisting of an advertisement along with the SRDS rate and data listing of the publication advertised. The minimum space sold was four columns, or the equivalent, per two-page unit (see Figure XI-5). First offered in September 1944, the "Tell All" unit gave a strong boost to SRDS sales for the period.

The Role of "Service-Ads" and Promotional Copy.—With the development of the "Tell All" campaign came the "Service-Ad" concept and the use of promotional copy. Capitalizing on the idea that the proper use of advertising is to "serve the needs of the potential customer," the term "Service-Ad" was coined by Stanley Moses and quickly became standard terminology in the SRDS sales approach. But however logical the informative advertising approach might seem, it did not "catch on" immediately. Much of the copy placed by SRDS advertisers continued to be institutional in character. So, in order to demonstrate the concept, Moses began to prepare revisions of publishers' proposed copy. When this practice proved highly successful in building customer relationships, he turned to preparing "speculative copy." That is, with the help of the sales department, he would develop the relevant information for a "Tell All" or "Service-Ad" for a publication and prepare copy and art work for a proposed advertisement. This was presented by the salesman to the publisher and if the publisher accepted it a charge was made for the material. The success of these efforts led to the establishment of a promotion department, headed

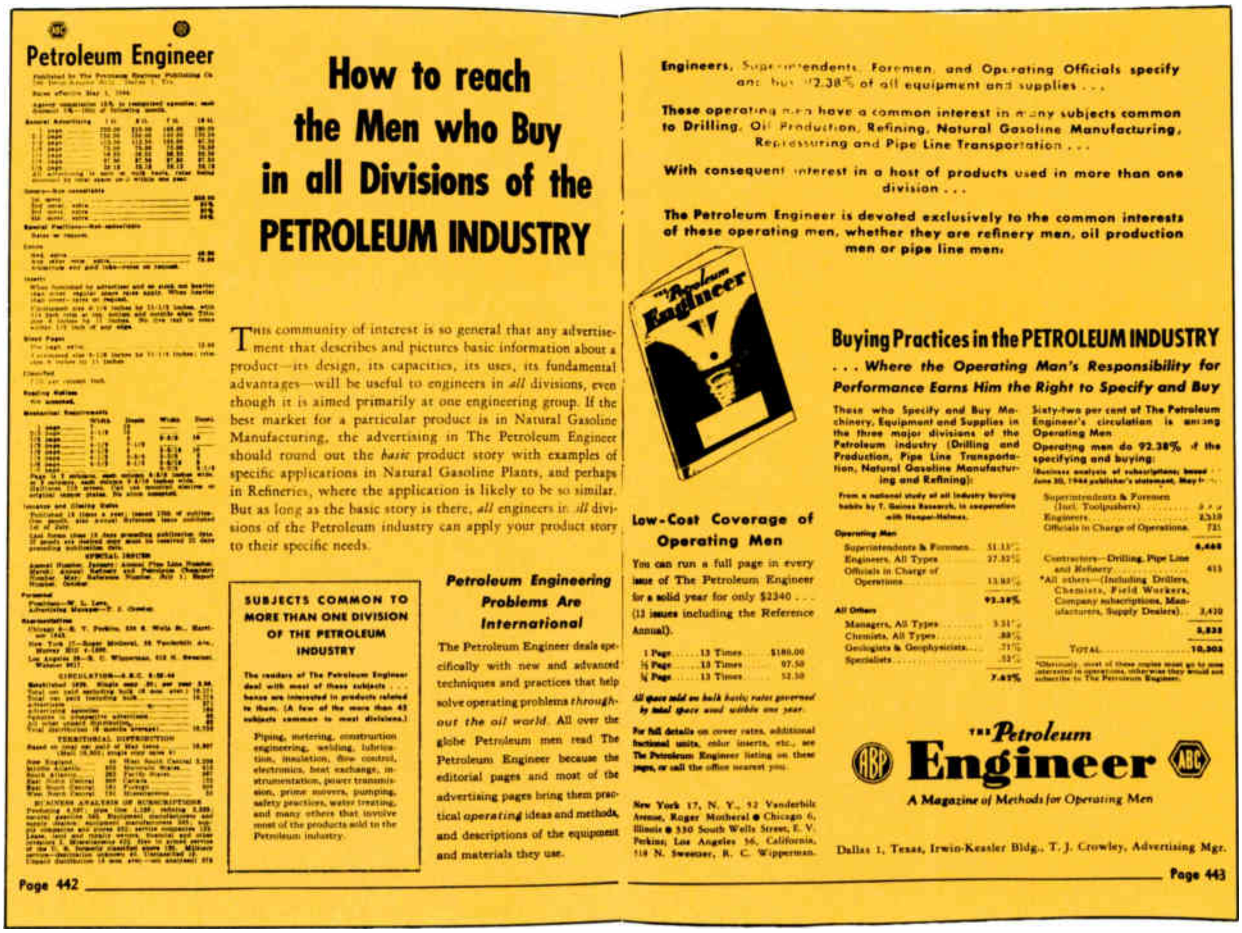


FIGURE XI-5

by Moses. Al Moss explains the psychology behind the new approach:

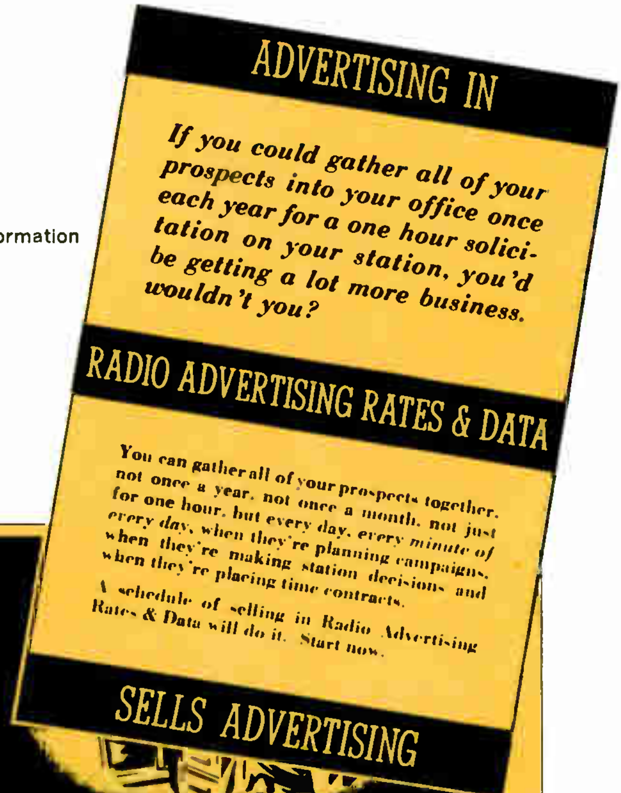
We salesmen found this promotional work a tremendous advantage. . . . When you presented a proposal for a "service-ad" to a potential advertiser he couldn't just brush it aside. It was his publication and he seemed to feel that it was his advertisement. The situation called for a decision on his part. (February 1963)

Another benefit of the "Tell All" campaign, and perhaps an even more important one, was the impact of the idea upon the promotional strategy of SRDS itself. In 1940, for example, even the self-advertising done by SRDS in its own publications was noticeably deficient by Kennedy's standards. Five years later SRDS advertising provided a sparkling example of the Kennedy technique (see page 164). A typical 1945 advertisement emphasized factual information—telling who used SRDS and for which media, employing statistics gathered through a survey of advertising agencies. By comparison, the average 1940 SRDS advertisement was little more than a collection of not too meaningful generalities (Figure XI-6).

In retrospect it can be seen that the "Tell All" concept was one manifestation of a general trend in the industry—a trend toward greater sophistication in marketing research, in advertising copy and illustration, in media selection, and in the whole process of developing and appraising advertising programs. Actually the growing use of scientific methodology in business was by no means confined to advertising. The wartime crash program of weapons research and development; the planning necessitated by the large-scale mobilization of resources; the acute problems connected with the allocation of scarce facilities, manpower, and materials in both the military establishment and in industry; the broadened use of sampling procedures and of what are now known as operations-research techniques—all these were steps toward a more rational, more orderly, and better informed process of decision-making in all phases of economic activity. The resulting passion for pertinent qualitative and quantitative data to assist in making industrial and military decisions seems to have spread to the field of advertising. This more sophisticated outlook, strongly assisted by the ABP's "Tell All" campaign, gave media owners a new appreciation of the role SRDS could play in carrying their sales messages to buyers of time and space. In this sense, then, SRDS was in the right place with the right product at the right time. Though it was caught up and carried along by the general stream of events, SRDS had contributed in no small measure to the force of that stream through its pioneering in the field of data collection for analysis by buyers of advertising space and time.

The shift in emphasis was, of course, gradual. It reflected the joint contributions of many members of SRDS management in concert with the recommendations and research efforts of the two men who had so impressed Al Moss at the 1941 meeting of the ABP. During the intervening years, Hopper left the ABP to found the Schuyler Hopper Company of New York, an advertising agency, and Peck left McGraw-Hill to establish the James O. Peck Company, an industrial and commercial field research firm. One of Hopper's most significant recommendations was that the various sections of SRDS—*Newspaper*, *Magazine*, *Business Paper*, and *Radio*—be treated individually rather than collectively for promotional purposes. While such "market segmentation" had been one reason for splitting the Service into sections in 1937, there was in 1941 still ample room for further implementation of this objective. As a result of the ABP approach more attention was given to the preparation of sales appeals directed to

Before: Generalized copy; little factual information



After: The impact of Kennedy's approach is clearly evident—
"Who uses SRDS?" "For what?" "Why?"

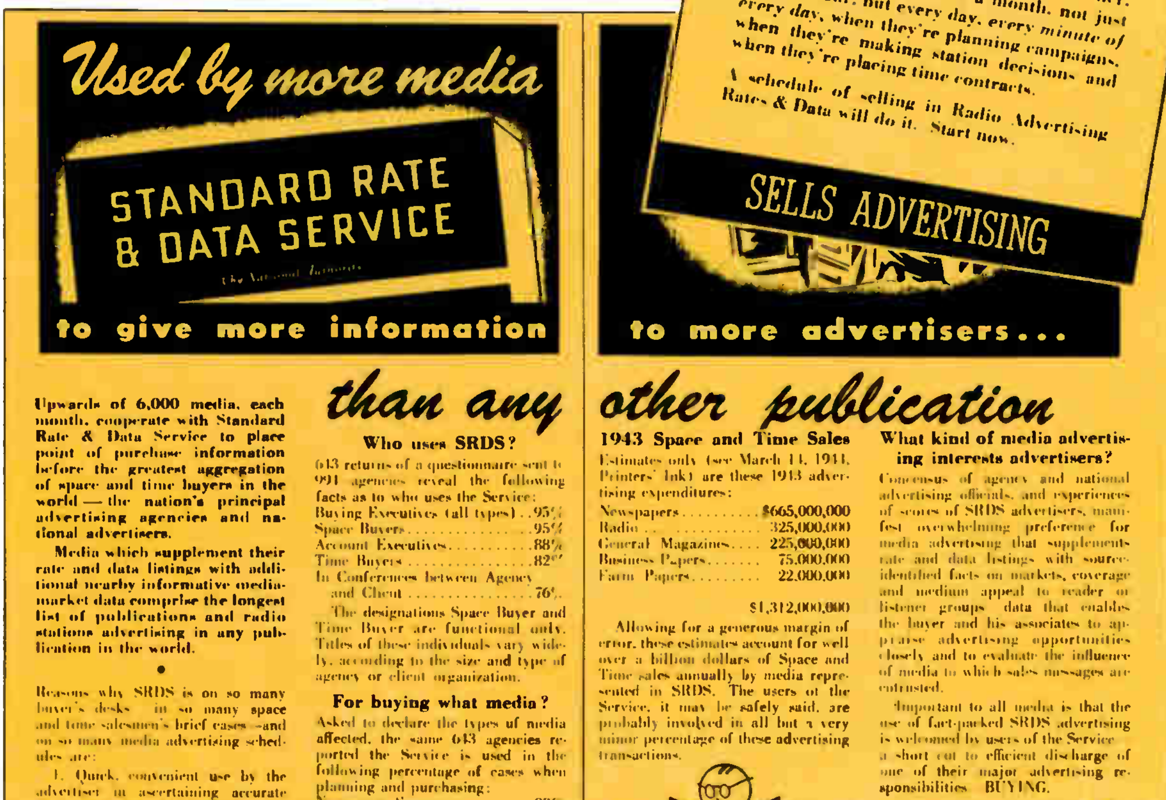


FIGURE XI-6

specific classes of potential SRDS advertisers, and these specialized appeals were employed extensively in media advertising, direct-mail pieces, and personal sales.[4] With the aid of the Hopper agency, the SRDS promotion staff also developed and put into effect a substantially increased program of SRDS advertising in other publications—*Printers' Ink*, *Editor and Publisher*, *Broadcasting Magazine*, and so forth.

An Aside.—It has been noted that these modifications in SRDS promotional strategy did not come into being full blown. Indeed the transition was not by any means complete even by 1945. Each small shift in position was the result of a series of even smaller steps—an exchange of a few words here, a lengthy discussion there—at directors' meetings, sales conferences, and informal gatherings, through telephone reports and routine correspondence. The management of sales continued in the firm hands of Walter Botthof, supported by Richard Trenkmann, and until his death by the elder Moss. Botthof approached the policy changes cautiously. Once convinced of their merit, however, he embraced them with vigor and enthusiasm and took the lead in their implementation.

Yet within the firm there persisted a strong current of resistance toward the changes. Richard Trenkmann, for example, was much disturbed at the notion that "outsiders" such as Hopper and Peck should have been "engaged at a high price to tell us how to run our business." And in later years, when the basic shift in marketing emphasis had become a success, he remarked, "We couldn't have afforded these luxuries, these expensive field surveys and costly promotional campaigns, in the period when the company was fighting to become established and later to survive the depression."

All this suggests that a business organization, together with its policies and routines, is a work of art—one that captures the imagination and affections of its creators. Just as few people are able to transfer their affection from the art of one period or school to that of another, so it is with a person's affection for a way of conducting a business. Fortunately for SRDS, Walter Botthof could and did overcome many of his ties with the past. He was able to move with the times and often was among the first to embrace newer modes of doing business.

Policy toward Agency Commissions.—Concurrent with these developments the SRDS management was undergoing a change in attitude toward the role of agencies in promoting the sale of advertising space in SRDS publications. From its inception SRDS had concentrated its advertising efforts upon direct appeals to publishers. This had been appropriate in the 1920's and early 1930's. At that time most agencies had a rather negative attitude toward recommending that their publisher clients advertise in SRDS, one reason being that they did not believe the Service would be used by persons who exercised a strong influence on the choice of media. Also, in

4. Directors' Minutes, April 1944.

that era many publishers placed their advertising directly—that is, without the use of an advertising agency. Moreover, the SRDS policy with respect to agency discounts was rather strict. Only a 10 per cent commission, as opposed to the more usual 15 per cent, was allowed, and this "only on new business created and served by recognized advertising agencies." In other words, if a publishing firm used an agency in its advertising program and if the publisher had placed advertising with SRDS prior to engaging the current advertising agency, the agency received no commission on additional advertising placed in SRDS.

During the early 1940's the commission policy, however appropriate it may have been in previous years, became more and more obviously outmoded. For increasing numbers of publishing organizations were, like SRDS itself, beginning to utilize advertising agencies in developing and implementing their promotional programs. Moreover, the policy was extremely difficult to enforce because SRDS could not very well refuse a commission to an agency that had some latitude in placing its client's advertising, even though that client had previously run a schedule in SRDS. From about 1943 on, then, the question of agency commissions was much discussed in SRDS councils, where the younger members of management generally favored a more liberal SRDS policy. Eventually their arguments, plus the inherent logic of the situation, carried the day, and on July 1, 1945, a new policy went into effect: a standard 15 per cent agency commission, with no "new business" strings attached.

In Summary.—From an operating point of view these were exciting and somewhat hectic years. Expanding editorial and advertising matter nearly doubled the physical bulk of the SRDS publications, and the problem of securing needed quantities of paper during a time of short supply became acute. The number of persons necessary to the operation increased also, and the recruitment and training of personnel for this "nonexempt and nonessential" activity was another continuing problem. For the company's salesmen, it was a period of great inconvenience and frustration. Hotel accommodations and rail and air reservations were scarce; all travel was difficult. Thus greater sales emphasis was, of necessity, placed upon direct-mail and display advertising of various kinds.

With the exception of the firm's first years, Walter Botthof probably was never more pressed to keep up with the demands of the business than during World War II. Richard Trenkmann, as general manager, did yeoman service in supervising the editorial and production operations, with the strong assistance of Howard E. Rogers. In New York Albert H. Moss and, after 1943, Albert W. Moss were in charge of the vital eastern territory. Other key positions in sales, editorial, and production were manned mainly by the same persons who had helped the business survive the long depression. But Laury Botthof, off in the Pacific war theater, was sorely missed.

Yet no one at SRDS complained about the business trials of the times. Such troubles as they were experiencing were the consequence of war and of the company's prosperity. It would have been unpatriotic to grumble about the first, unreasonable to fuss about the second.

XII

SRDS Develops a New "Identity," 1946-1949

AT THE WAR'S END, Walter Botthof and the SRDS management team found themselves in a burgeoning economy, an economy for which they were prepared with a strong infusion of young, interested, and capable managerial talent; with a backlog of ideas for modifying and strengthening the basic Service, and with the financial resources necessary for developing and testing innovations. It could be expected, then, that the early postwar years would be characterized by experiment and change. Significant changes did come, and quickly.

Revitalizing the Sales Force.—Perhaps the first change to be ushered in by the end of the war was that familiar phenomenon, the buyer's market. With paper rationing ended, excess profits taxes removed, prices "decontrolled," and costs rising, the SRDS sales task changed abruptly. New salesmen were needed to maintain the threefold growth in SRDS advertising revenue, and older salesmen had to become reacquainted with railroad and airline travel schedules and aggressive competition. Moreover, the long-standing SRDS policy of salaried compensation for salesmen required reappraisal in light of the increased effort expected. A series of top management conferences on these problems was sparked by Walter Botthof's insistence upon prompt and effective action. In consequence, a program was inaugurated in late 1945 that called for additional salesmen in all territories, an aggressive promotional program with a substantial budget, and an improved compensation plan. All this was carried out, with good results. But the addition of a large number of new men, many of whom had little opportunity for direct contact with the Chicago management, brought new problems. Annual sales meetings were held at the Chicago office but were only moderately successful. There were too many distractions, and it was difficult to organize the agenda tightly. As an experiment, the management decided to move the 1947 sales meeting to the Greenbrier Hotel in West Virginia.

The three-day Greenbrier meeting was designed to facilitate an exchange of information between the management and the sales force and among the salesmen themselves. The men had complained of a sense of isolation, so C. Laury Botthof brought them up to date on the SRDS marketing plan—especially the "identification" program—and Walter Botthof followed with advice and counsel on sales strategy and sales problems. A new promotional theme had been recommended to the management by Al Moss. The theme, "You Are There" (patterned after a popular radio program), was used by the Hopper agency in developing a promotional campaign. "Sky" Hopper presented the campaign, and the audience applauded. In addition, key salesmen had been asked in advance what types of sales aids would be of use to them in their sales efforts. From the needs and ideas suggested, the company and the agency had been able to develop promotional pieces or other sales aids to implement three themes—the "Difference" theme, the "It Takes Two" theme, and the "You Are There" theme (Figure XII-1). Combined, these themes were to constitute the SRDS "identification" program. As might be expected, there was an excellent response when the men saw many of their own ideas being adopted. Mornings were given over to hard work, and management had the men's undivided attention. The rest of the day they were free to exchange ideas and renew contacts on an informal, though fruitful, basis. For many reasons, then, the 1946 Greenbrier meeting was judged an outstanding success. The pattern thus established has continued, with subsequent meetings at such well-known resorts as Sea Island, Georgia; White Sulphur Springs, West Virginia; Miami, Florida; and, much later, the company's lodge at Lac du Flambeau, Wisconsin.

A Shift in Promotional Strategy.—As noted earlier, the "Tell All" concept had been employed by SRDS with increasing vigor ever since the ABP convention of 1941. Not only were media owners encouraged to employ the concept in their SRDS advertisements, but it was also used by SRDS in its own promotion, i.e., in "telling all" about the Service and how it was used. At first thought, preparation of themes and copy for self-promotion by SRDS might seem to be a simple task, but it was not. The basic reason for the difficulty has already been

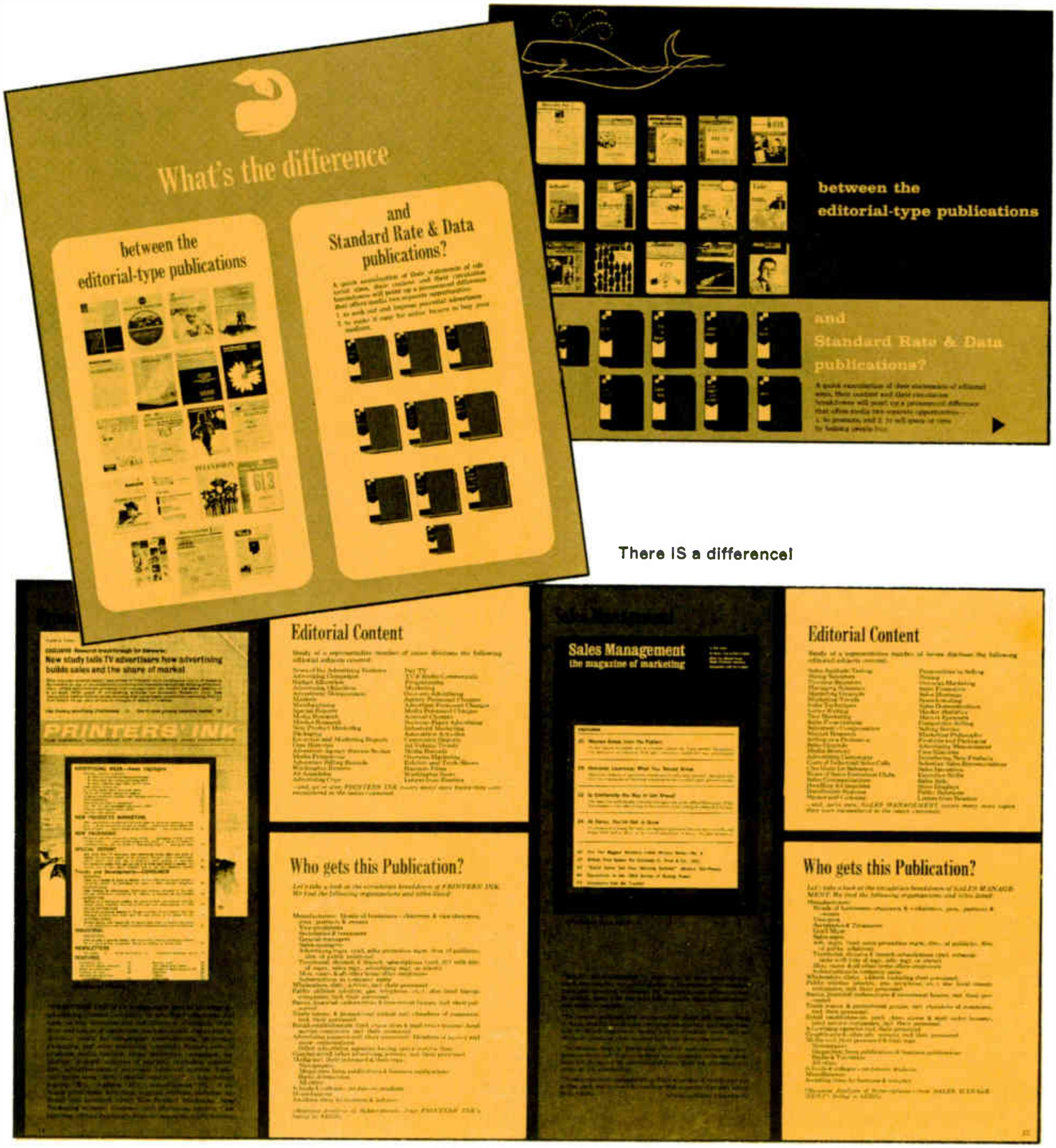
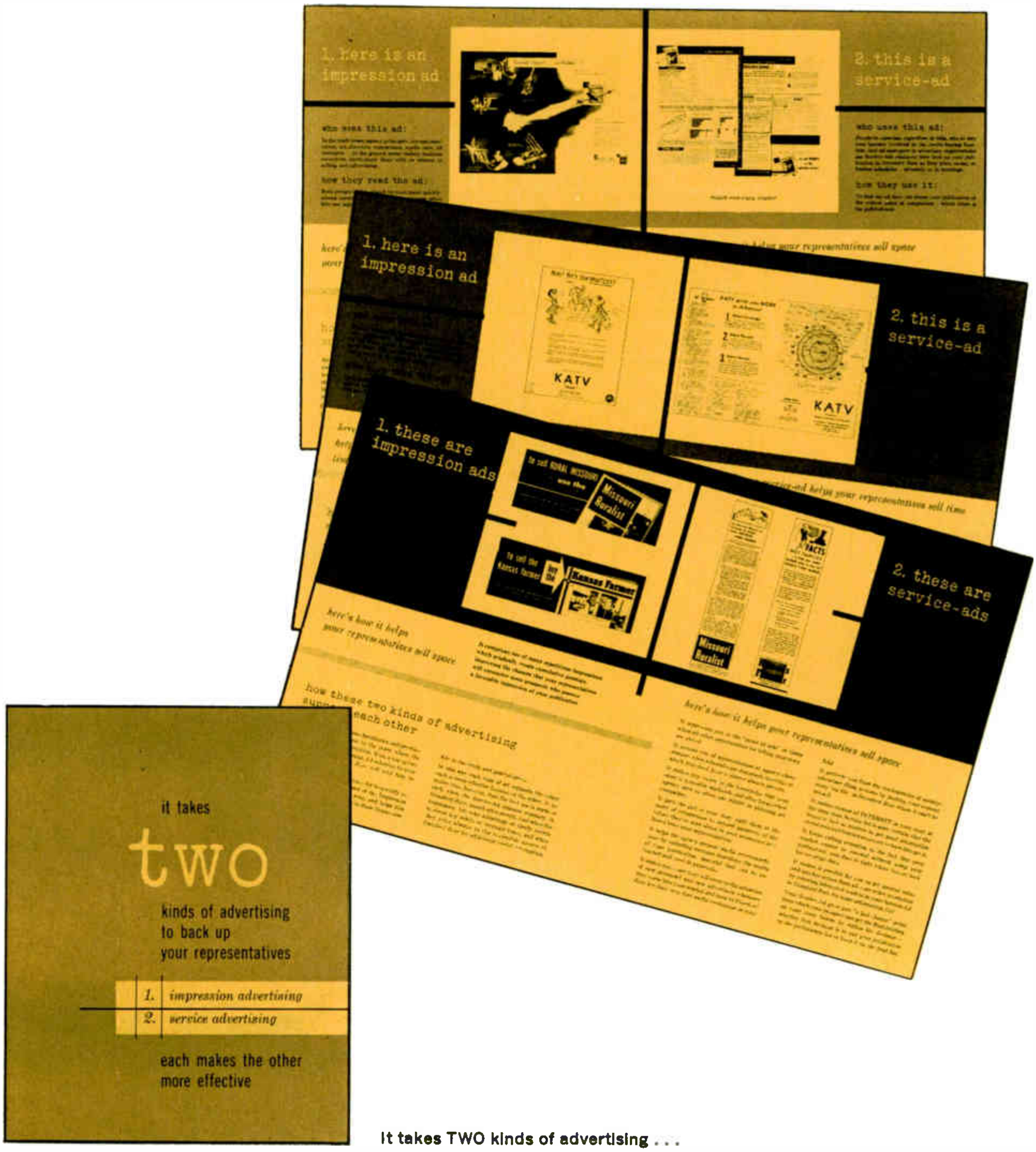


FIGURE XII-1A



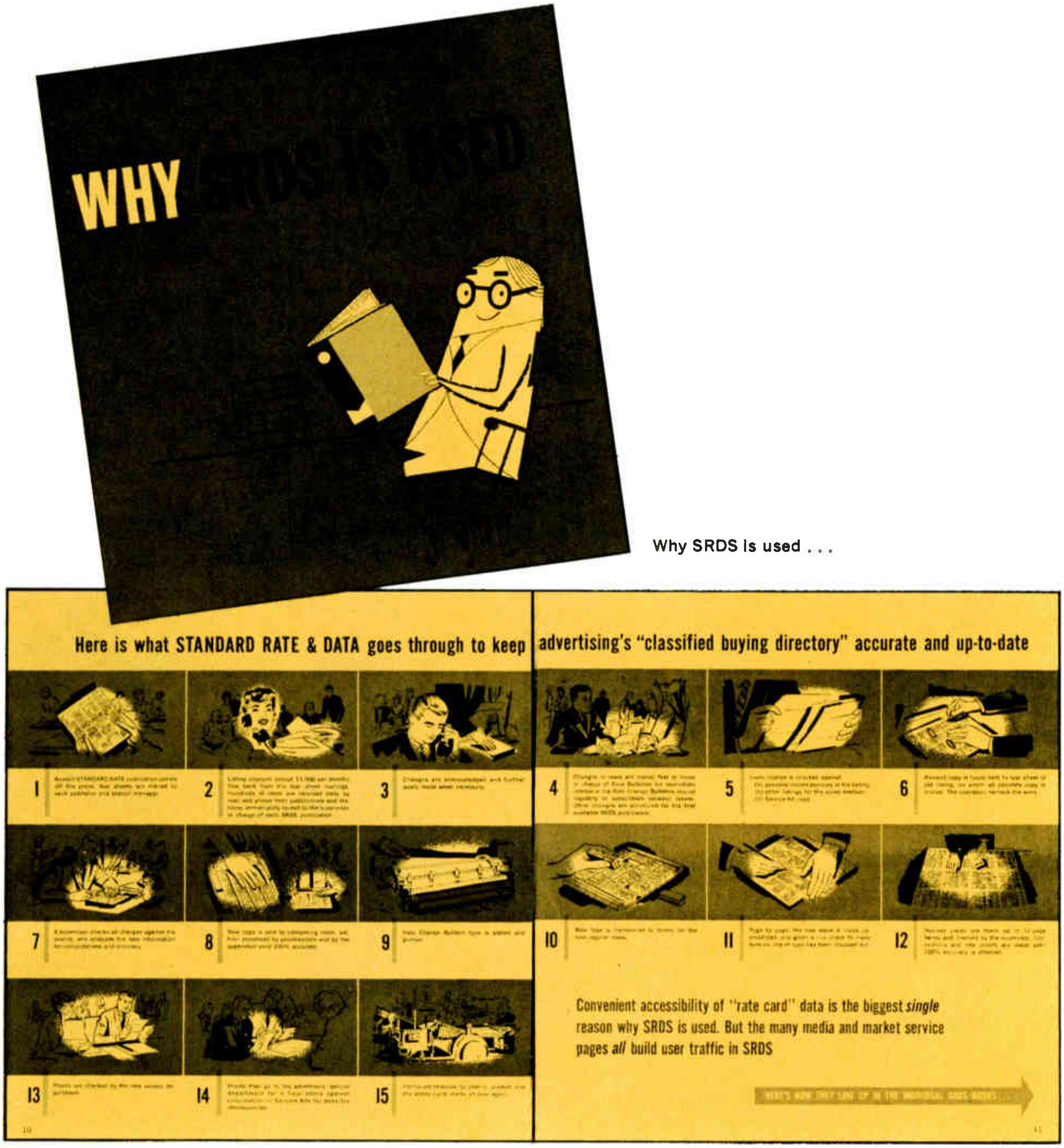
It takes TWO kinds of advertising . . .

FIGURE XII-1B

With SRDS you are there!

FIGURE XII-1C

FIGURE XII-1D



Why SRDS is used . . .

FIGURE XII-1E

alluded to: Though the members of the SRDS management held opinions, or even firmly entrenched convictions, as to both the "consumers" of SRDS publications and the exact use made of the books, these opinions and convictions were repeatedly assailed by the firm's competitors. For example, representatives of *Printers' Ink* and *Advertising Age* were wont to refer disparagingly to SRDS as "merely a directory" or "a catalog." They would then proceed to promote their own publications as superior vehicles for institutional and other kinds of advertising copy. For many years SRDS had responded by coaching its sales representatives in rebuttals to this argument, stressing the merit of SRDS as a vehicle for a wide variety of advertising messages including those of an institutional character.

When the younger Al Moss had started in sales under his father's tutelage, he had therefore learned this strategy. Also, he found this approach confirmed by sales bulletins from the Chicago office. But when Al accompanied Victor Vonn on sales calls he found that "Vic" didn't bother to refute the appellation of "directory" or "catalog." Rather he proceeded to capitalize upon it by outlining the differences between the use made of a directory or catalog and that of a newstype periodical. For example, Vic might say:

> Yes, SRDS is a reference book. For that reason it enjoys *repeated* use by many persons within an advertising agency. When a buyer of media turns to the listing of a publication or of a radio station, he is looking for product information and he's in a mood to buy. Some of the information for which he is searching will be found in the listing, but additional information may be needed—such as the special characteristics of the market served, the editorial content or programing that attracts particular classes of readers or listeners, or the availability of special reports or services of value to advertisers. These are the things which you should stress in your next SRDS advertising schedule.

Vonn's approach, young Moss observed, was remarkably successful. As Al Moss remarked some years afterward:

> Quite frankly, it was this experience with Vic that led me later to advocate the policies that have led, in my opinion, to the present "identification" of SRDS. Our major selling and promotional efforts now go not to demonstrate that we are the same but that we are radically different. (February 1963)

But the competitive argument regarding the role of SRDS was not always so neatly converted to an asset. Some rival sales representatives developed the thesis that SRDS books, as classified directories of media, might be referred to two or three times in the media-buying process—once when the original list of potential media for a particular audience was being assembled, again when an estimate was being made as to the exact cost of a particular assortment of media *already selected* as the vehicle for the campaign, and again when preparing the orders for insertion. The significance of this view was that each of these tasks was largely clerical in nature. Such a pattern of usage would omit SRDS *at the time of decision.* If this line of reasoning were correct, those who actually made the media-buying decision—people such as account executives and media directors—would not be greatly influenced by the advertising carried in SRDS.

At the other extreme was the "official" SRDS view that its books were actually referred to by the key participants in the media-buying process *at the very time that the buying decision was being made.*

The first view was quite naturally anathema to the older members of the SRDS management, especially Walter Botthof. Needless to say, no member of the management wished to support that position, but competing publications had made the charge so often that it could not be ignored. Moreover, it was a view that was difficult to lay to rest because of the paucity of credible information regarding the actual performance of the media-buying function. The second view was one which all members of the management would have preferred to accept, but some members of the management, especially Laury Botthof and Al Moss, were not entirely convinced of its validity. If the first view were substantially correct, the management would have two choices—to adapt to an essentially undesirable situation or to change the manner in which the Service was used, preferably in the direction of the second view.

In any case it was essential for SRDS to verify these personal convictions and to ascertain through objective field research not only exactly how the Service was being employed, and by whom, but also how the potential advertisers—the media owners and their advertising agencies—*thought* SRDS was being used.

By virtue of his sales responsibilities Al Moss was particularly concerned with these problems. His New York location gave him an opportunity to "pick the brains" of publishers and agency people on the subject, and he also was able to pursue it from time to time with the management group in Chicago. In the course of these conversations, many fundamental questions were raised:

Exactly what is the sequence of events in the preparation of an advertising program by an agency? What are the key decisions? Who is involved? Where does media selection fit into this sequence of events? What do agency people want to know about media? Where do they look for it? How well satisfied are they with the currently available sources of information?

Queries such as these gave rise to others:

Exactly where does SRDS fit into the agency routine? How well satisfied are agency people with what they now find in SRDS? What would they like to find in SRDS that is now incomplete or even absent entirely?

The foregoing questions all pertained to the use of SRDS by agencies and were but preliminaries to the real focus of the company's interest—how to increase SRDS advertising volume. In respect to this objective, Al Moss was asked by his conferees:

How do publishers and station owners *think* SRDS is being used? What opportunities for using SRDS to present their media do they, the media owners, see? How does their understanding of the role of SRDS compare with the actual use of SRDS by agencies?

This series of probing questions was put to the company's managerial group—Walter Botthof, C. L. Botthof, Richard Trenkmann, and Al Moss—and sparked prolonged and animated discussions among themselves and with members of the SRDS staff, as well as with the Hopper and Peck groups. Over a period of months the long-implicit philosophy of the company was clarified and modified. SRDS should be not merely "The National Authority" on media rates and data but should aim at serving the media-buying function by all appropriate means. Although this conception of the company's role may not have been wholly new, it certainly was more explicit. Also significant was the growing willingness of management to pose probing questions and to seek answers in a systematic fashion—answers so well founded upon objective investigation as to deserve the confidence of subscribers and advertisers.

This reformulation of managerial philosophy was not accomplished quickly. The slogan "The National Authority" had been carried on the masthead of SRDS publications since 1919 and had originally been supplemented by an illustration of a filing cabinet. The words and picture symbolized the idea that the original SRDS book replaced—in convenient, reliable, complete, and inexpensive form—the bulk, inconvenience, inaccuracy, and high cost of individual files of media rate cards. This concept of purpose had served the company well, but now, 25 years or so later, perhaps some formal recognition of the gradual change in company objectives was in order. During the middle and late 1940's many, if not most, of the sessions of top management were dominated by the question, spoken or unspoken, "Just what is the proper product and market area for SRDS?" The appearance of the words "Serving the Media-Buying Function" on the masthead of SRDS publications beginning in October 1948 was a matter of considerable moment, then, and indications of the shift in managerial philosophy which it reflected are to be found throughout the 1940's.

The First Peck Survey.—But the foregoing is somewhat ahead of the story. Through 1945 differences of opinion as to the actual role of SRDS publications in the media-buying process had gone unresolved. The senior officers doubted that a survey, whether by James O. Peck or anyone else, could produce information that they did not already possess after up to 35 years in the advertising business. The second generation, Laury Botthof and Al Moss, lacking the confidence that experience gives to "seat of the pants" judgments, vigorously urged an independent field survey. Finally, in late 1945, an appropriation of $15,000 was made for a study of the *Consumer Magazine* section of SRDS. At that time the section was running about 160 pages in length and contained information on some 600 consumer periodicals, yet it normally carried only about 40 advertisements, most of them less than a page in size. This was in marked contrast to the proportion of advertising carried by the other three sections—*Newspaper, Business Paper*, and *Radio*—and repeated efforts to bring in more advertising had been of little or no avail. If field research could help the company to put this section on a profitable basis, it certainly would prove its merit.

Within a few weeks Peck's representatives were in the field. The final report, submitted early in 1946, indicates that they interviewed a few large national advertisers, such as Standard Brands, Inc.; a few publishers of major national magazines; and about twenty buyers of media, mainly from large New York agencies. These firms and individuals were selected because they were known to place a substantial volume of advertising in consumer magazines. This selective, nonprobabilistic approach meant that the statistical significance of the findings would be obscured by the absence of any clear-cut basis for testing the validity of the sample. On the other hand, the group interviewed was certainly significant in terms of dollars invested in advertising.

The interviewing technique was of the open-end, depth type. The interviewer would begin with a gambit such as "I suppose that it is really quite easy to select . . ." and then follow with supplementary questions in an effort to get at the thought process that led to a particular set of decisions or actions. For example, if a media buyer were selecting consumer publications for the introduction of a new toilet soap, precisely how did he proceed? What criteria did he develop? What information did he desire? Where did he expect to find this information? What problems did he encounter?

As described in the final report, the basic objective was to develop an accurate picture of the practices followed and the problems involved in the purchase and sale of magazine space. The bulk of the report consisted of verbatim extracts from a stenographic record of the interviews; no quantitative summary of answers or attitudes was presented. While this 1946 survey might not gain many kudos when matched against SRDS practice of later years, it was a start toward a more systematic investigation of market attitudes than had hitherto been attempted by the company. Moreover, the results were to prove extremely effective in spurring the management to admit the need for validating long-established judgments. Viewed in this light, the experience suggests that in many situations the importance of statistical validity may be overstressed.

More specifically, the verbatim extracts revealed much about the media-selection process and the role of SRDS. Here, for example, is an extract from the Peck report of an interview with John Flannigan of McCann-Erickson, Inc., space buyer for the National Biscuit Company account:

> We require a lot of information on any book before we select it as one of our media. We get most of this information from the publishers themselves, who in turn get their information

through personal interviews with their readers or through a quiz enclosed in the book itself and returned by the readers. Generally speaking, publishers make surveys of readership by hiring a research outfit such as yours.

We use the Audit Bureau of Circulation for accredited circulation figures and we use Standard Rate and Data for factual information concerning rates. From the PIB [Publishers Information Bureau] we get such information as the number of advertisers of a similar product in any given magazine. For instance, if we were given a toothpaste account, we might very well consult PIB for information that would tell us which magazines carried the most toothpaste advertising. That's the funny part of this business. You would think that the space man would select the book which included the least competition for his product. But this is not so. By and large, you will find that, given a toothpaste advertiser, he will place his ad in the books carrying the most toothpaste ads. . . .

We use the Starch analyses, too. These give us a good picture of consumers and consumer interests. Another very important source is the Lloyd Hall Surveys. . . . This service gives us every month a complete, detailed analysis of the editorial content of 35 to 40 of the leading magazines in the United States. For instance, if it's cooking we are interested in, the Lloyd Hall Service will show us exactly what books carried editorial matter on cooking every month. It also shows us how many lines were devoted to the subject we are interested in.

Of interest also is the remarkable frequency with which *Life* and a few other publications were referred to as being outstanding in their provision of information useful to media buyers. Some of the interviewees were almost ecstatic on the subject. Here, for example, are extracts from the comments of the media director of Duane Jones Company:

Have you seen this latest study that *Life* has put out? I think that it is one of the most interesting things a publication has done in many years. In this book they give you practically everything you want to know about a publication. For instance, here's a history of the publication which tells you what its aim and purpose is, why it was founded. . . .

Then back here they give you all sorts of breakdowns on their circulation. They give you the total volume of circulation, the civilian audience, the type and character of readers broken down into age groups, sex, by economic level. . . .

Then they give you information such as the advertising cost, that is, the rate per page per thousand, and so forth. They also give you mechanical requirements. . . .

And here's a section devoted to what they call the impact or effect of the magazine on the readers. They play up any innovations they may have made. For instance, they tell about a story with pictures of a Cleveland museum. The museum reported a terrific increased attendance the week following the appearance of the story in *Life*. That is what they mean by their editorial impact. . . .

It is very important that all information on publications be kept up to date. This study of *Life*, as you can see, is a loose-leaf affair. They not only send you current information; they bring it over and replace the sheets in your binder themselves.

But, said the director, the *Life* example was a great exception:

In my opinion the publishers do the poorest job of promotion and advertising of anybody I know. It's the old case of the shoemaker's children not having any shoes. You know how it is. Automobile mechanics usually run around with the oldest jalopy in town. Well, publishers are like that with their advertising.

The interviewee then turned to an issue of SRDS that lay on his desk and showed the Peck representative why, in his opinion, certain publishers' advertisements were utterly inadequate. In particular he regretted the absence or inadequacy of various types of market data and circulation analyses, of statements of editorial objectives and practices, and of notices of new or recent surveys which the publisher was prepared to make available upon request. In the report made to SRDS, Peck characterized the foregoing type of information as qualitative, as opposed to the quantitative information carried in the SRDS listings.

The Peck survey also found that publishers felt it difficult to select the proper place for an advertisement in SRDS. Although the various magazines were given classification numbers (such as "1-Arts and Antiques," "2-Business and Business Executives," "3-Clubs," . . .), within which they were grouped alphabetically at the front of the book for indexing purposes, the actual SRDS listings that followed were in strictly alphabetical order without regard for classification. Thus the listing for *Good Housekeeping* might be sandwiched between those for *Gates List of Railroad Magazines* and *The Grade Teacher* instead of adjacent to other women's magazines such as the *Ladies' Home Journal* and *McCall's.*

In summarizing the survey, the report stated:

> The idea gradually came to the fore that [the Magazine section of] *Standard Rate and Data*, both because of its character and its arrangement, did not readily lend itself to use as an advertising medium.
>
> The men interviewed expressed the opinion that [the Magazine section of] SRDS was not consulted during the creative aspect of the process involved in media selection. Its use was as a reference book for quantitative information.

Management Reaction.—As results of the field survey had accumulated, preliminary reports had been submitted to the company. Hence the final report did not have quite the same impact as if the SRDS management had seen only the comprehensive document just described. But while the findings were being studied and assimilated, the management's reactions changed gradually from disbelief and indignation to dismay and, ultimately, to a quest for avenues of constructive action. Gradually a plan for a three-pronged attack emerged: first, to alter the listings and other editorial content of the *Magazine* section so as to provide a better atmosphere for the creative and decisional aspects of media buying; second, to induce publishers to provide, through advertising, the type of qualitative information that media buyers had said they desired; and third, to acquaint both publishers and media buyers with these changes as they occurred. It was also recognized that similar opportunities for improvement might exist in other sections of the Service.

In respect to editorial content, certain of the changes suggested by the field reports, such as grouping the listings according to their classification, could be readily made. Similarly an educational program beamed at publishers with some such approach as "We asked them to tell us what they wanted you to tell them" could be fielded fairly quickly. But the major specific recommendation of the Peck report was less easily put into effect. This was that each monthly issue of the *Consumer Magazine* section be supplemented by an aid to the creative and decisional aspects of media buying in the form of a "Product Advertising Guide." The proposal created much interest within top management and precipitated considerable debate. At length it was agreed that the company would proceed along the lines recommended in the Peck report.

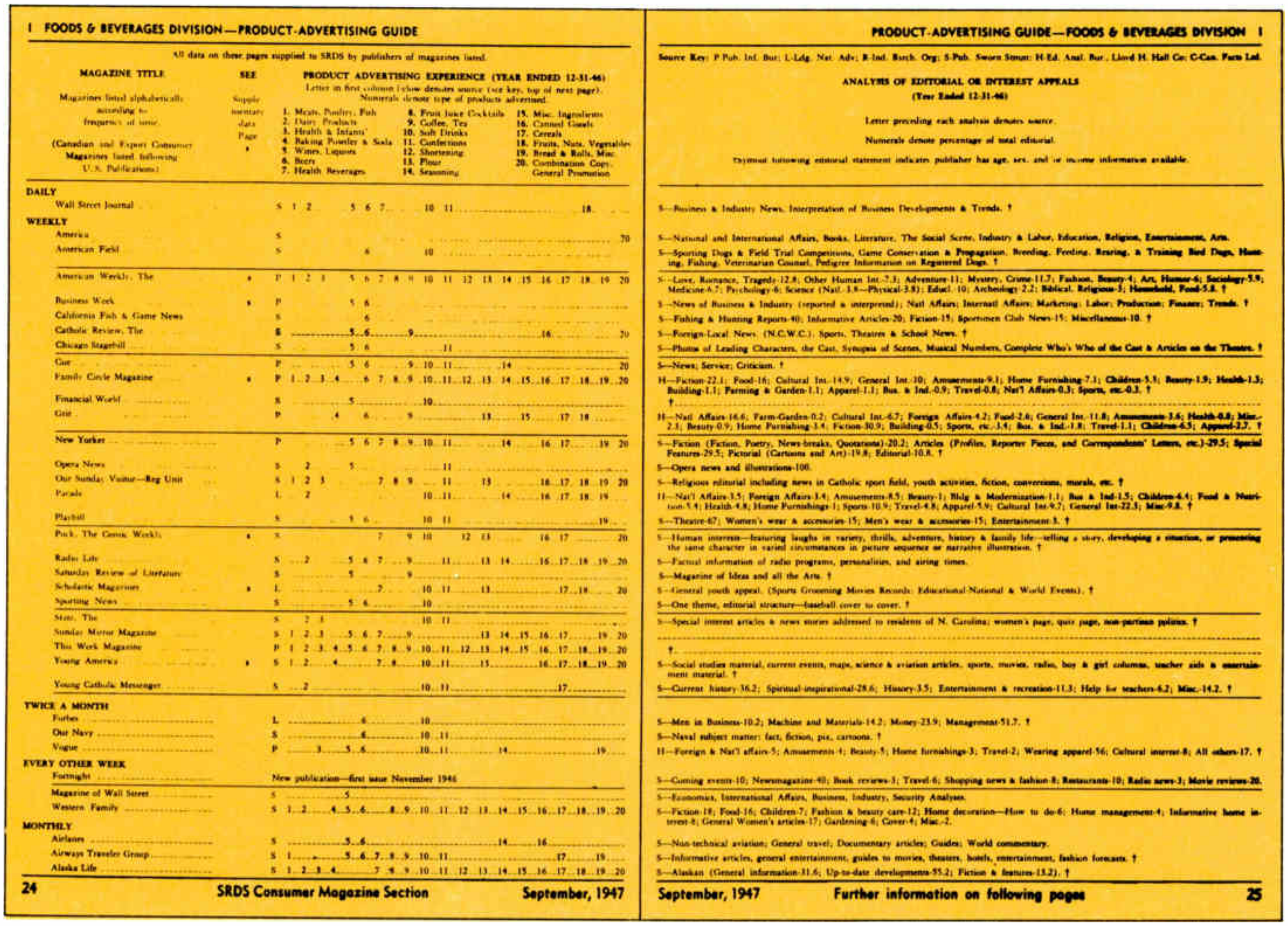
The general plan for the "Guide" was to assemble and organize factual data helpful in the preparation or revision of magazine lists for consumer-type products. This was to be accomplished by first classifying all well-advertised consumer-type products into a limited number of product divisions —eleven, as it turned out:

1. Foods and Beverages
2. Clothing and Accessories
3. House Furnishings
4. Toiletries, Drugs, Smoking Materials
5. Household Appliances and Supplies
6. Automobiles, Aviation
7. Building Materials and Construction
8. Sporting Goods, Entertainment
9. Travel and Accommodations
10. Services
11. Other Products

Each of these eleven divisions of the "Guide" was to contain four sections:

1. A "Guide Chart"
2. A list of publishers' product surveys, studies, or other informative material
3. A list of business or professional publications read by key management personnel of the distributors or manufacturers of particular classes of consumer-type products.
4. Publishers' advertising

The "Guide Chart" (see Figure XII-2) for a particular product division, such as "Foods and Beverages," would list publications that carried significant amounts of advertising devoted to food and beverage products according to certain subclassifications, such as "(1) Meats, Poultry, Fish" and "(2) Dairy Products." In addition, the "Guide" would provide an analysis of editorial or interest appeals for each publication, such as "National affairs, 16.6 per cent of editorial content." Following the "Guide Chart for Foods and Beverages," for example, would be a "Supplementary Data Sheet" that would list surveys and other references according to the food or beverage product to which they pertained. The "Data Sheet" was to be followed by a list of business publications read by business or professional people active in the distribution of food and beverage products. Last, but by no means least, it was anticipated



I FOODS & BEVERAGES DIVISION—PRODUCT-ADVERTISING GUIDE

All data on these pages supplied to SRDS by publishers of magazines listed.

PRODUCT-ADVERTISING GUIDE—FOODS & BEVERAGES DIVISION I

Source Key: P-Pub. Inf. Bur; L-Ldg. Nat. Adv; B-Ind. Burch. Org; S-Pub. Sworn Statmt; H-Ed. Anal. Bur., Lloyd H. Hall Co; C-Can. Facts Ltd.

MAGAZINE TITLE — Magazines listed alphabetically according to frequency of issue. (Canadian and Export Consumer Magazines listed following U.S. Publications)

SEE — Supplementary data Page •

PRODUCT ADVERTISING EXPERIENCE (YEAR ENDED 12-31-46) — Letter in first column below denotes source (see key, top of next page). Numerals denote type of products advertised.

1. Meats, Poultry, Fish; 2. Dairy Products; 3. Health & Infants'; 4. Baking Powder & Soda; 5. Wines, Liquors; 6. Beers; 7. Health Beverages; 8. Fruit Juice Cocktails; 9. Coffee, Tea; 10. Soft Drinks; 11. Confections; 12. Shortening; 13. Flour; 14. Seasoning; 15. Misc. Ingredients; 16. Canned Goods; 17. Cereals; 18. Fruits, Nuts, Vegetables; 19. Bread & Rolls, Misc.; 20. Combination Copy, General Promotion

ANALYSIS OF EDITORIAL OR INTEREST APPEALS (Year Ended 12-31-46)

Letter preceding each analysis denotes source.

Numerals denote percentage of total editorial.

Symbol † following editorial statement indicates publisher has age, sex, and/or income information available.

Magazine Title	See	Source	Products	Analysis of Editorial or Interest Appeals
DAILY				
Wall Street Journal		S	1 2 5 6 7 10 11 18	S—Business & Industry News. Interpretation of Business Developments & Trends. †
WEEKLY				
America		S	20	S—National and International Affairs, Books, Literature, The Social Scene, Industry & Labor, Education, Religion, Entertainment, Arts.
American Field		S	6 10	S—Sporting Dogs & Field Trial Competitions, Game Conservation & Propagation, Breeding, Feeding, Rearing, & Training Bird Dogs, Hunting, Fishing, Veterinarian Counsel, Pedigree Information on Registered Dogs. †
American Weekly, The	•	P	1 2 3 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	S—Love, Romance, Tragedy-12.8; Other Human Int.-7.3; Adventure-11; Mystery, Crime-11.7; Fashion, Beauty-4; Art, Humor-6; Sociology-5.9; Medicine-6.7; Psychology-6; Science (Nat'l-3.8—Physical-3.8); Educl.-10; Archeology 2.2; Biblical, Religious-5; Household, Food-5.8. †
Business Week	•	P	5 6	S—News of Business & Industry (reported & interpreted); Nat'l Affairs; Internat'l Affairs; Marketing; Labor; Production; Finance; Trends. †
California Fish & Game News		S	6	S—Fishing & Hunting Reports-40; Informative Articles-20; Fiction-15; Sportsmen Club News-15; Miscellaneous-10. †
Catholic Review, The		S	5 6 9 16 20	S—Foreign-Local News (N.C.W.C.), Sports, Theatres & School News. †
Chicago Stagebill		S	5 6 11	S—Photos of Leading Characters, the Cast, Synopsis of Scenes, Musical Numbers, Complete Who's Who of the Cast & Articles on the Theatre. †
Cue		P	5 6 9 10 11 14 20	S—News; Service; Criticism. †
Family Circle Magazine	•	P	1 2 3 4 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	H—Fiction-22.1; Food-16; Cultural Int.-14.9; General Int.-10; Amusements-9.1; Home Furnishing-7.1; Children-5.5; Beauty-1.9; Health-1.3; Building-1.1; Farming & Garden-1.1; Apparel-1.1; Bus. & Ind.-0.9; Travel-0.8; Nat'l Affairs-0.3; Sports, etc.-0.3. †
Financial World		S	5 10	†
Grit		P	4 6 9 13 15 17 18	H—Nat'l Affairs-16.6; Farm-Garden-0.2; Cultural Int.-6.7; Foreign Affairs-4.2; Food-2.6; General Int.-11.8; Amusements-3.6; Health-0.8; Misc.-2.1; Beauty-0.9; Home Furnishing-3.4; Fiction-30.9; Building-0.5; Sports, etc.-3.4; Bus. & Ind.-1.8; Travel-1.1; Children-6.5; Apparel-2.7. †
New Yorker		P	5 6 7 8 9 10 11 14 16 17 19 20	S—Fiction (Fiction, Poetry, News-breaks, Quotations)-20.2; Articles (Profiles, Reporter Pieces, and Correspondents' Letters, etc.)-29.5; Special Features-29.5; Pictorial (Cartoons and Art)-19.8; Editorial-10.8. †
Opera News		S	2 5 11	S—Opera news and illustrations-100.
Our Sunday Visitor—Reg Unit		S	1 2 3 7 8 9 11 13 16 17 18 19 20	S—Religious editorial including news in Catholic sport field, youth activities, fiction, conversions, morals, etc. †
Parade		L	2 10 11 14 16 17 18 19	H—Nat'l Affairs-3.5; Foreign Affairs-3.4; Amusements-8.5; Beauty-1; Bldg & Modernization-1.1; Bus & Ind-1.5; Children-4.4; Food & Nutrition-5.4; Health-4.8; Home Furnishings-1; Sports-10.9; Travel-4.8; Apparel-5.9; Cultural Int-9.7; General Int-22.3; Misc-9.8. †
Playbill		S	5 6 10 11 19	S—Theatre-67; Women's wear & accessories-15; Men's wear & accessories-15; Entertainment-3. †
Puck, The Comic Weekly	•	S	7 9 10 12 13 16 17 20	S—Human interest—featuring laughs in variety, thrills, adventure, history & family life—telling a story, developing a situation, or presenting the same character in varied circumstances in picture sequence or narrative illustration. †
Radio Life		S	2 5 6 7 9 11 13 14 16 17 18 19 20	S—Factual information of radio programs, personalities, and airing times.
Saturday Review of Literature		S	5 9	S—Magazine of Ideas and all the Arts. †
Scholastic Magazines	•	L	7 10 11 13 17 18 20	S—General youth appeal. (Sports Grooming Movies Records Educational-National & World Events). †
Sporting News		S	5 6 10	S—One theme, editorial structure—baseball cover to cover. †
State, The		S	2 3 10 11	S—Special interest articles & news stories addressed to residents of N. Carolina; women's page, quiz page, non-partisan politics. †
Sunday Mirror Magazine		S	1 2 3 5 6 7 9 13 14 15 16 17 19 20	
This Week Magazine		P	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20	†
Young America	•	S	1 2 4 7 8 10 11 13 16 17 18 19 20	S—Social studies material, current events, maps, science & aviation articles, sports, movies, radio, boy & girl columns, teacher aids & entertainment material. †
Young Catholic Messenger		S	2 10 11 17	S—Current history-36.2; Spiritual-inspirational-28.6; History-3.5; Entertainment & recreation-11.3; Help for teachers-6.2; Misc.-14.2. †
TWICE A MONTH				
Forbes		L	6 10	S—Men in Business-10.2; Machine and Materials-14.2; Money-23.9; Management-51.7. †
Our Navy		S	6 10 11	S—Naval subject matter: fact, fiction, pix, cartoons. †
Vogue		P	3 5 6 10 11 14 19	H—Foreign & Nat'l affairs-5; Amusements-4; Beauty-5; Home furnishings-3; Travel-2; Wearing apparel-56; Cultural interest-8; All others-17. †
EVERY OTHER WEEK				
Fortnight			New publication—first issue November 1946	S—Coming events-10; Newsmagazine-40; Book reviews-3; Travel-6; Shopping news & fashion-8; Restaurants-10; Radio news-3; Movie reviews-20.
Magazine of Wall Street		S	5	S—Economics, International Affairs, Business, Industry, Security Analyses.
Western Family		S	1 2 4 5 6 8 9 10 11 12 13 14 15 16 17 18 19 20	S—Fiction-18; Food-16; Children-7; Fashion & beauty care-12; Home decoration—How to do-6; Home management-4; Informative home interest-8; General Women's articles-17; Gardening-6; Cover-4; Misc.-2.
MONTHLY				
Airlanes		S	5 6 14 16	S—Non-technical aviation; General travel; Documentary articles; Guides; World commentary.
Airways Traveler Group		S	1 5 6 7 8 9 10 11 17 19	S—Informative articles, general entertainment, guides to movies, theaters, hotels, entertainment, fashion forecasts. †
Alaska Life		S	1 2 3 4 7 8 9 10 11 12 13 14 15 16 17 18 19 20	S—Alaskan (General information-31.6; Up-to-date developments-55.2; Fiction & features-13.2). †

24 SRDS Consumer Magazine Section September, 1947

September, 1947 Further information on following pages 25

FIGURE XII-2

that publishers would wish to add supplementary information by means of paid advertisements.

All in all, it was a most ambitious project that was presented to the directors on September 29, 1946, but it seemed supported by the Peck research. The Schuyler Hopper Agency had prepared an appealing promotional campaign to assist in the introduction of the "Guide." The directors approved the program and July 15, 1947 was set as the target date for the inauguration of the "Guide."

Premonitions as to the difficulty of collecting and organizing the vast volume of information necessary to the project proved to be well founded. The publication date was advanced twice, but eventually, on September 15, 1947, the first issue appeared. Under the immediate direction of Harvey Harkaway, up to 10 persons had labored for almost a year to prepare the data. When assembled, the "Guide" contained more than 140 pages of editorial matter and made up nearly half of the 312 pages of the September 1947 issue of *Consumer Magazine Rates and Data.*

Readership reaction was strong but mixed. Some termed the "Guide" "wonderful"; others called it "confusing and difficult to use." But perhaps the most important observation was that the "Guide" was a "one-shot" proposition in so far as timeliness of information was concerned. In other words, some readers felt that there was little about the information that needed to be kept up to date on more than an annual basis. Hence they suggested that the printing of identical material in each of the 12 monthly issues of *Consumer Magazine* seemed unwarranted. Related to the matter of repetition was the fact that so much of the information in the "Product Advertising Guide" was qualitative in character that many experienced media buyers preferred to use their own judgment, based upon frequent examination of the relevant publications. Finally, when a media buyer had personally examined a variety of publications and thereby acquired a more or less intimate knowledge of them, he seemingly found it unnecessary to refer to the "Guide."

In any event, publishers left the "Guide" standing like a wallflower at a junior prom. The largest number of consumer magazines that chose to buy advertising space in any one issue was three. Several different promotional approaches were tried, but none worked. Finally, after a hectic life of seven months, the "Guide" passed out of existence. It was Walter Botthof who "pulled the plug" by saying: "We're through with the 'Product Advertising Guide'! We've spent our last dollar on it. It's coming out of the book."

The "Guide" was discontinued with the issue of March 1948, but the inevitable post-mortem went on and on. Even 16 years after its demise there is still some difference of opinion as to whether it could have been made a success.

Extension of the Survey Method.—Meanwhile the results of the *Consumer Magazine* survey had led the management to extend the company's field research activities to business publications. The mission assigned to an independent research firm was to answer these specific questions:

Who participates in the selection of business publications?

What do agencies and advertisers say they want to know about business publications?

How can the media manager reach the largest number of people who influence business-publication selection—at lowest cost?

When do media planning, media evaluation, and schedule building take place?

Interim reports of these interviews were used by the Schuyler Hopper Agency to prepare direct-mail pieces for SRDS. Then Hopper and the SRDS staff brought the results of the investigation together in the *Business Publication Promotion Handbook*. First published by SRDS in October 1948, some 5,000 copies of the *Handbook* were distributed within 60 days, and a second run of 5,000 copies was authorized to meet the requests of an enthusiastic audience. Since an important conclusion of the investigation had been that "Service-Ads" in the SRDS *Business Paper* section constituted a logical reply to the question, "How can the publisher reach the largest number of people who influence business-publication selection—at lowest cost?" the SRDS management was delighted at the success of the *Handbook*.

The *Handbook* was quickly followed by the *Copy Organizer* . . . for "Service-Ads" in the *Business Publication* section of SRDS. This publication suggested ways of designing effective advertisements for insertion in SRDS—copy presentations that would implement the findings of the field interviews as previously reported in the *Handbook*. The basic theme of the *Copy Organizer* was that SRDS was different from the other promotional media that the publisher was likely to use:

> In the first place, agency and advertiser people don't *read* SRDS, as they read *Printers' Ink* or *Industrial Marketing* or *Tide* or *Advertising Agency* or *Sales Management* or any other publications of the *editorial* type.
>
> They *use* SRDS. They use it as a reference book for up-to-date, factual market and media information needed when publications are being considered for the advertising of some product. SRDS is a *buyers' service* book. A media catalog.

Having thus broken the SRDS taboo on the use of the word "catalog," the text moved to the role of "Service-Ads" in SRDS:

> Service ads in SRDS do not compete with its other content, the publication listings. They contribute to it. They help to fulfill the purpose for which agencies and advertisers refer to SRDS.

The remainder of the *Copy Organizer* was devoted to "what agencies and publishers want to know about your publication."

> Almost every person who is responsible for the selection of business publications as advertising media regards reliable information on these four factors as essential to intelligent choices:
>
> 1. Your market
> 2. Your readers
> 3. Your editorial purpose
> 4. Your format

Each of these topics was then discussed in considerable detail, with samples of "good practice" drawn from advertisements in SRDS publications.

Over the succeeding years the ideas reflected in the *Handbook* and the *Copy Organizer* for the *Business Publication* section were extended to other sections, notably *Newspaper*, *Magazine*, and *Radio*. In each case the recommendations for particular media were based upon a solid foundation of field research.

Thus by the end of the decade of the 1940's a revised pattern for promoting the sale of advertising in SRDS had fully evolved. Over the next 10 years, the decade of the 1950's, the recurrent themes of "Tell All" and "Service-Ad," in conjunction with the special role of SRDS in media selection, would be repeated in 100 or more special-purpose promotion pieces but with no fundamental change in message. To paraphrase an old adage, "If the shoe fits, why change the last?"

With the promotional strategy for the basic service well in hand and with advertising and subscription revenue continuing to rise along with the postwar growth of the economy, the SRDS management had an opportunity to consider several proposals for modification and expansion of the company's basic product line.

Outdoor Advertising.—Of long standing was a proposal to provide a rate and data service for outdoor advertising comparable to the section on *Transportation* (streetcars, buses, rapid transit lines, etc.) that had been included in SRDS since 1941. The possibility of such a service had been discussed by the SRDS management periodically almost since the inception of the Service, usually after the question had been reopened by an interested agency or a member of the outdoor advertising industry. Each time the question was considered, the same problems arose.

The field consisted of a few large companies, such as General Outdoor Advertising, and many extremely small firms, local in scope. Broad-scale campaigns, therefore, were generally restricted to the facilities offered by the few major firms. Advertisers who were interested in using these facilities could easily ascertain costs and schedules either directly or through an association of outdoor advertisers that maintained a complete record of outdoor availabilities and rates. In consequence, there seemed no strong need for the publication of a special service on outdoor advertising by SRDS. It also seemed unlikely that the outdoor advertising industry would, through advertising in an appropriate SRDS publication, offer enough financial support to sustain the proposed venture.

Since these facts still seemed to argue against SRDS service for outdoor advertising, each time the subject came up for consideration by the company's board of directors, it was discussed briefly, then tabled.

The International Scene.—A second topic of recurring discussion was the possibility of introducing SRDS-type services into markets outside the United States, as in Mexico or Great Britain. The potentialities of the Mexican market had been investigated by Walter Botthof during the war, and the subject was reviewed several times during the immediate postwar years. On each occasion the conclusion was the same: that there did not seem to be sufficient agency activity in Mexico to justify an SRDS service. In addition, the rate structure and circulation-verification procedures for Mexican publications seemed too variable to make such a type of operation meaningful.

The reasons for deferring plans for expansion to Great Britain are less clear. Laury Botthof did make an on-site investigation of the possibilities and reported to the board in October 1949 that although British economic conditions were not particularly propitious, long-range prospects for a service patterned after SRDS seemed bright. Somewhat astonishingly, in 1949 Great Britain still had no service comparable to SRDS. Its advertising agencies continued to maintain bulky files of rate cards for newspapers, periodicals, and other media, just as had been the practice in the United States 30 years earlier.

Both Laury Botthof and Al Moss were interested in making definite plans to inaugurate a British service at an early date. Walter Botthof, on the other hand, had serious reservations as to the company's ability to manage a large new operation at such a distance. Although the question of a British service was reviewed several times subsequently, no definite plan of action resulted. Then in late 1953 a decision was made to begin serious preparations for launching a British version of SRDS. After this news had reached the SRDS sales representative in London, he received a letter from a young Englishman who was in the process of developing just such a service. As Laury Botthof recalls, "The young man wrote that he hoped and prayed we would hold off because this was his stake in life, and, if SRDS entered, he would have to fold."

SRDS did "hold off" and even gave a considerable amount of technical advice to the London correspondent. Thus it was that in 1954 the Vallancey Press, Ltd., of London began a service patterned closely after SRDS, entitled BRAD (British Rate and Data).

Laury Botthof and Al Moss visited BRAD's publisher in late 1956, while en route to the Continent to investigate possibilities for an SRDS-type service in France, Germany, and Italy. They found BRAD barely surviving, in a financial sense. Shortly thereafter the SRDS management was surprised to learn that BRAD was being acquired by the Maclean-Hunter Publishing Company of Toronto, a leading Canadian publisher and an SRDS competitor. Under this new management BRAD soon began to prosper.

Another English-speaking country, Australia, also acquired an SRDS-type service in the postwar period. Inaugurated by the Mingay Publishing Company, Ltd. of Sydney in 1946, its title was (and is) the *Australian Advertising Rate and Data Service.* Interestingly enough, Mr. Mingay had visited the SRDS home office six months or so prior to beginning publication. He had explained his interest in establishing a rate and data service in Australia and was shown through the entire SRDS operation.

In respect to our good neighbor to the north, Canada, SRDS action was also circumscribed by the presence of local competition. Data for all types of Canadian media had long been included by SRDS at the end of each appropriate section—Canadian newspapers having been listed at the end of the SRDS *Newspaper* section since the 1920's. Although this was a convenient mode of organizing data for American agencies supplementing a U.S. campaign with a few Canadian newspapers or magazines, it was not well suited to planning a promotion especially for the Canadian market. On the other hand, there was a rate and data publication in Canada—*Canadian Advertising*, founded in 1928 and published bimonthly by MacLean-Hunter. In this instance also the officers of SRDS had been approached by the prospective publisher and had freely described the SRDS operation.

Although *Canadian Advertising* did not develop or seek a significant circulation among U.S. agencies and advertisers over succeeding years, it did obtain substantial support from Canadian subscribers, advertisers, and media. SRDS, on the other hand, continued to provide its U.S. subscribers with information on Canadian media, but only as a part of the relevant SRDS section or book for a particular class of media—newspaper, business publications, and so forth. Then, too, the subscription lists of the SRDS publications were limited largely to U.S. firms and consequently appealed as advertising vehicles only to those Canadian media that were seeking a place on advertising schedules originating in the United States. These and other considerations had limited the sale of advertising space to Canadian media up to the early 1950's. At that time the entire format of the Service came under review by the Executive Committee, and the paucity of Canadian advertising was seen as a challenge. After considerable discussion, it was decided to test the appeal of publishing this Canadian media and market information separately. The new book would be designed specifically for U.S. consumption, however, and Canadian circulation would not be promoted.

In January 1953 SRDS began publication of its new *Canadian Media Rates and Data* on a monthly basis. Sold at $10 annually, the Canadian edition brought together in one book the material formerly spread among all the SRDS publications. The subscription list reached 2,000 within a year, virtually all these subscriptions being placed by U.S. agencies and advertisers. By January 1956 the number of Canadian media advertisements in the book passed 60, as contrasted with an average of five when the Canadian data had been spread among the several SRDS books. The added revenue was estimated at some $100,000 annually by the end of the third year—all in all a highly successful move.

The Forum.—Another innovation of the period was the SRDS *Forum*, a bimonthly, pocket-sized, promotional magazine. Inaugurated in September 1945, the *Forum* was distributed without charge to key personnel among SRDS subscribers and advertisers—publishers, advertising agencies, and radio broadcasting stations. The editorial matter was directed at the media-buying function, with emphasis on articles stressing the importance of factual information as an aid to media selection. At first the objective was simply to provide another vehicle for acquainting potential SRDS advertisers with the "Tell All" and the "Service-Ad" ideas. By October 1947 the distribution list had soared to some 17,000 free copies, and the cost of the little 15-to-20 page booklet had grown to a rather formidable figure, considering editorial, printing, and mailing charges. A preliminary survey having indicated substantial reader interest, in 1948 it was decided to offer advertising space in the *Forum*. This space was to be restricted to the second, third, and fourth covers and the center spread (at $250, $200, $350, and $500, respectively). To provide a firm basis for selling advertising space, market research was undertaken to determine more accurately the occupations, business affiliations, and reactions of *Forum* readers. This survey was disillusioning. Readers were not exactly enchanted with the promotional character and limited variety of the editorial fare, and the bloom was off the rose, so to speak. Efforts to sell advertising space also suggested that the magazine had outlived its usefulness. So in November 1948, the *Forum* was discontinued, and funds budgeted for its publication were allocated to other types of direct-mail literature.

The SRDS management, however, had noted well the lessons of this first excursion into an editorial-type publication for the media-buying market. It was generally felt that there was a need and a potential demand that might be tapped at a future date by an SRDS publication of a somewhat different format.

Consumer Markets.—Probably the most ambitious venture proposed during the late 1940's was *Consumer Markets*. Like the *Forum* and the "Product Advertising Guide," *Consumer Markets* represented another effort to break out of the limiting confines of media rates and data and to diversify within the broader scope suggested by the 1947 modification of the company's slogan: from "The National Authority" to "The National Authority—Serving the Media-Buying Function."

During the 1930's SRDS had introduced map sections and a limited variety of market data in several sections of the Service. Because of shortages of paper during World War II, these features, like "Lucky Strike green," went to war.[1] The Peck survey of 1945 had revealed that media buyers sorely missed these maps. Consequently, unlike the green package, SRDS newspaper maps did return in the form of an annual supplement that carried no advertising and was distributed free to subscribers. So well received was the 1946 *Map Section* that an expanded version, entitled the SRDS *Map and Market Data Section*, was issued in 1947, this time with advertising.

The decision to open the *Map and Market*

1. It will be recalled by some that the green package of Lucky Strike cigarettes disappeared during World War II to the tune of "gone to war." The white package that replaced it proved so satisfactory, however, that the maker never did return to the prewar color.

Data book to advertising placed SRDS in an entirely new field. Moreover, it was a field in which the competition was well established.

In 1945 *Sales Management*, a semimonthly magazine of Bill Brothers Publications, began to list a separate advertising rate schedule for its annual market data supplement, entitled *Survey of Buying Power*. Both the SRDS and the *Sales Management* publications were late comers to the field compared with the *Market Data Book* supplement of *Industrial Marketing*, a well-known product of G. D. Crain, Jr.'s Advertising Publications, Inc. The *Industrial Marketing* supplement had been published annually since 1921. In 1948 the *Survey of Buying Power* and the *Market Data Book* each carried substantial amounts of advertising placed by publishers and broadcast media, and could be expected to provide keen competition for the new SRDS effort. Encouraged by the example of these two publications and by favorable reception accorded its 1946 *Map Section*, the SRDS management had decided to open this book to advertising with the 1947–48 issue, published in October 1947. Response was favorable as there were more than 50 advertisers in the issue, and reports from users were enthusiastic.

With this experience behind them, it is small wonder that all members of the SRDS top echelon, especially Walter Botthof, were encouraged to continue the publication and to expand the scope of the market data it offered. They also decided that since the 1948–49 edition, to be published in October 1948, would be focused on retail consumption, it would be given the title *Consumer Markets*.

According to this plan *Consumer Markets* would report market data for city, county, and state or provincial units for the United States and Canada. Among the major types of data to be presented were populations, families, retail sales, retail outlets, industrial statistics, farm data, and miscellaneous supplementary information such as the number of residential telephones within particular geographic units. Market maps for counties and for major urban or metropolitan areas were also to be provided, together with symbols denoting the availability of various types of local media (newspapers and radio stations).

Since government publications would constitute the source of most of the foregoing information, the chief contributions of *Consumer Markets* were to be its unique selection of information pertinent to the media-buying function, the presentation of these data in forms and ratios especially useful to the media buyer, and the supplementing of this information by such qualitative and quantitative material as media managers chose to insert in the form of "Service-Ads." The general format and editorial content of *Consumer Markets* would make it a close competitor of the *Survey of Buying Power* and *Market Data Book*.

The existence of this competition had caused the management some concern when the SRDS *Map and Market Data Sec-*

tion was first proposed. Their hesitancy was overcome, however, by two facts: First, some of the proposed editorial matter, particularly the maps, was already being provided in various SRDS publications. This material could simply be transferred to the new book. The second consideration was an assured market. The SRDS book could be distributed without charge to some 5,500 agencies, advertisers, and others currently subscribing to or using SRDS publications. It was estimated that another 2,500 copies could be sold at $5 each through a special sales campaign. The Board approved *Consumer Markets* as a replacement for the 1947–48 *Map and Market Data Section* in May 1948, and a budget was allocated.

Publication of *Consumer Markets* was on schedule, and subscriber reaction again seemed promising. The publication budget had been exceeded because of high editorial and selling costs, however, and the advertising income was barely sufficient to cover expenses. Still, the results were encouraging in view of the newness of the venture. The next year's issue, 1949–50, brought similar results. Revenue from advertisers rose from $24,000 to $43,000, the format was improved in response to users' suggestions, and market response was even more favorable than for the previous issue. Unfortunately editorial and sales costs rose also, and the revenue on the book fell below the break-even point. As the decade ended, it seemed that this publication might require another year or two to achieve a profitable status.

An Appraisal.—The foregoing pages have indicated the genesis and evolution of a revised concept of the purpose and direction of SRDS as an ongoing business. Out of the search for goals came ideas for product revision, market strategy, expansion, and diversification that were tested under the not too gentle auspices of the market place. Some of the innovations, such as the *Forum* and the "Product Advertising Guide," were unsuccessful, at least in a profit-and-loss sense. Others, such as *Consumer Markets*, were still being tested. Definitely successful, as judged by increasing sales, was the revised concept of the "identity" of the basic SRDS books as advertising vehicles. This revision frankly recognized the role of SRDS as a directory, a catalog, a body of vital reference data used in a variety of ways by many categories of agency people. This new awareness of the role, or identity, of SRDS in the media-buying process, verified by field research, led to a new emphasis in the SRDS sales effort, and the "Service-Ad" concept replaced the "Tell-All" approach. But potential advertisers needed assistance in employing the new approach—assistance supplied by promotional copy prepared on speculation by SRDS, and by a wide variety of other sales and promotional efforts. Outstanding among these was the *Business Publication Promotion Handbook*, a veritable landmark in the evolution of SRDS marketing programs.

This is not to say that by 1949 SRDS editorial objectives and marketing strategies had been completely recast in a rigid new mold. The shape of the Service in 1949 bore a clear resemblance to its antecedent of a decade earlier, and the greatly increased emphasis upon informative advertising should not obscure the fact that SRDS had long advocated the use of such copy. But the clarity and sophistication with which the message was conveyed by 1949 and the degree of credibility provided by the company's program of field research were so different from the approach used 10 years previously as to make the shift seem more than a mere change in the degree of emphasis. Instead it appeared to have been a change in kind.

Along with the company's conscious and deliberate experimentation with market strategy, product line, and market niche, a gradual change in the internal organization and administration was taking place. The significance of this evolutionary adjustment of the SRDS organization is the topic of the next chapter.

XIII

The 1940's: A Decade of Rapid Progress and a Twenty-fifth Anniversary

The significance of the many changes in SRDS structure and strategy during the decade of the 1940's is highlighted by the growth of display advertising carried in the firm's basic services. As indicated by Figure XIII-1, these revenues rose from some $235,000 in 1940 to over $1,071,000 in 1949, an increase of some 350 per cent. Moreover, nearly nine tenths of this growth occurred in just four years, 1942 through 1946. While the performance of the economy in general and of advertising in particular gave strong impetus to the company's efforts, clearly its advertising revenues grew much more rapidly than these factors would suggest. (See Figure XI-1.) Finally, rates for display advertising in SRDS rose by only 20 per cent during the period in spite of a near doubling of material costs. After taking into account this shift in rates, it appears that the pages of advertising carried must have increased by some 280 per cent. The "bonus" in growth achieved by SRDS, then, must be attributed largely to the changes in marketing strategy, promotional effort, and sales organiza-

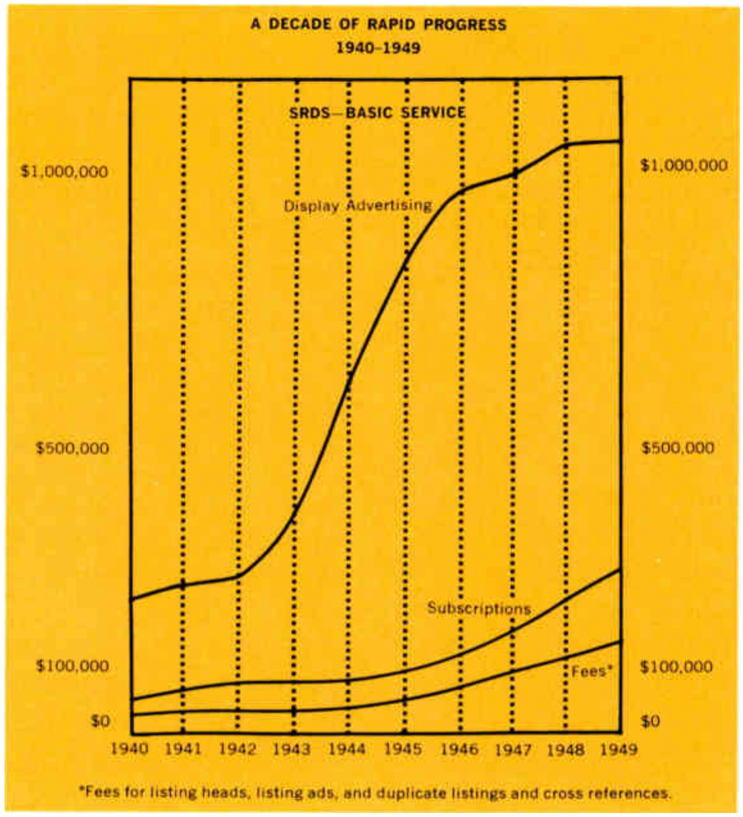


FIGURE XIII-1

tion outlined in the chapters just preceding. Indeed this was a period during which marketing creativity was greatly evident and handsomely rewarded.

In addition to advertising revenues, two other aspects of the basic Service contributed significantly to the company's overall growth. One of these was the income from charges for "listing heads," "listing ads," and "duplicate listings and cross references." The first of these refers to fees charged for using bold-face type at the top of a listing; the second, to the fee for including promotional material, prefaced by the heading "advertisement," at the bottom of a listing; and the third, to the charge for duplicate listings and cross references. (The latter are inserted only at the request of a publication or station, and then only when the use proposed is consistent with SRDS editorial policy.) Annual revenue from these services rose from some $26,000 to nearly $156,000, in spite of an SRDS policy that placed little or no emphasis upon their promotion.

During the decade, subscription revenues rose dramatically—from some $66,000 to nearly $298,000. Responsible for about $50,000 of this increase was a boost in subscription revenues of some 75 per cent—from $45 annually for the four basic services to $80. The balance of some $182,000 in additional revenue is largely attributable to a growth in subscriptions from around 2,000 for each of the four basic books to nearly 4,000.

Of course, these startling increases in revenue were accompanied by an almost equally dramatic rise in costs. For example, composing and printing expenses were multiplied by approximately four, agency commissions grew from a negligible sum to nearly $150,000 annually, the newly inaugurated features of research and sales service (largely the preparation of "speculative advertising") also grew to around $30,000 each, and profit-sharing and bonus plans took a heavy toll. The result was an increase in total expenses from some $315,000 in 1940 to more than $1,300,000 in 1949. The increased sales volume resulted in a gratifying improvement in net profit after taxes, however—from about 5 per cent of sales in 1940 to around 10 per cent in 1949. Of the cumulative net profit for the period, only about 30 per cent was distributed in the form of dividends, most of the balance being required to finance the expansion of the business.

Key Factors in Growth.—The key factors in the company's excellent over-all performance during the 1940's were probably three: the upsurge in general business activity; an unusual degree of creativity and innovation in respect to product line, promotional strategy, and sales administration; and the internal organization of the firm. Basic to these were the inquisitiveness, the adaptability, and the drive of Walter Botthof. As Al Moss remarked in appraising the company's activities during the decade:

> Walter Botthof was always searching for something new or better for SRDS, and he was unusually receptive to ideas proposed by others. He was always available to discuss a new approach to our way of doing business, and he often became more enthusiastic than the proposer. He was "action oriented." When we had decided on a course of action, he drove the organization to see it through. He got things moving and got results.

It was this combination of traits in Walter Botthof that provided younger men, especially C. Laury Botthof and Al Moss, with the opportunity to grow quickly into positions of real responsibility and authority and to spark many of the changes discussed in the preceding chapters.

Market Strategy.—Illustrative of the company's changed approach to its markets was the rapid expansion of the product line to meet new needs: *Television Rates & Data, Consumer Markets,* and the experiments with *Forum* and "Product Advertising Guide." In addition, the individual books could now be subscribed to separately. The traditional $30 combined annual subscription price had long since fallen by the wayside.

Even more startling, however, were the shifts in the concept of the Service and corollary changes both in editorial format and in the strategy of selling advertising space. The trend toward a more scientific approach to advertising was reflected in many ways: the "Tell All" and "Service-Ad" sales promotions originally inspired by the ABP, Schuyler Hopper, and James O. Peck and ably supported by the subsequent work of the SRDS research department; the very significant strides made toward understanding the nature of the media-buying function and in imparting this understanding to media owners and their agencies; the development of integrated sales campaigns with the help of the Schuyler Hopper Agency and field research by various firms; the broadened use of other media in SRDS sales campaigns; the extension of more liberal discount arrangements to advertising agencies that selected SRDS as a medium for their clients; and the movement toward specialized selling by SRDS salesmen. All these factors represented changes of considerable significance in the manner in which the SRDS story was presented to potential advertisers. In some instances these changes required modification or even reversal of long-established policies.

The general area of marketing and sales administration remained Walter Botthof's special interest. It is significant, however, that the younger Al Moss not only established himself rapidly as an excellent salesman but also demonstrated unusual administrative insight and creativeness in the marketing area. His contributions as executive vice-president in charge of the New York office and as a participant or initiator in matters of marketing policy were of prime importance.

Administration.—The mode of internal administration was outwardly changed by 1949. At the hub of things in place of Walter Botthof was the Executive Committee. In practice, Walter continued to exercise a dominant influence both informally and in his role as chairman of the Executive Committee. What was new was the very real extent to which the company's policies and practices, present and proposed, were subjected to group discussion and appraisal.

To facilitate the work of the committee, each department was asked to maintain a work docket, i.e., a list of projects under way and projected (over and above routine activities), with time estimates, budgeted costs, and priorities assigned to each item. In place of the somewhat vague and highly informal distribution of responsibilities of an earlier day, the incumbent of each managerial position within the company was asked to prepare a position description that specified his title, his organizational superior, the area of his responsibility, the range of his discretion on certain matters, and the reports he was expected to originate. Also, each member of management was directed to keep a calendar of his activities and duties, both routine and special, with the aid of which a "stand-in" might continue to fulfill the duties of the position in an emergency.

To guide members of management in unusual situations and to insure consistency of action, a policy book was developed. Whenever through a decision of the Executive Committee a significant new policy was formulated or an old one modified, copies of the change were distributed to all department heads for insertion in their looseleaf policy manuals.

Flow charts were also prepared for the principal types of activity: rate service, advertising sales and service, subscription sales and service, composing, printing, and binding. These charts provided graphic guides to assure adherence to standard procedures, to aid in the indoctrination of new personnel, and to facilitate analysis and improvement.

Lest it be thought that all these changes were put into practice immediately after their conception, let it be observed that the transition was gradual and halting and the way strewn with the pitfalls and obstacles of encrusted habit and precedent. The old organization had been one in which lines of communication had radiated from the owner-managers, especially Walter Botthof, to nearly every individual in the organization. It proved difficult to guide the flow of information and the decisions, especially the verbal ones, into the new, more restricted channels. Also it was not a simple matter for the Executive Committee to draw clear distinctions between policies of fundamental importance, subordinate or derived guides to action, and operating decisions. Consequently "policies" tended to multiply, and, as they did, inconsistencies arose to plague the policy-makers. Much of the Executive Committee's time was devoted to making decisions on current operating matters—many of rather minor significance—and relatively little to long-range corporate planning and control.

Improvement did come, though slowly and only by virtue of perseverance. By the end of 1949 the change in administrative practice was evident, but much remained to be done.

Although the office and production arrangements in 1949 were still much the same as in 1940, except for size, here too important changes were in the offing. Land had been procured in Evanston, Illinois, for an office building and for composing and printing facilities, so that for the first time all home office activities of SRDS would be under one roof. The company would do its own printing and binding, heretofore done by the Horner Printing Company of Chicago. In addition, the developmental work on a new printing process conceived by C. Laury Botthof was expected to be completed shortly, and this would be incorporated in the new production facilities.

The driving force behind many of these internal innovations was Laury Botthof. Since his return to the business in 1946, he had of course participated in, and contributed to, the marketing activities already described. As president, however, his special area of interest was the administration of the firm's operating activities—editorial; production; finance, accounting, and control. To implement his program in these areas, Laury brought into the company Frank J. Ceithaml, since 1948 head of the accounting department, assistant treasurer, and in effect controller.

It will be recalled that the 1947 report of Stevenson, Jordan, and Harrison, Inc., the management consultants, had stressed the company's need for tighter internal controls in accounting and financial matters and that the need for someone to perform the functions of a controller had been spelled out in considerable detail. Often when a firm calls in a management consultant, a need has already been foreseen. In this case Laury Botthof was aware that the controllership function at SRDS was inadequately handled, but the report of the consultants shifted to someone outside the firm the discovery of this inadequacy and the suggestion for remedial action.

Frank Ceithaml, a graduate of Northwestern University's Evening Program in Business (1933), came to SRDS in late 1947 after nearly 20 years in public and private accounting, most recently with the firm of Price-Waterhouse. From the beginning he worked closely with Laury to correct the deficiencies noted in the 1947 report, and served as financial expert and controller for the business. By the end of 1949 Ceithaml had established himself as a valued member of the top echelon of the firm's management, and the scope of his influence and responsibilities was rapidly widening.

Another indication of the increasing formality of the business and of its growing age and maturity was the inauguration of a group insurance plan (benefits up to about three quarters of annual salary for each employee, with premiums paid by the company), a hospitalization plan (the company paid 75 per cent of the premium), and a plan whereby 25 per cent of the net profit of the company flowed into a retirement annuity fund for employees. From this fund contributions were made to individual employee retirement accounts in amounts up to 15 per cent of the employee's earnings. Vacation plans were also regularized at this time, three weeks being granted to employees after 10 years' service. Finally, personnel in the higher echelons of management received year-end bonuses representing 10 per cent or more of their annual salaries, and all employees received substantial year-end gifts (except shop personnel, who preferred an increase in normal "take-home" pay).

These features had all been introduced during the war period and reflected a combination of forces: the management's growing concern for such matters because of the advancing age of its owner-managers and employees; the example of other companies; the fact that unions were having some success in bargaining for certain of these fringe benefits; and the recognition that much of the cost of these new features was tax deductible in a period of high operating profitability and high corporate income taxes.

To older members of the management

the granting of these fringe benefits seemed extremely generous. Such things had not been made available to them in their previous years of employment. Moreover, SRDS granted the benefits early in comparison with many firms of its size, and without pressure from a collective-bargaining group. With the passage of time, plans similar to those of SRDS became more common; new employees often expected fringe features as normal aspects of employment. Hence what were once regarded by both management and employees as rather generous arrangements gradually came to be regarded by the newer employees as customary. As a result the older members of management often had a feeling of disappointment because the features which they had introduced with such pride and which the employees of that date greatly appreciated were no longer seen in the same light by later employees.

The Twenty-fifth Anniversary.—Another indication of the passage of time was the celebration of the company's twenty-fifth anniversary in July 1944. To commemorate the occasion a plaque was distributed to the subscribers and advertisers of the company's first year of operation. Also a Quarter-Century Club was founded, with Walter Botthof and Richard Trenkmann as charter members. Through 1949, seven additional members joined that group (see Appendix 11 for the entire membership of the club). As time went on, the annual meetings of the club became a tradition with the Botthofs, and were usually attended by nearly all the eligible members, both active and retired. Interestingly enough the second generation—Laury Botthof and Al Moss—became eligible for membership in 1964 and 1962, respectively.

To commemorate the company's twenty-fifth anniversary the management commissioned E. Willis Jones, nationally known art director and authority on typographic design, to design and to collaborate in the production of a decorative wall chart illustrating the influence of advertising upon human progress. The handsome mural-like illustrations were created by the artist Joseph Feher, and the "story" was provided by Alexander McQueen, long a student of the historical aspects of advertising. Complimentary copies were distributed to SRDS subscribers and advertisers, and distribution to the general public was undertaken by Mr. Jones.

This commemorative chart, entitled *The Story of Advertising Is the Story of Human Progress,* highlights one of Walter Botthof's most keenly developed and firmly rooted sensitivities (see Figure XIII-2). In the hierarchy of stimuli to which Walter Botthof reacts like a field marshal at the scent of battle, first place probably goes to a direct challenge to the focus of his lifework —SRDS. The events in the company's history that evoke his clearest and strongest recollections are such crises as the 1922 threat posed jointly by the 4-A's and *Barbour's Advertising Rate Sheets* and the 1926 effort of the ABC to add rate information to its list of services. Nearly equal in in-

Figure XIII-2

tensity is his reaction to any suggestion that the advertising carried by SRDS publications is an obstacle rather than a valuable aid to intelligent media buying. These two areas of sensitivity combine to trigger a prompt and positive reaction to any slur cast on advertising, even in the most general sense, for it is transparently clear to Walter Botthof that SRDS exists to serve the advertising industry and that its strongest nourishment comes from the space which advertising media elect to buy in SRDS publications. The 1944 commissioning of *The Story of Advertising* was a reflection of Walter Botthof's deep-seated desire to show sound reasons for taking pride in advertising as a business activity. Therefore he offered the public a popularized appraisal of the significant contributions made to economic growth by all the institutions collectively known as "advertising."

At least since 1900 there has been a succession of scathing denunciations of the practices of advertising. Moreover, as in the case of the exposé-type articles of Mark Sullivan, Upton Sinclair (*The Jungle*), and others around 1905, these criticisms have often contained a discomfiting degree of truth.

During the early 1930's a widely quoted study critical of advertising was *100,000,000 Guinea Pigs* by Arthur Kallet and F. J. Schlink (New York, Vanguard Press, 1932). The "guinea pigs"—i.e., the populace of these United States—found this to be a most disconcerting account of widespread malpractice in the concoction, promotion, and advertising of foods, drugs, and cosmetics. Focused on another aspect of advertising was *Does Distribution Cost Too Much?* by Paul W. Stewart and J. Frederick Dewhurst (New York, Twentieth Century Fund, 1939), a study of the distribution costs of various classes of products and of the markups taken at various levels of the distribution process. This study revealed that "about 59 cents out of the consumer's dollar goes for the services of distribution and only 41 cents for the services of production" (page 334) and that whereas "competition in production generally has the effect of decreasing costs, . . . in distribution competition frequently tends to increase costs" (pages 338–39).

An important consequence of the widespread concern created by *100,000,000 Guinea Pigs* and other exposés of malpractice was the federal Food, Drug, and Cosmetic Act of 1938, which strengthened the Food and Drug Administration's capacity to safeguard the public interest. The Wheeler-Lea Act of the same year amended Section 5 of the Trade Commission Act of 1914 to forbid "unfair or deceptive acts or practices in commerce." This phrase and other aspects of the Wheeler-Lea legislation gave the Federal Trade Commission much-needed authority over falsity in advertising. Of significance is the judgment of prominent scholars that both of the 1938 acts were strongly opposed by magazine and newspaper publishers, "who feared a disturbing effect upon advertising revenue."[1]

Among the groups organized to meet the attacks on advertising was one initiated and headed by Walter Botthof. Its organization was reported in the Chicago *Tribune* of March 1, 1940 (page 35, Column 6), under the caption, "Organize Group to Meet Attack on Advertising":

> A permanent bureau of buyer information was organized yesterday by the Chicago Federated Advertising Club to combat the effects of radical consumer groups whose attacks on advertising were said to be designed ultimately to destroy the American system of private enterprise and substitute a socialistic form of government. . . .
>
> About 400 members volunteered their services for an extensive campaign by signing cards indicating their preferred activities, after W. E. Botthof, president of Standard Rate and Data Service, Inc., outlined the peril and the plan of approach. The meeting was in the Hotel Sherman. . . .
>
> Botthof, who was named chairman of the club's administrative committee, termed the drive "the greatest contribution that can be made to strengthen and perpetuate the advertising business." The bureau, it was explained will study the consumer movement and its effect on advertising, then develop a program to educate the consumer on the function of advertising and its place in the American system of competitive enterprise. Material will be prepared for the press and radio, for booklets, textbooks, and lectures. Talks before consumers', church, women's, school, and business organizations are planned. . . .
>
> Botthof said that the advertising business had failed to acquaint the public with the "specific instances of the contribution advertising has made toward our industrial program in turning out better products at lower prices for more people." . . .
>
> The bureau in its program will cooperate with regional advertising and better business organizations. A. G. Ruthman, partner in the firm of Gilbert, Nicoll, and Ruthman, was named vice-chairman of the administrative committee. Other members are: Elon Borton, Aubyn Chinn, G. Victor Lowrie, James J. Malone, M. Glenn Miller, Richard A. Trenkmann.

Among the other counterattacks sparked by the study of distribution costs was "Does Distribution Cost Enough?" an article by Paul Mazur (*Fortune*, November 1947), which suggested that the lag in economic growth incurred during the 1930's might be attributed to too little promotion rather than too much. Mazur, who defined distribution as "the delivery of a standard of living" and alternately as "those activities which coordinate consumption with production," argued that distribution is the key factor in maintaining a healthy economy. For example:

> But effective distribution expressing itself in higher and higher levels of consumption does more than maintain an economy. It is a primary—or even the primary—factor in the production miracle called "America."[2]

1. Merle Fainsod and others, *Government and the American Economy* (New York: W. W. Norton and Company, third edition, 1959), pp. 5, 226f., 510f.

2. Paul M. Mazur, "Does Distribution Cost Enough?" *Fortune*, Vol. 36, November 1947, pp. 138–39, 192–200.

A much more solid work, by Neil H. Borden, entitled the *Economic Effects of Advertising* (Chicago, Irwin, 1942), also appeared to bolster the cause of the beleaguered industry. Undertaken by Borden under a grant administered by the Harvard University Graduate School of Business Administration, "with generous assistance, other than financial, from the Advertising Research Foundation" (page vii), the study was a monumental one. After appraising an impressive mass of factual data relating to many phases of advertising, the author concluded that advertising activities made a positive contribution by "promoting a dynamic, expanding economy" (page 881).

A more recent critic of the advertising industry is Vance Packard, whose *The Hidden Persuaders* and *The Waste Makers* (New York, D. McKay, 1959 and 1960, respectively) have reached a wide audience. The first of these books is a rather emotional reaction to the use of the findings of psychology and motivational research, including so-called "subliminal" appeals, to create acceptance of, or biases toward, certain products, brands, or services. The second is concerned with the effects of planned obsolescence. Both works set forth the hypothesis that much of advertising encourages people to want (and to buy) things that they need about as much as they do a brace of Eskimo sled dogs on an African safari.

In response to the hue and cry created by these and other onslaughts of like character has come *The Spenders* by Steuart H. Britt (New York, McGraw-Hill, 1960), a work devoted to demonstrating that people buy what they want to buy, regardless of the wheedling or informative efforts of advertisers, and that the advertiser who ignores this is courting economic disaster.

The key semantic differences in these latest discussions seem to be "influence" *vs.* "inform" and "want" *vs.* "need." Britt probably speaks for most people in the advertising industry when he emphasizes the "want" aspect. If people can be induced to want an item to the extent that they will spend their savings (or their credit) for it, they have exercised choice. The feature of choice in a free, competitive market, according to this line of reasoning, proves that the consumer is king and at the same time demonstrates that the present distribution process is compatible with our democratic heritage.

Similarly, words such as "wheedle" or "influence" or, conversely, "inform" are used to describe advertising in accordance with one's personal biases and understanding. At this point one may appropriately observe that so long as advertisers obtain favorable reactions from appeals designed for audiences with the intellectual and social maturity of, let us say, age 12, they will not readily alter their approach. Yet the success of radio stations specializing in twist music or hillbilly ballads at one extreme and the programing of musical classics, drama, and poetry at the other extreme suggests a segmented population in respect to education, taste, and social maturity. If these are the critical factors, then perhaps a gradual shift in the quality, level, and dispersion of education would seem to be a sounder approach than certain of the proffered solutions—such as paternalistic censorship of advertising themes—which might well disguise symptoms without dealing with causes.

Many critics of advertising seem to assume that whatever buying practices they consider socially reprehensible are caused by advertising. But it would be more appropriate to say that these buying practices are caused by the kind of people who respond to the appeals deemed socially undesirable by the Packard school. Certainly some advertising does influence without informing in an objective sense, and some advertising, especially that directed at children, wheedles rather than informs. At the same time one can find many examples of information-packed advertising that uses copy and illustration of an almost purely utilitarian character. The SRDS illustrative recommendations regarding "Service-Ads" are prime examples. But industrial or business advertising, on the one hand, and consumer advertising, on the other, are distinctly different in character, and most observers would agree that consumer advertising all too often emphasizes emotional persuasion rather than factual information.

The Packard argument proceeds along the line that intelligent people buy what they need, if given half a chance, and that society ought to provide them with opportunities to make wise choices. This, it is said, involves making available adequate and unbiased information in an atmosphere free from certain appeals held by implication to be undesirable, such as enhanced sexual attractiveness or social status. To this an advocate of the Steuart H. Britt school might respond that if people want to improve their sexual opportunities or to climb a particular social ladder, it is their God-given, self-evident, and constitutional right to do so.

The arguments thus pass one another without a test of strength, since they proceed from different philosophical bases. The Packard school seems to hold that people should be encouraged to buy what they need, *need* being defined in relation to some prescribed scale of individual and social objectives. On the other hand, the Britt school seems to argue that it is enough for the environment to be responsive to people's wants, whatever these may be.

As a result of such strong differences of opinion, every responsible worker in the vast arena of the advertising industry has winced at the sharp barbs of criticism that have landed here and there. Often the complaints are fairly narrow in scope, having been stimulated by some current malpractice in the promotion of a limited class of products or services. But so sensitive is the profession that its members frequently react to even narrowly focused complaints as if to four-alarm conflagrations threatening the whole structure of the industry. Customarily the defenders wrap themselves in the banners of freedom of choice, free competition, constitutional rights, the democratic heritage, the sanctity of private property, and freedom from socialistic practices. Suggestions for a governmental code of good practice in television or radio programing or in any other area of mass communication are viewed with great alarm.

The management of SRDS join the many advertising people who, being made apprehensive by frequent public criticism of their economic role, tend to associate the industry with "the American way." The American flag is prominently displayed on the grounds of the company's new building in Skokie, Illinois. A 20-by-40-foot mural of George Washington taking the oath of office as President enhances the south wall of the attractive cafeteria provided by SRDS for its employees. *The Story of Advertising Is the Story of Human Progress* was brought up to date in 1960, expanded to proportions of 10 by 20 feet, and given a commanding position at the head of a circular staircase in the entrance hall of the new SRDS building.

Through the charges and countercharges centered on advertising as an institutional aspect of our society, a clear, distinct, and logical line of argument stands out. This avenue of reasoning begins with the subject of the first chapter of Adam Smith's *Wealth of Nations:* that the key to low-cost production and its corollary, a high standard of living, is large-volume production.[3] To achieve this goal the process of production must be divided into simple, repetitive tasks capable of being performed by specifically trained persons assisted by (or replaced by) special-purpose tools or machines. Simultaneously steps must be taken not only to place adequate purchasing power in the hands of a large part of the population but to create the will and the opportunity to buy the fruits of mass production.

The second phase of the argument proceeds from the subject of Smith's third chapter, the proposition that the extent of the "division of labor" is limited by the extent of the market. In other words, the opportunities for cost reduction depend upon the volume of demand, and the demand depends in substantial measure upon the scope of distribution of the product or service.

The third aspect of the argument involves advertising as an important factor among a group of factors that facilitates extension of the market—but one that becomes important only after several preliminary conditions have been met: a large, relatively homogeneous market, adequate transportation facilities, a stable medium of exchange, an absence of trade barriers, the existence of purchasing power, the presence of basic want or need, the technical means of mass communication, appropriate marketing middlemen, and other necessary institutional conditions. The importance of these preconditions for industrialization and economic growth has only lately been developed into a fairly complete conceptual

3. Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (New York: Random House, 1937).

structure—primarily by W. W. Rostow, whose pioneering work *Stages of Economic Growth* has stimulated much debate both in the community of free nations and behind the Iron Curtain.[4]

Thus described, it would seem that advertising is but one of the factors of distribution in a complex industrial society, though a highly important one. The fact that some societies have achieved fairly respectable records of industrialization and political prominence without resorting to some or all of the mass-advertising devices employed in the United States should, however, give us cause for reflection. As the saying goes, "There is more than one way to skin a cat," and 20 years hence some of our contemporary consumer-advertising practices may seem to our successors nearly as crude and blatant as the patent medicine appeals of the 1890's appear to us today.

This discussion of attitudes toward advertising began with *The Story of Advertising Is the Story of Human Progress,* the vehicle chosen to publicize the twenty-fifth anniversary of SRDS. While one may not wholly agree with the claims made for advertising in this document, still its message was and is timely, and the relationship it points up between advertising, mass communication, and a high standard of living in an advanced industrial society is a vital one.

Summation.—The really dramatic changes in SRDS during the 1940's, with the prospect of still more to come in the next 10 years, can in large part be attributed to the unusually fine working partnership between youth and middle age in the SRDS management. The records of the time are replete with evidence that the second generation of owner-managers, C. Laury Botthof and Al Moss, questioned everything about the business—the services provided, the promotional strategy, the method of internal operation, the production processes. Moreover, they fairly bubbled over with ideas for innovations. Some of their suggestions were adopted and many of these were successful, although some definitely were not. The important facts are that their suggestions and recommendations received a full hearing, that Walter Botthof could and did change his mind about some aspects of the operation, and that even when he was unconvinced he agreed to expenditures for further investigation or experimentation.

As a result of the cooperation between the two generations, the small organization of 1940 grew, adapted itself to the demands of the times, and responded to its opportunities and challenges in a most successful fashion. At the end of the period the difficult problem of management succession was definitely under control, and an organization was being molded to extend the company's pattern of growth through the decade ahead.

4. W. W. Rostow, *Stages of Economic Growth* (London: Cambridge University Press, 1960).

XIV

The Fabulous Fifties

MANY REMARKABLE achievements occurred at SRDS during the 1950's. Dollar revenues trebled. The basic product line of rate and data books was increased from four to nine volumes, and two non-U.S. rate and data publications were established. A unique printing process, especially designed to meet the particular needs of SRDS, was inaugurated. The new sales and promotion policy that had budded during the middle 1940's came into full bloom. Several ventures in product diversification were pursued (*Media/Scope, Consumer Markets, To the Bride*). The company moved into its own building in Evanston, Illinois, in 1951, and when that proved too limited in space, moved again—this time to a multimillion-dollar structure on seven acres of land in Skokie, Illinois. There the entire operation, including printing and binding, was integrated for the first time in the company's history.

Noteworthy as these accomplishments in dollar revenues, policies, products, processes, and facilities are, the changes that took place in the living organization are still more impressive. In this respect the formal and informal organizational structure shifted from the transitional scheme outlined in Chapter X to one in which all operating activities were consolidated into six functional areas, or divisions. Even more important, by 1957 every division chief was an experienced person of professional managerial qualifications brought into the company from another firm within the preceding 10 years. Finally, by 1959 the informal patterns of communication and authority had come to approximate the formal organizational structure, and the company could be said to have become "institutionalized." That is, the organization had been so shaped and staffed and plans and policies had been so formulated that, if the three active owner-managers were suddenly to withdraw for a period of years, the organization would probably have proceeded to develop and grow along predictable lines and in accordance with established plans and policies. In short, the era of professional management, as contrasted with owner-management, was standing "at the ready" in the wings.

This brief summary of developments in the 1950's suggests that the decade was one of continued transition in managerial policies, procedures, and personnel. In a very real sense the era brought the near completion of a bridge between the highly personalized and centralized management patterns of the company's first 30 years and a functionally decentralized organization staffed by a professional management. The design and construction of this bridge was perhaps the outstanding accomplishment of the decade and stands as a tribute to C. Laury Botthof, its chief architect and engineer.

Now that we have considered the "what" of the decade, let us consider the record in more detail, beginning with sales.

The Sales Record.—During the 1940's SRDS sales had increased fivefold, though if the effect of inflation is taken into account the gain was somewhat less, closer to threefold. Moreover, the unusual events of the 1940's—the massive stimulus of World War II, the continued expenditure of large sums by the military, and a vast program of foreign aid—all served to spark economic recovery and expansion. The rapid economic growth of the 1940's stimulated SRDS performance in a very substantial way. Yet there was no obvious reason for the SRDS management to look to the 1950's for another 10 years of sustained growth at the same rate. By 1959, however, the company's sales had reached nearly $4.3 million, more than three times the $1.4 million recorded for 1949. Also the firm had continued to grow at a rate that exceeded the record of advertising in general. More specifically, SRDS not only shared fully in the increase in total advertising expenditures (from $5.2 billions in 1949 to $11.1 billions in 1959) but exceeded this growth by 40 per cent (see Figure XIV-1). Finally, this notable achievement took place within the company's established policy of concentrating on the field defined by its slogan: "The National Authority—Serving the Media-Buying Function."

Since we are concerned with the opportunities, policies, and people that made this continued development possible, perhaps the first question to be answered is "Where did the growth occur?"

Avenues of Growth.—At least three distinct avenues for expansion were open to the SRDS management: the tried and true path of media rates and data, the development of closely related services such as

SRDS REVENUE, NATIONAL INCOME, AND TOTAL ADVERTISING EXPENDITURES
1929, 1940, and 1949-1959*

YEAR	NI (NATIONAL INCOME)	PDI (PERSONAL DISPOSABLE INCOME)	TAE (TOTAL ADVERTISING EXPENDITURES)	SRDS (SRDS REVENUE)†	RATIO RELATIONSHIPS TAE/NI	TAE/PDI	SRDS/NI	SRDS/TAE
	billions	billions	billions	thousands	hundreds	hundreds	hundred thousands	thousands
1929	$ 87.8	$ 83.1	$ 3.4	$ 493	3.9	4.1	5.6	1.4
1940	81.6	76.1	2.1	331	2.6	2.8	4.1	1.6
1949	217.7	189.7	5.2	1,435	2.4	3.7	6.6	2.8
1950	241.9	207.7	5.7	1,568	2.4	2.7	6.5	2.8
1951	279.3	227.5	6.4	1,837	2.3	2.8	6.7	2.9
1952	292.2	238.7	7.2	2,061	2.5	3.0	7.1	2.9
1953	305.6	252.5	7.8	2,190	2.5	3.1	7.2	2.8
1954	301.8	256.9	8.2	2,523	2.7	3.2	8.3	3.1
1955	330.2	274.4	9.2	2,882	2.8	3.4	8.7	3.2
1956	350.8	292.9	9.9	3,219	2.8	3.4	9.2	3.3
1957	366.5	307.9	10.3	3,721	2.8	3.3	10.1	3.6
1958	366.2	316.5	10.3	3,901	2.8	3.3	10.7	3.8
1959	398.5	334.6	11.1	4,305	2.8	3.3	10.8	3.9

*Sources for national income and personal disposable income, 1959 Statistical Supplement to the Survey of Current Business; for total advertising expenditures, Advertiser's Guide to Marketing for 1960.
†The gross revenue data for SRDS differs from that given in prior exhibits in that it is "net of" commissions paid to advertising agencies.

FIGURE XIV-1

Consumer Markets, and the route of diversification into still more remote areas. All three directions were explored, with notable successes being scored in the first and with generally disappointing experiences in the latter two.

New Bottles for Old Wine.—To some managements it might have appeared that 30 years of improvement in the firm's traditional product line—the basic SRDS books—left little room for further changes and developments of any significance. It would have been the easy course of action simply to have retained the proved format and to have been satisfied to maintain the company's share in the continuing growth of the advertising industry. This would not have been in keeping with the temperament of Walter Botthof, however, and perhaps still less with the attitudes of C. Laury Botthof and Al Moss. As of January 1950 the subscription and advertising rates for the *Business Publication*, *Consumer Magazine*, and *Newspaper* sections of the Service were still uniform despite the fact that their production, promotional, and editorial costs varied, sometimes considerably (see Figure XIV-2). Their circulations varied also, but usually by less than 5 per cent. The total Service consisted of five books—*Newspaper, Business Publication, Consumer Magazine, Radio,* and *Consumer Markets.* Included in *Consumer Magazine* were sections containing rates and data for farm papers, religious publications, and transportation advertising. Similarly RARD (*Radio Advertising Rates and Data*) contained information on TV stations.

By 1956 the SRDS line-up had quite a different appearance. Most of the changes had come about in response to changing patterns of advertising practice in the use of broadcast media. In place of RARD, a single SRDS publication that dealt with broadcasting in its entirety, there were now four books: *Spot Radio, Spot Television, Network,* and *Films for Television.* A similar "spinning-off" process had resulted in two books in place of one in the newspaper field—one for daily papers and one for ABC weekly newspaper publications. Likewise transportation advertising had been separated from the *Consumer Magazine* book, and given its own monthly publication. As noted in Chapter XII, information on the mass media of Canada had been extracted from the various individual books (*Newspaper, Consumer Magazine, Business Pub-*

SRDS PUBLICATIONS IN JANUARY 1950

PUBLICATION	FREQUENCY OF DISTRIBUTION	ANNUAL SUB-SCRIPTION PRICE*	PAGES	AVERAGE TOTAL PAID CIRCU-LATION	DISPLAY ADVERTISING†		
					COST	ADVER-TISERS	POSI-TIONS
BUSINESS PUBLICATION SECTION	MONTHLY	$25	744	3,861	$240	252	268
CONSUMER MAGAZINE, INCLUDING FARM PAPERS, RELIGIOUS PUBLICATIONS, AND TRANSPORTATION ADVERTISING SECTIONS	MONTHLY	$25	352	3,710	$240	58	26
NEWSPAPER SECTION	MONTHLY	$25	532	3,958	$240	164	164
RADIO SECTION, INCLUDING TELEVISION	MONTHLY	$25	744	3,767	$240	126	126
RATE BULLETINS TOTAL MONTHLY SERVICE	VARIABLE	$80	2,372	15,296	000	600	620
CONSUMER MARKETS‡	ANNUAL	$10	882	5,000‡	$300	372	390

*Subscriptions to any two or more sections were $20 a year each. The rate bulletins were issued weekly or as necessary at no charge to subscribers.
†The cost given is for a full-page, black-and-white advertisement, one time only. Two-page spreads are counted as one position. The cost per full page, black-and-white, one time, for Canadian media sections was $220.
‡This was distributed free to each subscriber to the basic SRDS services; extra copies, $7.50 to subscribers; single copies, $10.00 each to nonsubscribers.

FIGURE XIV-2

lication, etc.) and combined in one new publication: *Canadian Media Rates and Data* (Figure XIV-3). Also serving the buyers of media space and time outside the United States was an entirely new service, *Medios Publicitarios Mexicanos*, a quarterly publication inaugurated in 1958. Printed in Spanish, it soon proved its value to media buyers both in the United States and in Mexico.

Aside from the Mexican publication, which represented a clear-cut addition in coverage, the plan of expansion may be described as one of creating separate books for each major classification of U.S. advertising media.

Pricing Policy, Promotional Strategy, and Sales Organization.—The creation of these additional books and services, beginning in 1951, necessitated a review of the company's pricing policy. From the beginning the founders had thought of the Service as a total entity and in January 1936, when the basic Service was split into four sec-

SRDS PUBLICATIONS IN JANUARY 1956

PUBLICATION	FREQUENCY OF DISTRIBUTION	ANNUAL SUB-SCRIPTION PRICE*	PAGES (MONTHLY)	AVERAGE TOTAL PAID CIRCU-LATION	DISPLAY ADVERTISING‡ COST	ADVER-TISERS	POSI-TION
BUSINESS PUBLICATIONS RATES AND DATA	MONTHLY	$ 27.50	1,162	4,427	$365	420	450
CONSUMER MAGAZINE AND FARM RATES AND DATA	MONTHLY	$ 30.00	448	4,080	$365	93	102
NEWSPAPER RATES AND DATA	MONTHLY	$ 27.50	612	4,470	$365	161	169
ABC WEEKLY NEWSPAPER RATES AND DATA	SEMIANNUALLY	2.50	(96)	(2,219)	$130	(60)	(62)
SPOT RADIO RATES AND DATA	MONTHLY	$ 35.00	944	3,371	$365	182	193
SPOT TELEVISION RATES AND DATA	MONTHLY	$ 30.00	544	3,666	$365	178	188
NETWORK RATES AND DATA	MONTHLY	$ 5.00	84	2,054	$125	0	0
FILMS FOR TELEVISION	MONTHLY	$ 10.00	116	2,275	$265	2	10
TRANSPORTATION ADVERTISING RATES AND DATA	MONTHLY	$ 10.00	80	1,562	$305	5	5
CANADIAN MEDIA RATES AND DATA	MONTHLY	$ 10.00	224	2,702	$200	61	61
RATE BULLETINS	VARIABLE						
TOTAL		$177.50	4,214†	28,807		1,102†	1,178†

*There was no reduction for combination subscriptions.
†Excluding ABC Weekly Newspaper, a semi annual publication.
‡The cost given is for a full-page, black-and-white advertisement, one time only.

FIGURE XIV-3

tions—*Radio, Newspaper, Business Publication,* and *Magazine*—they questioned whether subscribers should be allowed to order copies of the various sections according to their individual needs and desires or whether the Service should be sold only on a "block" basis. During 1936 the policy of block subscriptions had been adhered to. The subscription price of $30 was for the four books, and there were no subscriptions to individual books. The response from the field to this block-pricing policy was not entirely favorable, however, and beginning in January 1937 subscriptions to individual books were taken at $15 each, the block price remaining at $30. During the entire period 1937–50 advertising rates as well as subscription rates for the three print-media sections remained uniform; the *Radio* book carried a slightly lower rate schedule for display advertising.

SRDS sales and promotional policies and practices had also long been keyed to the total service concept. For example, the sales organization was deployed exclusively on a geographic basis, with each salesman calling on all types of accounts or prospects within a given region.

In 1950 a major wedge splitting up this monolithic approach to the SRDS market was provided by the *Business Publication Promotion Handbook* (see Chapter XII, p. 184), first published in October 1948. The *Handbook*, it will be recalled, was the result of field research by an independent organization into the general informational needs of advertisers and agencies using business publication display space, as well as into the specific uses these buyers made of the SRDS *Business Publication* section. This research report had been widely distributed to agencies and others and had been followed by the *Copy Organizer . . . for Service-Ads in the Business Publication Section of SRDS*, a book that illustrated good practice in the use of display space in SRDS.

Strategy and Structure.—In early 1950 these research activities and reports were being extended to the other SRDS sections —*Newspaper, Consumer Magazine,* and *Radio*. Thus not only were SRDS display advertisers, actual and potential, informed of the opportunities afforded by "Service-Ads" in SRDS, but the SRDS management was enabled to see that this advertiser market was significantly segmented—i.e., that it consisted of several different sets of customers, each with somewhat distinctive buying motives, buying habits, needs, and patterns of geographic dispersion. This being so, the question of adjusting the internal structure of SRDS to correspond to these various market segments naturally arose.

To take an extreme position, for example, it might have been possible to consider each SRDS section as an autonomous venture with its own scale of subscription and advertising rates, its own promotional campaign for advertising and subscriptions, an independent sales organization, and its own profit and loss statement. Each SRDS section would then have been an independent publication, even to the point that the responsibility for each would reside in a quasi-autonomous division within SRDS, each division being headed by a manager charged with the profit performance of the particular publication.

While the characteristics of the advertiser market place might have supported a considerable degree of autonomy for the various sections of SRDS, from other points of view the logic of the situation seemed to support continued centralization. Although the advertiser market was clearly segmented (newspaper publishers, business publications, TV stations, and so forth), the primary user market (advertising agencies) was not. Also, as indicated by Figure X-3, all but one of the company's internal activities in 1950 were departmentalized according to function, each department serving all publications. The exception was the rate-service function, which was already separated into three departments: radio and TV; consumer magazines, farm publications, and transportation; and business publications and newspapers.

Nevertheless it does appear that if the advertiser sales activity had been organized along the lines of the various books, the rest of the company's activity could have been divided into two categories: autonomous departments for each publication in such areas as rate service, promotion, and advertising service; and general departments such as subscriptions, research, accounting, composing, printing, and binding. The result might have been an organization of the business along the lines of semiautonomous divisions, serviced by a general staff and supervised by general officers who did not participate in operating matters. Such an organization might have permitted decentralization of profit responsibility and stimulated greater attention to the needs of particular customer groups.

Opposing these considerations favoring decentralization, however, were several fundamental obstacles. In addition to those already mentioned was the fact that the SRDS organization was still quite small and also "thin" in terms of qualified managerial personnel of the type needed for the post of division manager and even for the post of functional department head. Thus the extreme position outlined above did not seem feasible from either a cost or a manpower standpoint. Perhaps equally important, Walter Botthof continued to be extremely active in the company, and his influence extended across all lines and into all aspects of the business. It simply would not have been in keeping with his interests and habits to decentralize the coordinative and administrative activity according to the several sections of the Service.

Given the decision to retain centralized control of the firm's various publications, the two major problems in an organizational sense seemed to Laury Botthof to be, first, to "beef up" the managerial ranks in terms of qualified personnel and, second, to simplify the functional structure of the company. As indicated by Figure X-3, some 15 individuals still reported directly to the

Executive Committee during the early 1950's. At the rate the company was growing, it seemed to the new president that the top management group was perpetually running "just to stand still," i.e., to meet current operating pressures.

This was the general situation when, in early 1950, Jim Peck resurrected an old policy question: "Why shouldn't each section of SRDS be priced separately, according to its cost and revenue structure, instead of uniformly at $25 each?" Brought to the attention of the Executive Committee, the query prompted a lively debate. Out of it came the proposal that each section be provided with its own subscription price and scale of advertising charges, these scales to reflect such factors as publication costs, promotional and selling costs, circulation, and patterns of revenue. Concurrently the *Handbook* and *Copy Organizer* for each section would be used to lead off promotional campaigns keyed to the several markets—a distinctive campaign for each section of the Service. Finally, the sections would no longer be promoted as such but rather as "books," i.e., "the *Newspaper* book."

Al Moss was particularly enthusiastic about the proposal. The changes in pricing policy and promotional strategy could be instituted, he thought, without any significant alteration of the company's organizational structure, although he did suggest that a considerable degree of specialization of selling effort be inaugurated as soon as possible. Moss's ready support for this segmented approach to the SRDS market grew out of his experience in the New York office. Early in his sales career he had realized the difficulty of keeping abreast of developments in the many media areas served by SRDS and had asked that certain key accounts in the consumer magazine field be assigned to him personally. By concentrating on these he had succeeded in bringing in a number of large new accounts, among them that of *Life* magazine.

On January 1, 1951, the transition to the 10 books listed in Figure XIV-3 began. These 10 replaced the four prior sections of the basic Service, just as the one SRDS book with which the company had begun in 1919 had been supplemented by *Radio* in 1929 and had been divided into *Newspaper, Consumer Magazine,* and *Business Publications* in 1936. As in the earlier period, the changes of the 1950's could be explained in terms of subscriber interest. Each of the book divisions made it possible for the buyer of media to locate material more easily, and the increased flexibility in publication schedules and editorial requirements (made possible by the separation of the books) indirectly benefited the user by permitting more economical use of SRDS production facilities and editorial personnel. Also the supplementary editorial matter, such as maps and market data, could receive more distinctive treatment. Finally, the individual books would be less bulky and easier to use.

There was still another potential benefit to the policy of market segmentation, however. As in the case of the 1936 subdivision, the expanded array of books offered more cover positions to sell and facilitated "sharpshooter" tactics in the promotion and sale of display space. That is, the SRDS field representative, instead of offering a potential advertiser display space in some minor section of a large book, could give him the more attractive opportunity of advertising in a specific book keyed to a particular market, as *ABC Weekly Newspaper.* Moreover, he could point out that there was no longer any waste circulation, as had occurred when the information on weeklies had been combined with the much larger body of data on daily newspapers.

It would seem, therefore, that everyone would benefit from the new arrangement. Advertisers could pinpoint their display advertisements, paying only for circulation to the audience desiring information about a specific medium, and could reach this audience at lower cost. The SRDS sales effort could also be more specifically directed, and publication costs could be reduced while net revenue increased. Finally, there were more potential subscribers, and the effect of increasing the subscription price could be achieved by keeping the same rate for the basic books and charging separately for the new books.

Needless to say, the foregoing promotional possibilities were given careful attention by the SRDS management and were acted upon as the program of division and expansion unfolded. While the whole SRDS management was involved in the discussions, the most ardent advocates of the move were Laury Botthof and Al Moss. Their skillful presentation of the proposal kindled the enthusiasm of Walter Botthof, Richard Trenkmann, and others, and the entire program was not only accepted but was carried through to an operational success.

To illustrate with a specific example, when the rates and data for daily and weekly newspapers had been combined, publication had occurred on a monthly basis. Circulation was 3,900 and the charge for a one-time-only display advertisement was $350 per page. At these rates only a few weekly newspapers purchased space. The new *ABC Weekly Newspaper Rates and Data* book was issued twice yearly, often enough for accuracy in view of the smaller number of publications it contained, and the rate for display advertising was set at $130 per page. Under the new arrangement, display advertisements soon passed 60 per issue. The result was an increase of nearly 300 per cent in annual advertising revenue from weekly newspapers and a reduction in publication costs, owing to the substitution of a semiannual schedule for a monthly schedule. Circulation of the weekly newspaper book soon passed 3,600 at $2.50 per year, while the daily newspaper book continued at the same circulation as before and at the same subscription rate, $27.50 annually.

Particularly important in capitalizing on the new sales opportunities was the plan for specialization within the sales force. The original idea was to make a two-way division—by local media *vs.* national media and by geographic area. Thus certain persons in the New York office would concentrate on the three major types of local advertising vehicles—newspapers, radio, and TV. Others would call upon national media—consumer magazines and business publications—with headquarters in the New York area. Moreover, resident salesmen would be located in other major areas for which the New York office was responsible—Atlanta, Georgia, for example. Until the sales volume in an outlying area was sufficient to support media specialization, one resident salesman would have to cover both local and national media. But even with one salesman in residence, there would be a greater degree of specialization than that previously permitted a traveling salesman operating out of the New York office.

Implementing this aspect of the program was not easy, since it affected established customer relationships and also salesmen's incomes. Then, too, some salesmen would travel much and others very little. Fortunately an equitable solution to the problem of salesmen's incomes was found: A salesman whose territory was adjusted or who was transferred started his new assignment with a base salary equal to his total salary and commissions of the previous year. The new program was gradually introduced over the next several years. The program of specialization by local media and national media was implemented first in New York and Chicago and subsequently in Philadelphia, Washington, and Cleveland. Regional representatives in Atlanta, Georgia; Dallas, Texas; and on the West Coast handled the entire line.

The Tribulations of Consumer Markets.—While all these changes were being accomplished, one experiment in diversification, begun in the late 1940's, was sinking more deeply into the red despite its increasing advertising and subscription revenues. This was *Consumer Markets*, first published in 1948. The problem was that the cost of continual improvements in the editorial content of the book outstripped the revenues by an ever widening margin. The first edition had shown a slight profit on the company's accounting records, but it is doubtful that a full allocation of editorial and general administrative expenses had been made to it. The second issue showed a loss of \$14,205, though gross revenue increased from \$18,000 to about \$56,000. The same thing happened in each of the next three years. In 1954 the loss approached \$50,000, although revenues reached nearly \$150,000.

Several factors obstructed efforts to place *Consumer Markets* on a favorable cost-revenue base. The continuous rise in editorial costs seemed unavoidable in view of changes recommended by users and improvements made in competitive publications. This was true also of production costs and the expense of promoting the publication. Some looseness in budgetary controls during the years 1950–54 likewise played a part. Too frequently editorial content and promotional programs were changed or augmented without making compensatory reductions in other areas of expense or without insuring that the marginal costs of the improvements were likely to be covered by the resulting marginal revenue. Thus the management's enthusiasm for making improvements was an important factor causing costs to rise—and at rates that made the stark reality of the year-end accounting figure most unwelcome.

Another critical factor was that a publication issued annually did not offer adequate revenue potential when its advertising space was sold at rates competitive with those for SRDS books which were being published monthly. This issue of internal competition arose because those media whose managers might be expected to be interested in advertising in *Consumer Markets* because of its regional and local orientation—newspapers and broadcast facilities—were already being solicited by SRDS field representatives for other SRDS publications, such as *Spot Television*, *Spot Radio*, and the *Newspaper* book. Hence SRDS sales personnel had the difficult task of dual solicitation and of demonstrating that a "Service-Ad" in one of the more frequent SRDS publications required supplementation by some form of "Service-Ad" in *Consumer Markets*. Some buyers of media also observed that the earlier policy of placing market data adjacent to rate and mechanical information in the various books—*Newspaper*, RARD, etc.—had really been more convenient. Previously the basic market information had been in one book; now they had to use two.

Finally, competition in the market-data type of yearbook had become more severe since the inauguration of *Consumer Markets* in 1948. In addition to improved and expanded government publications, there were now no fewer than six related or directly competitive privately published annuals: *Advertiser's Guide to Marketing*, published in conjunction with *Printers' Ink;* the *Annual Survey of Buying Power*, an annual issue of *Sales Management;* the *Broadcasting Yearbook* and the *Telecasting Yearbook*, issues of *Broadcasting-Telecasting;* the *Marketing Guide*, an annual issue of *Editor and Publisher;* and *Markets of America*, an annual by the publisher of *Advertising Age* and *Industrial Marketing*. Needless to say, the efforts of each of these publications to differentiate itself from the rest tended to raise editorial costs for all. Similar increases occurred in the selling costs required to obtain a satisfactory portion of the "pie" represented by the sum of the promotional budgets of media owners.

When the financial reports for the 1955 edition of *Consumer Markets* became available, the pattern of increasing losses was a matter of grave concern to the Executive Committee, and a comprehensive budget for the coming issue was requested. When submitted by the business manager, William T. Whitehead, the budget indicated that the most favorable result of a May 1956 issue would be only a smaller loss, not a profit. This forecast was judged unsatisfactory, and further efforts were made to anticipate means of decreasing costs and increasing revenues. When these efforts failed, attention was directed to the possibility of returning the maps and market data to the basic monthly Service. This idea had often been suggested by users of the various books, and it seemed sound from the subscriber's viewpoint. Sales and promotional considerations also seemed favorable, for the market data could once again be revised as often as every month. Since some types of market information now were being made available more frequently than in 1948, monthly revisions might provide a significant advantage-in-use *vis-a-vis* competitive annual publications. Moreover, additional advertising positions would be created in the basic Service—and on a monthly schedule as opposed to an annual one.

In October 1955 the following announcement appeared in all SRDS books, and the die was cast in favor of the monthly arrangement:

Beginning with the May 1956 issues, and in the succeeding monthly editions, four SRDS publications will contain *Consumer Markets'* maps and statistics:

NEWSPAPER Rates and Data
Spot TELEVISION Rates and Data
Spot RADIO Rates and Data
FARM PUBLICATIONS section of *Consumer Magazine* Rates and Data

Data on population, households, retail sales, consumer spendable income will be shown for states, counties, and metropolitan areas. For the first time *all three* basic tools of market-media selection will be available:

Media information—in the regular listings.
Market data—in the *Consumer Markets* data sections.
Market maps—preceding market statistics for each state.

As the 1955 edition of *Consumer Markets* contained more than 700 pages, about half of which were devoted to market data and editorial matter, it was hardly feasible to transfer the entire scope of the annual publication to the monthly editions of each of several books—*Newspaper, Radio,* and *Television*. The relevant maps were incorporated virtually intact, but the treatment of market data was selective; for example, information on cities and counties was cut from 37 items to 14. The reinstatement of the maps and market data in the various books was highly successful, being endorsed by subscribers and advertisers alike. Especially noteworthy from the point of view of display advertising was the inauguration of a series of acetate inserts that overlay the state maps and outlined the market areas of specific print or broadcast media.

The SRDS sales force also welcomed the change, since it relieved them of a responsibility that had proved quite difficult at times. All in all, *Consumer Markets* as an independent publication was laid to rest with a minimum of regret.

To the Bride.—Probably the farthest afield of the ventures undertaken during the 1950's was the "book" *To the Bride*. Early in 1956 Dorothy Hurst, a free-lance writer who had spent many years with an advertising agency before undertaking independent activity, came to Al Moss with an idea for a new publication—a "bridal book." Such a book would help brides-to-be select and buy the things necessary for starting a home of their own: Glassware, china, linens, household appliances, kitchen utensils, menus and recipes calculated to please the male palate, and helpful notions for entertainment occasions. Each group of items would be treated in a special section. The book would be beautifully illustrated, with paper stock and printing of excellent quality. The cover would be glossy white with gold lettering. Miss Hurst thought that the bridal bureaus of quality department stores would be glad to refer their clients to such a lovely book.

FIGURE XIV-4

Makers of items appropriate to each section would be granted an opportunity to sponsor that section on an exclusive basis. For example, in the section on formal dining all illustrations and discussions of dinnerware would refer to the products of a particular sponsor.

The bride's book would be published in fairly large volume, perhaps 25,000 copies, and would be distributed at a modest cost to a select list of bridal bureaus. The bureaus would in turn distribute the book free of charge to their clientele. The various sponsors would thus be assured of a highly motivated and carefully chosen audience —an audience with an interest in the products and with the means to purchase them. The notion was that the use of "hidden persuasion" on this doubly selective basis would be more productive than advertising in a conventional bride-directed publication.

After considerable discussion, in which Al Moss and Laury Botthof took the lead in supporting the venture, it was decided to authorize a budget of $50,000 for the projected publication. Miss Hurst garnered some 30 sponsors, and 25,000 copies were run in the fall of 1956. As it turned out, the book was indeed a beautiful thing, and bridal bureaus of the desired quality were more than willing to distribute it to their clients (see Figure XIV-4).

It proved difficult, however, to obtain the proper combination of sponsors. Also, the preparation of copy that would subtly identify the sponsors' products and yet fulfill the more fundamental purpose of providing an interesting and genuinely useful bridal book had been time consuming and costly. Then, too, the desires of the various sponsors were difficult to coordinate and were sometimes even conflicting. For example, the section on formal dining included the products of makers of furniture, linens, glassware, china, and silver. To prepare illustrations and copy suitable for such an assortment of interests was not an easy task.

Although the editorial, production, and selling costs of the first edition exceeded sponsorship revenues by a substantial margin, the response was so favorable that the management decided to try another edition. The second experience revealed still further difficulties. Some sponsors dropped out; others were added. Product styling changed, and new products came on the market. These shifts necessitated rewriting most of the copy and preparing new illustrations. Editorial, production, and selling costs remained high; yet a second issue did appear in 1957 and a third in 1958. Walter Botthof, who had entered wholeheartedly into the venture once the decision was made, made certain that the sales effort was aggressive and adequately supported. Nevertheless the costs continued to be high, nearly $75,000 for each issue, while revenues climbed slowly—too slowly. The loss on the third issue brought the total deficit to more than $150,000. Since no satisfactory solutions had been found to the problems just described, Walter Botthof scrutinized the situation in late 1958 and concluded that to put more money into the publication would be extremely unsound. In spite of a somewhat more optimistic outlook, Laury Botthof and Al Moss agreed. *To the Bride* was terminated, and rights to the publication were sold to Miss Hurst for the sum of one dollar.

While the book was not a financial success, it reaffirmed two matters of importance. One was the willingness of the SRDS management, especially Walter Botthof, to support experimentation in new directions when urged by Laury Botthof and Al Moss. The second was to reinforce the management's feeling that ventures outside the firm's traditional field of activity were to be approached with extreme caution.

Direct-Image Offset.—It will be recalled that when Laury Botthof returned from military service in the Pacific in 1946, he startled his father and Richard Trenkmann with an idea for replacing the then current method of printing SRDS. In essence, Laury's idea was to develop a type of flexible, sheet-aluminum printing plate that would receive impressions, or "embossments," from the company's standing type in proof-press form. This flexible, embossed aluminum sheet could then be prepared to accept ink in the manner of a lithographic plate, following which it would be mounted on an offset printing press and used on that machine in the customary manner.

Since its first issue in June 1919 SRDS

had been printed by the letterpress method, also termed the flat-bed or job-shop method. In 1922 the composition process had been changed from monotype (letters individually cast and assembled) to linotype (a full line of type, appropriately spaced, cast at one time). But otherwise there had been no major technical change in the SRDS production process during the entire life of the organization. In 1946, after Laury's return, the company's composing was done in rented quarters at 179 North Michigan. Following composition, the locked "chases," each containing eight pages of type, were transported by hand-truck to the Horner Printing Company next door at 181 North Michigan. After printing, the "signatures" were sent out to be bound by the Albert E. Owen Company. Then the books were returned to 179 North Michigan for wrapping and mailing by company personnel. Since the publication dates for the various books were staggered, the work flow each month was fairly stable all the way from the editorial phase through the successive steps of composing, proofreading, printing, binding, and distribution.

The composing room at this time contained five linotype machines operated on two shifts of five men each, or some 400 man-hours of composing time per week. But this was usually not enough time for the never ending task of revision and resetting, and it was a rare week when the overtime in the department did not total 50 man-hours. Of this total of some 450 hours of composition per week, probably 40 per cent was for "new work," i.e., the revision of old copy or the introduction of new copy. The other 60 per cent consisted of "resetting," or the replacing of worn type with new type, necessitated by the wear and distortion caused by repeated pounding on the press. At times the type gave evidence of wear after only 30,000 impressions or so, a relatively low figure, with the result that the printed figures and letters in the monthly editions became progressively less distinct and more difficult to read. Also, the content of even freshly reset pages was altered by changes in rate and data information at the rate of approximately 6 per cent per month. Because of this continual mixing of new and old type, within a few months the surface of the newly reset type faces again became uneven, that of the more recently revised material being higher than the rest. With little time for press make-ready, this unevenness was corrected by increasing the pressure on the press. As a result the type face became mashed even more rapidly and the figures correspondingly more blurred and more difficult to read.

In retrospect, it seems that the problem probably started with the tight production schedules desired by the SRDS management. In order to make sure that the monthly books would be as up to date as possible, there was constant pressure to reduce the elapsed time between the closing of the forms and the mailing of the printed books. If it had not been for this pressure of time, more care could have been taken with press make-ready, but that step would have added up to three hours per form and greatly increased the cost of preparation. Yet assuming that this cost had been incurred, if the type face had been in good condition and well leveled on the press, less pressure would have had to be applied to obtain a satisfactory impression. Then the type face would have yielded satisfactory copy over a much greater number of impressions, and the volume of resetting would have been drastically reduced. As it was, the short press runs of approximately 3,000 impressions along with the constant effort to reduce press time, in order to move up the closing date and thus produce a more timely service, combined to discourage more careful (and more costly) press make-ready. It is true, of course, that with a sufficient number of presses and press crews, more attention could have been given to make-ready, but, as already noted, this would have increased press costs while reducing composition costs.

It appears, therefore, that a least-cost solution to the SRDS production problem would have required the simultaneous consideration of several variables. For example, the SRDS rate and data information would be less up to date if more time elapsed between the closing of the forms and the distribution of the books. Surely subscribers would be better satisfied if this interval were five days rather than 20 days. But the financial consequences of variations in timeliness are not easily measured, especially on the market side. Similarly, composition costs for resetting old type could be expected to decline as press-setup costs increased. Finally, subscribers would undoubtedly vote in favor of a good quality of printing as opposed to a poor quality. But quality too is a continuous variable, and higher quality is ordinarily obtained only at extra expense.

This interrelationship of quality, time, composition cost, printing cost, subscriber reaction, and revenue seems quite complicated. Small wonder, then, that no detailed formal study of these variables was made either before or after Laury's proposal that a new printing process be developed. In the absence of such a study it is difficult to say precisely what opportunities for cost or quality improvement existed within the framework of the letterpress printing method. In any event, experience indicated to Laury that better opportunities to reduce time and costs lay elsewhere.

The essence of Laury's proposal was that the printing of SRDS books be transferred from the letterpress process to the roll-fed, multi-unit, rotary-offset printing process, supplemented by an automatic folder. This transition from a sheet-fed operation, in which only one color at a time could be imprinted, to a continuous, roll-fed, rotary printing and folding operation promised to shorten production time, increase the display-advertising potential of SRDS books, and reduce not only composition cost but also the cost of printing and folding. In short, it would affect every phase of the company's production-cost structure and also improve its advertising potential. To produce a printing plate for the rotary-offset process by the conventional photochemical process was so expensive that runs of 50,000 or more were ordinarily required, the letterpress process being less costly for lower volumes. (See Figure XIV-5 for a comparison of the alternatives.) This advantage of the letterpress process was primarily the result of eliminating the cost of the photochemical plates. Since the usual SRDS run was less than 5,000, it seemed to Laury that the key to the multiple advantages of rotary printing lay in the development of a low-cost plate suitable for short runs.

Developmental work on the process envisioned by Laury Botthof began in earnest in 1949 with the assistance of two printing specialists—Olin E. Friedman, a printing consultant, and Herman J. Schultz, owner and manager of an offset printing establishment in Chicago. The basic objective was

TYPES OF PRINTING PROCESSES

LEVEL OF THE PRINTING SURFACE RELATIVE TO THE LEVEL OF THE PLATE	RAISED 	DEPRESSED 	SAME LEVEL 
TECHNICAL NAME OF THE PROCESS	LETTERPRESS OR FLAT-BED PRESS	INTAGLIO	LITHOGRAPH
TYPES OF PRESSES EMPLOYED AND METHOD OF FEEDING	a. Job (sheet fed) b. Cylinder (sheet fed) c. Rotary (sheet fed or roll fed)	a. Gravure (sheet fed) b. Rotogravure (roll fed)	Rotary—offset (sheet fed or roll fed)
TYPE OF PLATE NORMALLY EMPLOYED	a. and b. Locked "chase" of cast type and "cuts" (for illustrations) placed flat on bed of press c. Curved stereo type or electro type plates (cast in wax, plastic, or lead)	a. Photo-etched on a copper plate b. Photo-etched on a copper cylinder	a. Photo-etched on flexible plates of zinc or aluminum b. Direct-image impressions on a flexible, foil-surfaced, paper-backed "d-i" plate
SUITABILITY FOR SRDS: ADVANTAGES (+) AND DISADVANTAGES (—)	+: High quality of reproduction —: High make-ready costs for "a and b" and wear on type, resulting in high composing costs; prohibitive plate costs for "c"; higher quality of paper stock required as compared with offset method	+: Negligible —: Prohibitive cost of plates; not well suited for reproducing small type; color reproduction sometimes uncertain	+: Lower quality of paper stock needed for satisfactory results; make-ready costs low; plate costs less than either of the other methods —: Technical development required

FIGURE XIV-5

to develop a printing plate that could be produced mechanically, i.e., by direct impression, and could thereafter be employed in rotary offset printing in the conventional manner. Among the materials experimented with were aluminum and zinc plates of varying thickness, hardness, and alloy composition. Those that were sturdy enough to receive and retain an adequate image, or impression, proved to be too hard on the type, while those that did not damage the type proved to be too fragile for use on the press. After nearly three years, the solution was found in an aluminum foil only three thousandths of an inch in thickness, bonded to a pressed paper backing, itself only nine thousandths of an inch thick.

Successive tests with the new aluminum foil-and-paper plate proved that the new process was technically feasible. First the locked type was positioned on the flat bed of a letterpress; then the foil-and-paper plate was positioned on the press roller, or impression cylinder, just as though it were a sheet of paper stock about to be printed. Next the impression cylinder, with the foil-and-paper plate attached, was passed over the bed of type, and—presto!—the copy was embossed upon the aluminum foil plate.[1] The next step was to level, or de-emboss, the image on the plate, i.e., to return the depressed surfaces to nearly the original plane.

The work on the basic process went ahead rapidly, and a patent covering the use of a mechanically impressed plate for rotary-offset printing was applied for in 1951 by the team of Botthof, Friedman, and Schultz. A specially designed machine for the de-embossing operation was subsequently developed by Schultz, for which a patent application was filed in 1953. The patent for the basic process was issued October 4, 1955, and for the de-embosser July 21, 1959. Patents for the process were also issued by Australia, Canada, France, West Germany, Great Britain, Italy, and Mexico. The conversion of the SRDS books to the new process began in mid-1951, and within a few weeks all 10 publications were being produced by the "d-i (direct image) Offset" method.

As indicated by Figure XIV-5, the new process provided substantial production economies, but it did much more. It added a new dimension to the activities and concerns of the SRDS management. Although, true enough, the process worked, consistent results were difficult to maintain in everyday practice. The need for developmental work continued through the 1950's and beyond. This activity represented, in part, an effort to improve the application of d-i Offset to the SRDS books, but more particularly it was concerned with widening the area of d-i application.

In the course of such activity, the produc-

1. Actually the new process was the same as letterpress printing except that an impression depth of two thousandths of an inch was required in order to compensate for any irregularities in the level of the type face. Ordinarily, the roller, or impression cylinder, of the letterpress is protected by a sheet of hard, oil-impregnated "tympan" paper. To prevent damage to the type face a thin, firm blanket of rubber replaced the tympan paper on the impression cylinder.

tion function of SRDS was almost entirely transformed. In 1949 the company's production plant had consisted of five linotype machines, a few proof presses, and standing type for the various books, all housed in some 2,400 square feet of rented space at 179 North Michigan. With the move to 1740 Ridge Avenue, Evanston, the firm gradually added plate preparation, printing, folding, and binding to its manufacturing activities. Because of the shortage of space in the new building, however, the printing and folding operations were carried on by a local printing firm with equipment owned by SRDS. The move to Skokie in October 1959 brought the total manufacturing process for the first time under one roof. The result was that the investment in manufacturing facilities—building and equipment—grew from $50,000 in 1949 to around $1,000,000 by 1959. Meanwhile, manufacturing employment increased from 20 to 65, and square feet of floor space from 2,400 to 26,000. Moreover, the Skokie plant now had more capacity than was immediately needed, and it seemed quite possible that the firm could take on a substantial amount of composing, printing, and binding if a suitable customer could be found.

In retrospect it can be seen that the entire sequence of events leading to the entry of SRDS into manufacturing stemmed from Laury Botthof's conviction that an economical means of converting the SRDS books to roll-fed, rotary-offset printing could be found. A means was found, but the experimental character of the early process led the firm to acquire its own production facilities, partly for the sake of potential economies but more especially to facilitate continued development of the direct-image process. The end result was not only a complete manufacturing facility but an opportunity to enter the printing business.

In addition, the new process was patented, and the right to use it, plus the manufacturing know-how necessary to its successful application, was now the property of SRDS. Quite naturally, the management hoped that these properties and talents would be marketable. The process was given the registered trade-mark of "d-i Offset," and a corporation was formed with Laury as president. Beginning in 1955 the process, together with the patented de-embossing machine and technical advice, was offered for sale. Some applications were sold over the next few years, but clients found the process difficult to control. It was affected by such factors as the humidity level, the inks used, the chemical and physical characteristics of the paper, the condition of the press, the graining of the plates, and the skill of the employees.

In addition, there was the fact that most craftsmen do not take kindly to new methods, especially one that tends to displace some of their number as did d-i Offset. On the positive side, the d-i Offset process, where successful, had marked cost advantages over both letterpress and photo-offset. These advantages, however, appealed primarily to owners or high-level managers and not to the ordinary run of operating personnel upon whom managements often relied for an evaluation of the new process. Perhaps these human factors, even more than the technical difficulties, were responsible for the fact that few applications, outside SRDS itself, were attempted during the 1950's.

The difficulty experienced in these external applications, as contrasted with the success experienced in the SRDS shop, can be explained in several ways. At SRDS the d-i Offset process *had* to work because it was the only one available. The management was determined that it would work, and employees were judged by their ability to make successful use of it. In other shops problems in using d-i Offset were not always dealt with patiently and firmly because it was easy to "toss in the sponge" and return to the previous process. Also, SRDS personnel had built up a body of working knowledge through repetitive experience with one type of book. But this knowledge, regularly applied at SRDS, had not been codified and reduced to operating rules and procedures that could be readily transferred to new situations. Finally, as a result of successful applications within SRDS, many of the clients were encouraged to expect longer runs and better results from d-i Offset than were warranted by their initial facility in managing the process. For all these reasons, the decade ended with the new process firmly established inside SRDS—but not outside.

XV

Media/scope

It will be recalled that in 1947–48 SRDS had experimented with *Forum*, a magazine edited with the objective of giving buyers of media a better appreciation of the many ways in which they might use SRDS directories in their work. *Forum* had been distributed free, and after an apparently enthusiastic response a limited amount of advertising had been solicited. This sales effort had not proved successful, possibly because the editorial fare was rather restricted and the publication had the aura of a promotional vehicle for SRDS. The magazine was terminated in 1948, but not without regret.

All three members of top managment—Walter Botthof, Laury Botthof, and Al Moss—had felt that there was a real need in the advertising field for a publication of professional quality whose editorial matter was focused on the problems of media planning and selection. They had recognized that *Forum*, as introduced, was not the final answer, but they had hoped that the magazine might generate sufficient interest to warrant some revenue from advertising. With the help of this revenue they had then hoped to expand and refine the editorial matter of *Forum* until it achieved genuine stature. When this strategy failed, they did not abandon their basic objective but continued to search for an approach that might prove successful.

For several years the idea remained alive, but no action was taken. The management was apparently preoccupied with the continued expansion of the business, with building a new home for the Service, and with efforts to put *Consumer Markets* on a satisfactory profit basis. When the latter was discontinued as an independent publication in 1955, the way again seemed clear to consider a journal devoted to media buying.

Walter Botthof especially favored a house-organ type of publication that would be of interest to buyers of media. This publication, he thought, would be a means of introducing new agency personnel to effective ways of using SRDS books and would provide a channel for better two-way communication between SRDS and its user audience. Other members of management were somewhat skeptical, especially since their recent experience with *Consumer Markets*. Harvey Harkaway, sales manager, was opposed because he saw the proposed publication as a drain on his promotional budget. In the meantime Al Moss recalls that he had been analyzing the contents of the major publications in the advertising field and had been astonished at how few of the articles they carried were specifically concerned with media selection. Also, he found little or nothing on the new "total marketing concept" as related to media buying or on the application of statistical research techniques or data processing to media selection. These and other current developments promised to remake the function of media buying, he thought, and would provide meaty topics for editorial treatment.

As a result, it was suggested to the Executive Committee that SRDS instead of "fielding" a new magazine in the form of a house organ develop a general magazine which would be devoted to the media-buying function and would carry advertising. Walter Botthof at once said that he had had the sale of advertising in mind, and after further discussion the committee approved a full investigation of the prospects for the proposed general magazine. Some $20,000 was spent in preliminary planning during 1956, and the pilot issue of the new publication appeared in January 1957. Called *Media/scope*, the magazine began with a controlled circulation of some 16,000 copies, divided about equally between agency personnel and others involved in the purchase of advertising space and time. In addition, about 3,000 complimentary copies were distributed to potential advertisers—publishers and station owners.

Selected as editor of the pilot issues of the new magazine was Victor G. Morris, a bright, energetic young man with several years of experience in the editing and promotion of publications. Chockful of ideas, imbued with almost a missionary zeal for giving buyers of media more stature in the advertising world, Morris sought to make the new publication vigorous, stimulating, and controversial. *Media/scope* was not to be a news-type vehicle, giving a summary of current events in the advertising world as did *Advertising Age*. Nor was it to specialize in a particular medium, as did *Editor and Publisher* and *Broadcasting*. Nor was it to focus primarily on the problems of the advertiser, as did *Sponsor*. Nor was it to deal with the problems of the agency to the exclusion of those advertisers that actively participated in the planning and selection of media. The editorial content was to be horizontal in terms of types of media covered, vertical in terms of activity—the process of market and media planning. As described in an early promotional piece, *Media/scope* was to be concerned with "all phases of market and media selection—the strategy, the methods, the reasons behind the methods."

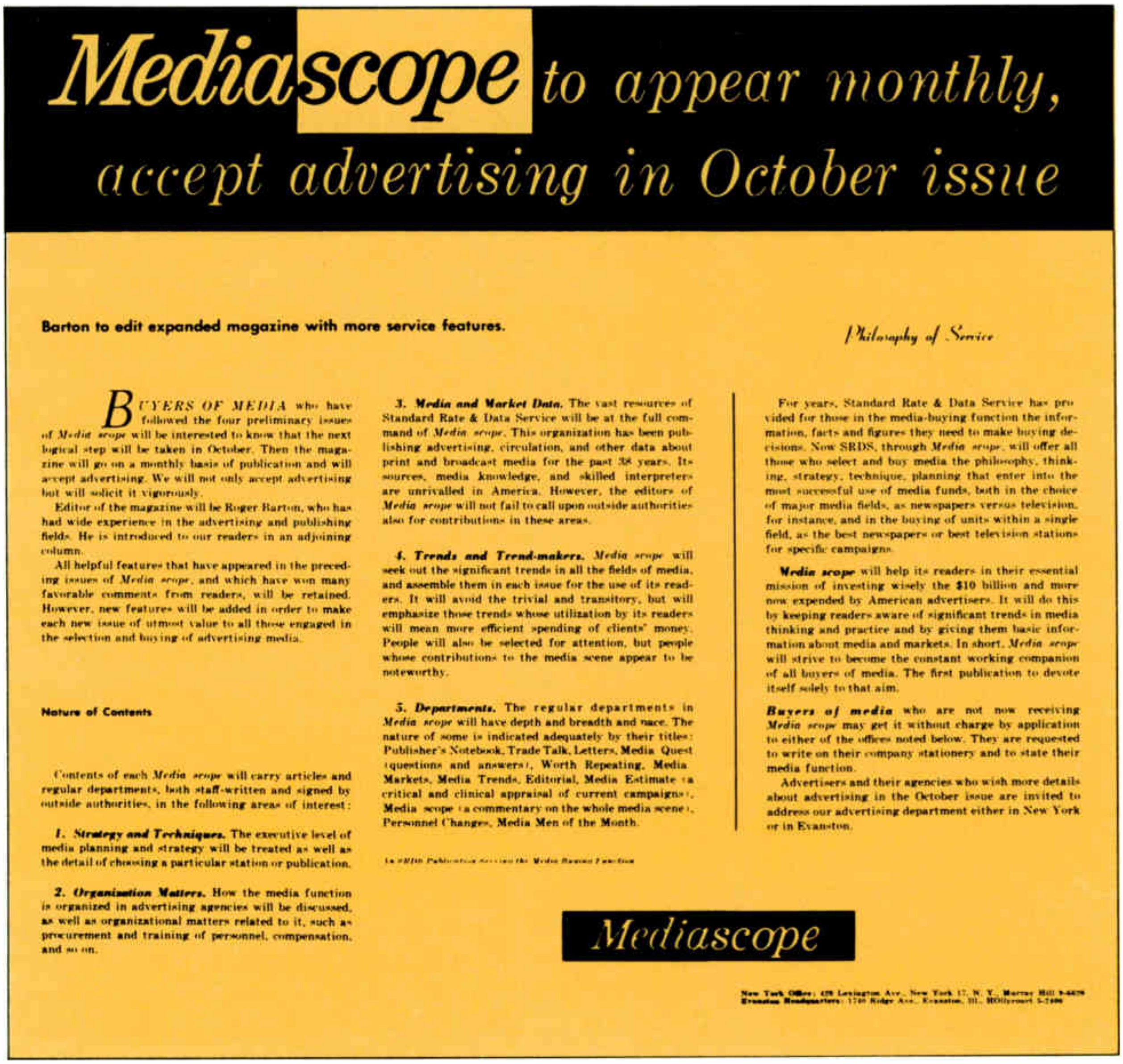
The market for the magazine consisted, therefore, of all those who participated in the selection of media either regularly or with considerable frequency, regardless of their formal titles or other functions. The editorial matter was to be focused on the analysis of media as instrumentalities of an advertising program, given the promotional theme, the audience and market objectives, and the tentative budgetary restrictions.

The first three issues of *Media/scope*, beginning with that of January 1957, were published bimonthly. As already noted, the initial circulation of about 19,000 was free, and no advertising was carried. Succeeding issues, also free and without advertising, appeared in March, May, and July, during which period audience response was appraised. Although the first few issues were well received, some thinness in editorial content began to be commented upon, and the need for a more carefully planned format became apparent. A search for an editor who was experienced in the agency and media field was begun. Among those whose qualifications came up for consideration was Roger Barton, then with Alfred Politz Research of New York, formerly editor of such periodicals as *Advertising Agency* and *American Printer*, author of several books on advertising and marketing, sometime advertising agency executive, and lecturer in advertising at the Graduate Business School, Columbia University.

Schuyler Hopper ascertained informally that Barton would be interested in discussing the future of *Media/scope* with the management of SRDS, and meetings with Moss and Hopper in New York and with Walter and Laury Botthof in the home office in Evanston followed. Barton's proposals regarding the future format of *Media/scope* were accepted with enthusiasm, and his appointment and editorial program were announced in the July 1957 issue (see Figure XV-1).

With Barton's appointment the SRDS management, and especially Walter Botthof, determined to accelerate the time schedule for accepting advertising for *Media/scope*. Instead of January 1958, the target date was moved to October 1957, at which time the publication would shift from a bimonthly to a monthly basis and from a free to a paid status. This speed-up required a considerable amount of scrambling, but with a "head of steam" supplied by Walter Botthof, the publication deadline was met.

As it turned out, the decision to "go paid" at the same time that the magazine began to accept advertising was a crucial one. It meant shifting the larger part of some 15,-



Mediascope to appear monthly, accept advertising in October issue

Barton to edit expanded magazine with more service features.

BUYERS OF MEDIA who have followed the four preliminary issues of *Media scope* will be interested to know that the next logical step will be taken in October. Then the magazine will go on a monthly basis of publication and will accept advertising. We will not only accept advertising but will solicit it vigorously.

Editor of the magazine will be Roger Barton, who has had wide experience in the advertising and publishing fields. He is introduced to our readers in an adjoining column.

All helpful features that have appeared in the preceding issues of *Media scope*, and which have won many favorable comments from readers, will be retained. However, new features will be added in order to make each new issue of utmost value to all those engaged in the selection and buying of advertising media.

Nature of Contents

Contents of each *Media scope* will carry articles and regular departments, both staff-written and signed by outside authorities, in the following areas of interest:

1. Strategy and Techniques. The executive level of media planning and strategy will be treated as well as the detail of choosing a particular station or publication.

2. Organization Matters. How the media function is organized in advertising agencies will be discussed, as well as organizational matters related to it, such as procurement and training of personnel, compensation, and so on.

3. Media and Market Data. The vast resources of Standard Rate & Data Service will be at the full command of *Media scope*. This organization has been publishing advertising, circulation, and other data about print and broadcast media for the past 38 years. Its sources, media knowledge, and skilled interpreters are unrivalled in America. However, the editors of *Media scope* will not fail to call upon outside authorities also for contributions in these areas.

4. Trends and Trend-makers. *Media scope* will seek out the significant trends in all the fields of media, and assemble them in each issue for the use of its readers. It will avoid the trivial and transitory, but will emphasize those trends whose utilization by its readers will mean more efficient spending of clients' money. People will also be selected for attention, but people whose contributions to the media scene appear to be noteworthy.

5. Departments. The regular departments in *Media scope* will have depth and breadth and pace. The nature of some is indicated adequately by their titles: Publisher's Notebook, Trade Talk, Letters, Media Quest (questions and answers), Worth Repeating, Media Markets, Media Trends, Editorial, Media Estimate (a critical and clinical appraisal of current campaigns), Media scope (a commentary on the whole media scene), Personnel Changes, Media Men of the Month.

An SRDS Publication Serving the Media Buying Function

Philosophy of Service

For years, Standard Rate & Data Service has provided for those in the media-buying function the information, facts and figures they need to make buying decisions. Now SRDS, through *Media scope*, will offer all those who select and buy media the philosophy, thinking, strategy, technique, planning that enter into the most successful use of media funds, both in the choice of major media fields, as newspapers versus television, for instance, and in the buying of units within a single field, as the best newspapers or best television stations for specific campaigns.

Media scope will help its readers in their essential mission of investing wisely the $10 billion and more now expended by American advertisers. It will do this by keeping readers aware of significant trends in media thinking and practice and by giving them basic information about media and markets. In short, *Media scope* will strive to become the constant working companion of all buyers of media. The first publication to devote itself solely to that aim.

Buyers of media who are not now receiving *Media scope* may get it without charge by application to either of the offices noted below. They are requested to write on their company stationery and to state their media function.

Advertisers and their agencies who wish more details about advertising in the October issue are invited to address our advertising department either in New York or in Evanston.

Mediascope

New York Office: 420 Lexington Ave., New York 17, N. Y., Murray Hill [illegible]
Evanston Headquarters: 1740 Ridge Ave., Evanston, Ill., [illegible]

FIGURE XV-1

000 readers, who by now had received six issues free of charge, to a subscription basis. Moreover, until they received the October issue, few of those on the *Media/scope* circulation list had any inkling that the new magazine would not be continued on a controlled-circulation basis, i.e., free to persons who "qualified" by virtue of their connection with the media-buying process. The problem was aggravated by the fact that, if a reader failed to subscribe, SRDS could not withdraw *Media/scope* without greatly endangering its appeal to advertisers. In short, if the reason for a publisher's interest in buying space in *Media/scope* was that some 15,000 key agency and advertiser personnel read it, a sudden reduction in circulation might well cause him to lose interest. On the other hand, subscribers would not be inclined to pay unless they had to, which meant that they had to be motivated to pay for something they were already receiving free and were likely to continue to receive, regardless of whether or not they subscribed, because of the desirability of maintaining circulation.

In the face of these problems, why did the SRDS management move to shift *Media/scope* to a paid basis? Perhaps one reason was that they had not originally planned as formidable an editorial program as that proposed and subsequently inaugurated by Barton. Now it seemed that the more comprehensive publication might readily support a paid circulation. Another reason may have been the reaction of potential advertisers when, during the course of the pilot issues, they were queried about their interest in placing advertising in *Media/scope*. On this score, it must be observed that there are two definite camps in the field of business publications. In one camp are persons who are intellectually, emotionally, and financially committed to the hypothesis that paid circulation is better because the subscription price provides "proof of wantedness." Those in the other camp are equally firm in their belief that a carefully controlled free circulation also constitutes an effective advertising vehicle. Some publishers in the "paid" camp have at times reinforced their position by refusing to place advertising in nonpaid publications. On the other hand, those in the controlled circulation camp seem to have no prejudices about placing advertising in paid media. Since its founding, SRDS had been identified with the "paid" group by virtue of its subscription policy. This fact, plus the desire to generate the widest possible appeal for *Media/scope*, probably would sooner or later have led the management to decide that the magazine's brightest future lay with the "paid" camp.

But it was not necessary to wait for these long-run considerations to bring the SRDS management to a decision to "go paid." Instead, the critical factor was immediate competitive pressure. In summarizing the pressures on the SRDS management, Al Moss said:

> It must be realized that our main competition in the field—*Advertising Age, Printers' Ink, Tide, Advertising Agency, Sales Manage-*

ment—were all members of ABC. Our experience, both before announcing we were going paid and during our subsequent effort to convert our controlled circulation to paid, indicated that all these competitors felt that this was the vital area in which to attack, particularly in talking to publications which were themselves paid adherents. This did not mean just the business papers. Newspapers, a prime advertiser area for the advertising trade press, have long abhorred what they call "throw-away" shopping papers, so they were conditioned to question free circulation anywhere. This, then, was an ABC field. We could not qualify in the first few years for an ABC audit because we needed 50 per cent paid and we didn't have it. We qualified for a BPA audit as soon as possible, which gave us the prestige of being audited, and later on, of course, we got the ABC audit. (Letter from A. W. Moss to the author, September 18, 1963.)

Thus the decision to "go paid" was made, and the circulation problems connected with its implementation were entrusted in large part to Arthur Gardiner Gibbs, veteran of some 30 years with McGraw-Hill, most recently as manager of circulation mail sales. He was a past president of the New York 100 Million Club, past chairman of the ABP National Circulation Round Table, and a lecturer at the ABP-MPA course on circulation. Gibbs left New York in November 1957 to become circulation director for SRDS.

The Competitive Environment.—The audience recognition and advertising niche which was being sought for *Media/scope* was already being sought in a general way by at least eight business publications (see Figure XV-2). While most of these publications were addressing only a small portion of their editorial efforts to the specific interests of those engaged in the tasks of market planning and media selection, nearly all of them were seeking to generate advertising revenues from sales to publishers and station owners on the premise of media-buying readership. Also, most of the publications which might be regarded as key competitors of *Media/scope* were paid publications, and their circulations were verified by that venerable institution, the ABC. Finally, each of these competitive magazines had a well-established schedule of advertising rates, and it was evident that whatever space charges were to be established for *Media/scope* would have to take these existing rate structures into account.

But the task of obtaining the attention of the desired audience was not merely one of competing with other publications edited for those engaged in market planning and media buying. In addition, *Media/scope* would be obliged to compete with the mass of printed matter that poured in daily from publishers and station owners in the form of sample issues and direct-mail pieces. Most media men felt obliged at least to scan material from the particular media in which they specialized and to read pertinent portions of it thoroughly.

Similarly the task of generating advertising revenue for *Media/scope* was not just one of competing with business publications such as those cited earlier. There was also the problem of presenting *Media/*

SOME KEY COMPETITIVE PUBLICATIONS CONFRONTING MEDIA/SCOPE
(From SRDS Business Publications Rates and Data, July 22, 1957)

PUBLICATION	AUDIENCES*	CIRCULATION†	RATES (DISPLAY ADVERTISING FULL PAGE, 12 OR 13 TIMES)	AFFILIATION
ADVERTISING AGE, WEEKLY; PER YEAR, $3.00	ADVERTISING AGENCIES, ADVERTISERS, MEDIA	37,000 PAID	$875	ABC, ABP, NBP, MPA
ADVERTISING AGENCY MAGAZINE, BIWEEKLY; PER YEAR, $6.00	ADVERTISING AGENCIES, ADVERTISERS, MEDIA	12,000 PAID	$440	ABC, ABP, NBP, MPA
EDITOR AND PUBLISHER, WEEKLY; PER YEAR, $6.50	MEDIA, ADVERTISERS, MEDIA REPRESENTATIVES	20,000 PAID	$405	ABC, ABP
INDUSTRIAL MARKETING, MONTHLY; PER YEAR, $3.00	ADVERTISERS, ADVERTISING AGENCIES, MEDIA	12,000 PAID	$350	ABC, ABP, NBP, MPA
MEDIA AGENCIES, WEEKLY; CONTROLLED CIRCULATION TO CLIENTS	ADVERTISING AGENCIES, ADVERTISERS, MEDIA	6,000 CONTROLLED	$230	VAC
MEDIA/SCOPE, MONTHLY; PER YEAR, $3.00 (BEGINNING OCTOBER, 1957)	ADVERTISING AGENCIES, ADVERTISERS, MEDIA	15,000 CONTROLLED	$600	SWORN STATEMENT
PRINTERS' INK, WEEKLY; PER YEAR, $5.00	ADVERTISERS, ADVERTISING AGENCIES, MEDIA	31,000 PAID	$630	ABC, ABP, NBP, MPA
SPONSOR, WEEKLY; PER YEAR, $10.00	ADVERTISING AGENCIES, ADVERTISERS, MEDIA	11,000 CONTROLLED	$430	BPA
TIDE, TWICE MONTHLY; PER YEAR, $6.50	ADVERTISERS, ADVERTISING AGENCIES, MEDIA	12,000 PAID	$450	ABC, ABP, NBP, MPA

*Audiences are shown in the order of magnitude of the groups listed by SRDS under "Business Analysis of Circulation."
†Circulation rounded to nearest 000; average for most recent six months as reported to accrediting agency.

FIGURE XV-2

scope in such a way that its appeal as an advertising vehicle would not seem to overlap that of the basic SRDS rate and data books. This was essentially the problem of avoiding the appearance of dual solicitation—a shoal that both *Consumer Markets* and *SM-MS* had encountered.

Put in another way, sales representatives for *Media/scope* had to be prepared to answer not only the question, "Why should I devote a portion of my advertising budget to *Media/scope* rather than to a journal such as *Advertising Age*?" but also to the following series of questions: "Should I devote a portion of my budget to *Media/scope* rather than to *SRDS Newspaper Rates and Data*?" "How does *Media/scope* differ as an advertising vehicle from the other books of the basic SRDS Service?" "Are the audiences different and, if so, in what way?" "Should the copy for a *Media/scope* advertisement differ from that of a display in, for example, SRDS *Business Publications Rates and Data*, and if so, how?" Ideally, sales representatives' answers would assure the questioner that advertisements in the new publication and in the basic Service were complements of one another, not substitutes; that each had a specific mission to perform in terms of audience or message or timing or all three.

Whatever approach was decided upon in terms of sales strategy would, of course, have to be supported by the editorial policy of the new magazine. To begin with, a concept of the total activity leading to the buying of media was needed. This buying activity the SRDS management visualized as occurring in successive stages, such as (1) determination of over-all marketing objectives, (2) budget formulation, (3) formulation of the marketing plan, (4) formulation of a basic media philosophy, (5) formulation of the media plan, (6) preparation of the media schedule, and (7) buying of the media. Within this general framework, it was felt that the roles played by different individuals and groups within agencies and their clients varied according to the stage of the buying process involved. For example, the basic SRDS rate and data books might be used primarily in stages 5, 6, and 7. In that case it might be assumed that the user would be in a mood to notice and read highly specific information about the market served by a particular medium, about its editorial characteristics, and so forth. Such information, placed in SRDS "Service-Ads" adjacent to a media listing, would fit the use to which the book would presumably be put. Given this understanding of the use of the basic SRDS rate and data books, the audience, message, and timing of *Media/scope* would differ in important respects and would include persons involved in steps 1 through 4 rather than 5 through 7. The reader of *Media/scope* would presumably be in a reflective frame of mind, searching for ways in which to improve his professional effectiveness, and would be receptive to ideas that might be noted and stored for retrieval *at a later time*. Advertising copy would differ in that highly specific media information would not be compatible with the purpose of *Media/scope*. Thus there would be significant differences in the two vehicles, and advertisements in them should be so constructed as to complement one another rather than to serve as substitutes. Examples of display advertisements constructed on these principles were developed (see Figure XV-3) and a promotional program built on these concepts evolved.

To insure still further that *Media/scope* was differentiated from basic SRDS books in the minds of potential advertisers, the management decided to keep *Media/scope's* sales organization, as well as its editorial and promotional functions, entirely separate from those of the rate and data books. Rates for display advertisements were below the level of *Advertising Age* and *Printers' Ink* and above those of other publications in the general field (see Figure XV-1). It was felt that *Media/scope* would reach a prime audience (from the point of view of media owners) and that only a relatively substantial advertising rate would support editorial fare of the necessary quality. To emphasize the distinction between the basic SRDS books and *Media/scope*, combined rates for the two were not offered.

In discussing this difference in functions with potential advertisers, *Media/scope* salesmen were armed with this concept:

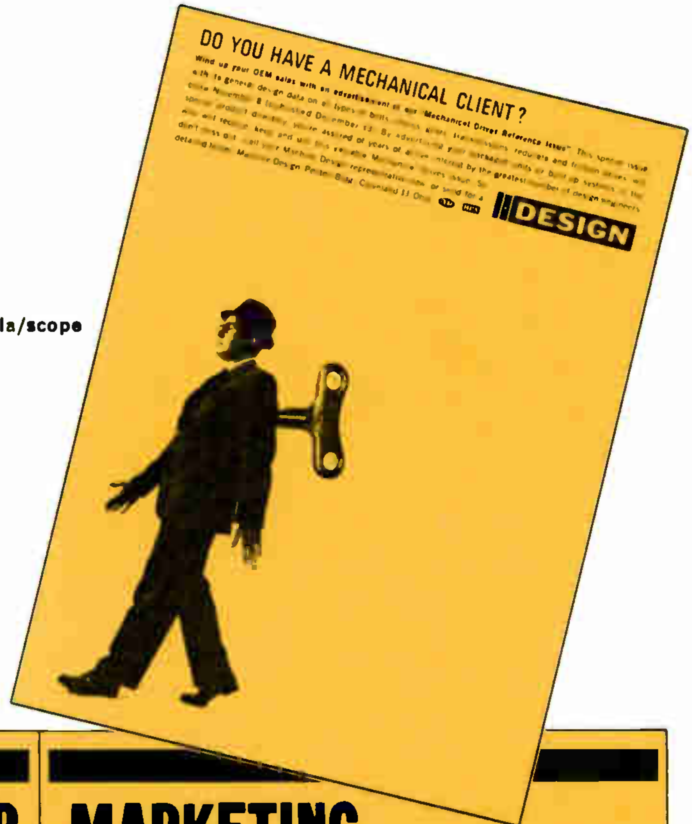
> The basic SRDS books are tools for the buyer of media; they are the substance with which he works in building a campaign or a schedule. The role of *Media/scope* is to inform, to enrich, to provide the newest ideas in buying—the concepts, the methods, and the necessary program of continuing education. (February 1963)

To carry this concept of *Media/scope's* role to the advertising profession, quite an unusual program was inaugurated. A schedule of two-thirds page insertions in *Advertising Age* and the *New Yorker* was authorized, as were station posters on commuter lines used by New York agency people. These advertisements were supplemented by announcements over radio stations in nearby Westchester County, an area heavily populated by advertising people. The efforts attracted considerable attention and brought in many subscriptions.

While the foregoing account has emphasized the separate and distinct communications tasks of *Media/scope* and SRDS, and has assumed separate sales forces for the two missions, the question of the need for such a division of people and function was debated at length. There was a considerable sentiment within the Executive Committee for handling *Media/scope* in the same manner as *Consumer Markets*—that is, by having the regular SRDS sales force add the new publication to their sales efforts. Ultimately the case for separateness, advocated by Al Moss in particular, won the approval of the group.

Nearly all the foregoing decisions—separate editorial offices and staff, differentiated sales and promotional programs and staff, no combination rates, the shift from a "free" to a "paid" basis—had one significant com-

An "Idea Ad" in **Media/scope**



A "Tell-All" advertisement in **Business Paper Rates and Data**

Figure XV-3

mon denominator: They all spelled "higher costs," that is, higher costs than the obvious alternatives. On the other hand, the decisions had the twofold objective of enhancing the appeal of *Media/scope* as an advertising vehicle and, even more to the point, of reducing the probability that whatever success *Media/scope* might achieve in advertising revenue would be offset by a decline in other forms of SRDS revenue. In other words, *Media/scope* as a commercial venture would have to succeed or fail on its own merits.

With the advent of Roger Barton as editor, the editorial offices were moved to New York, the primary center of the nation's advertising activity. The remainder of the *Media/scope* organization—promotion, production, and circulation—remained in Evanston.

Management.—Over the next several years Walter Botthof, in the executive capacity of publisher, regularly contributed a page of comment to *Media/scope.* He was the official editorial sounding board, offering advice and counsel to Editor Barton. Laury Botthof maintained general administrative control, especially through budgetary means. Operating responsibility for sales was exercised by Al Moss in New York. The functional heads of sales, promotion, and circulation at Evanston (and later in Skokie) reported to Moss in respect to *Media/scope* operations, who coordinated these activities with the editorial office in New York. As it turned out, maintaining effective coordination and control of the geographically separated administrative units was a demanding task for Walter Botthof, the publisher. Without the informal daily give-and-take among the members of the various functional activities, each segment of the operation tended to operate in a partial vacuum. To put it another way, the "feedback" from sales, promotion, and circulation personnel to editorial personnel left something to be desired.

Operating Results.—The plans just outlined were put into effect over the next few years. As indicated by Figure XV-4, paid circulation did rise steadily—from about 1,700 subscribers in 1958 to nearly 6,600 in September 1962—and advertising volume showed an excellent upward trend. In addition, the type of circulation verification became progressively more exacting, and even the strict requirements of provisional status in the ABC were met in 1963. Thanks to continuing efforts to maintain a high quality of editorial fare, readership reception was generally favorable also. If a note of caution seems to pervade these remarks, it is because *Media/scope's* tangible success was achieved only through strenuous and costly efforts in all departments—editorial, sales, and promotion. Competition proved severe in the quest both for paid circulation and for advertising linage.

These were strenuous years for the whole field in which *Media/scope* operated, however, as is suggested by a comparison of Figures XV-3 and XV-5. One major publication in the field, *Tide,* "went out." Another, *Advertising Agency,* merged with

Media/scope Vital Statistics 1958–1963

Circulation (Six months ending)	1958 12/31/58	1959 12/31/59	1960 12/31/60	1961 12/31/61	1962 12/31/62	1963 12/31/63
Paid	3,473	4,426	5,095	5,702	7,265	8,498
Nonpaid	11,549	10,610	9,587	9,538	4,729	3,425
Subtotal	15,022	15,036	14,682	15,240	11,994	11,923
Promotion copies	2,636	4,516	4,073	3,744	1,868	1,820
Total	17,658	19,552	18,755	18,984	13,862	13,743

Advertising (Twelve months)	1958	1959	1960	1961	1962	1963
Number of advertisers	180	232	222	195	135	182
Pages of advertising	359	702	952	760	600	745
Rates for one page, black and white, one insertion, at the 12-time rate	$600	$600	$600	$600	$600	$600

Figure XV-4

Advertising Age. New competition in the form of "regionals" (such as *Madison Avenue, ANNY, Ad News of the West, Media Agencies Clients*) "came in." Many editorial formats were drastically revised, and a most aggressive struggle for readership and advertising revenue prevailed. All these activities impinged upon the efforts of *Media/scope* to establish itself and helped to increase the cost thereof. For these reasons

SOME KEY COMPETITORS OF MEDIA/SCOPE IN 1962
From SRDS Business Publications Rates and Data, September 24, 1962

PUBLICATION	AUDIENCES (IN ORDER OF MAGNITUDE)	CIRCULATION (NEAREST 000)	RATES (1 PAGE, B. and W., 12 OR 13 TIMES)	AFFILIATION
ADVERTISING AGE, WEEKLY, PER YEAR, $5.00	ADVERTISERS AA's MEDIA	51,000 PAID	$1,102.50	ABC, ABP, NBP, MPA
EDITOR AND PUBLISHER, WEEKLY; PER YEAR, $6.50	MEDIA AA's MEDIA REPS.	21,000 PAID	448.00	ABC
INDUSTRIAL MARKETING, MONTHLY; PER YEAR, $3.00	ADVERTISERS AA's MISC.	17,000 PAID	500.00	ABC, ABP, NBP, MPA
ADVERTISING AND SALES PROMOTION, MONTHLY; PER YEAR, $3.00	ADVERTISERS AA's MISC.	15,000 PAID 7,000 CONTROLLED	500.00	BPA, NBP, MPA
ADVERTISING NEWS OF NEW YORK (ANNY), WEEKLY; ESTABLISHED 1960	AA's ADVERTISERS MEDIA	13,000 CONTROLLED	465	VAC
BROADCASTING, WEEKLY; PER YEAR, $7.00	MEDIA AA's ADVERTISERS	23,000 PAID	580	ABC, ABP
MADISON AVENUE, MONTHLY; $3.50, ESTABLISHED 1958	AA's ADVERTISERS MISC.	1,000 PAID 1,000 CONTROLLED 12,000 TOTAL	490	SWORN STATEMENT
MEDIA AGENCIES CLIENTS, TWICE WEEKLY	ADVERTISERS AA's MEDIA	4,000 PAID 2,000 CONTROLLED 6,000 TOTAL	330	ABC, ABP, NBP, MPA
MEDIA/SCOPE, MONTHLY; PER YEAR, $3.00	AA's ADVERTISERS MEDIA	7,000 PAID 8,000 CONTROLLED 15,000 TOTAL	600	BPA, NBP, MPA
PRINTERS' INK, WEEKLY; PER YEAR, $6.00	ADVERTISERS AA's MEDIA	40,000 PAIR	895	ABC, ABP, NBP, MPA
SPONSOR, WEEKLY; PER YEAR, $8.00	MEDIA ADVERTISERS AA's	7,000 PAID 5,000 CONTROLLED 12,000 TOTAL	595	BPA
TELEVISION, WEEKLY; PER YEAR, $5.00	NOT STATED	6,000 PAID 4,000 CONTROLLED 10,000 TOTAL	545	SWORN STATEMENT
TELEVISION AGE, BIWEEKLY; PER YEAR, $7.00	AA's ADVERTISERS MEDIA	4,000 PAID 6,000 CONTROLLED 10,000 TOTAL	560	BPA

FIGURE XV-5

the record of *Media/scope,* so favorable in terms of the results mentioned earlier, was not what the SRDS management would have preferred from the financial point of view.

The difficulty being experienced in expanding paid circulation led the management to reconsider its original projection of a potential audience of some 15,000 to 17,000 persons actively engaged in the buying of space and time for national advertising. Although SRDS and others had carried on much research into the nature of the media-buying process, including the steps involved and the personnel active at each critical phase, no definitive study had been made that could be used to delimit the market with precision. Accordingly an independent field research firm, Audits and Surveys Company, Inc., was asked to suggest a program for such a study. In mid-1961 a statistically rigorous sampling plan and interviewing procedure was proposed by Lester R. Frankel of Audits and Surveys and was approved by SRDS. The field-survey results became available in June 1962—and were startling.

The "universe" covered by the survey consisted of the membership of the Association of National Advertisers (ANA), which, it was estimated, contributed some 60 per cent of total annual advertising expenditures. According to the survey, the maximum audience of *Media/scope* among agencies and advertisers within the universe of ANA accounts consisted of only 8,750 persons. These were "all individuals present at some stage in the media-buying process" and consisted of 6,700 agency personnel and 2,050 advertiser personnel. Here is the total array of classifications:

SURVEY OF MEDIA/SCOPE POTENTIAL AUDIENCE

	AGENCY	ADVERTISER	TOTAL
I. ALL INDIVIDUALS PRESENT AT SOME STAGE IN THE MEDIA-BUYING PROCESS	6,700	2,050	8,750
II. ALL INDIVIDUALS PLAYING AN ACTIVE ROLE IN ONE OR MORE STEPS OF THE MEDIA-BUYING PROCESS	6,300	1,850	8,150
III. ALL INDIVIDUALS PLAYING AN ACTIVE ROLE IN ONE OR MORE OF THE MEDIA-DECISION STEPS	5,050	1,550	6,600
IV. ALL INDIVIDUALS RECOMMENDING A MEDIA CLASS IN ANY STEP OF THE MEDIA-BUYING PROCESS	3,700	1,450	5,150
V. ALL INDIVIDUALS RECOMMENDING A SPECIFIC MEDIUM (VEHICLE) IN ANY STEP OF THE MEDIA-BUYING PROCESS	3,550	1,300	4,850

These results clearly indicated the problem that Gardiner Gibbs and the circulation department were encountering in their effort to build paid circulation, at the same time rigorously screening subscribers in order to preserve the quality of the subscription list. If the ANA accounts represented 60 per cent of the national advertising volume and if this volume were being placed by some 5,000 to 8,000 people (the exact figure depending upon the stage and degree of involvement), the audience potential for *Media/scope* was much smaller than had been originally thought. Since the agency personnel involved in placing advertising for ANA member companies probably also placed a large proportion of the remaining 40 per cent of national advertising, the total relevant audience was, in all likelihood, not more than a few thousand larger than the figures indicated by the ANA sample. Interestingly also, the audience potential thus indicated corresponded closely to the total number of SRDS subscriptions for its basic rate and data services (eliminating duplications).

This delimitation of the *Media/scope* audience had a bright side, however, in that the paid subscription list of more than 6,500 (September 1962) represented a high degree of saturation of the ANA-member portion of *Media/scope*'s target audience, assuming a reasonable degree of congruence between the survey universe and the SRDS subscription list. This evidence, then, could be used in *Media/scope* promotion to indicate the high buying power of the publication's select audience.

As a result of this survey, a new circulation goal of around 12,000 was set for *Media/scope,* of which not more than 3,400 would be "qualified nonpaid" or controlled. The achievement of this objective would bring the publication well within the boundaries of ABC membership, as well as second-class mail entry—a matter whose desirability had become increasingly evident in recent years. Over the first six months of 1963 considerable progress was made toward these objectives. Nonpaid circulation was cut to 3,400 on a carefully controlled basis; average paid subscriptions for the half year ended June 30 increased to nearly 8,000; and the magazine was admitted to provisional membership in ABC. In addition, changes in circulation policies and practices reduced costs, and a careful review of editorial matter to encourage a still higher rate of renewals was under way. Aiding the circulation effort was a new program to encourage group subscriptions (five or more subscriptions from the same firm) by advertising agencies and major advertisers. By mid-1963 the "Professional Development Program" (termed P.D.P.) had enlisted 123 agencies with 2,038 subscriptions and seven advertisers with 73 subscriptions.

Heading up the 1963 circulation drive was David S. Yancey, a veteran of some 15 years in media management, sales, and promotion; graduate of the master's program in advertising and journalism at the University of Iowa; and formerly assistant to Gardiner Gibbs, to whose post he succeeded upon the latter's departure for another position.

To give even greater impetus to the drive to put *Media/scope* on a sounder financial basis, W. E. Botthof appointed Al Moss publisher, the post W. E. had held since *Media/scope*'s launching in 1957. With this move another stage in W. E.'s gradual disengagement from operating activities was completed, allowing him to devote more time to the company's diversification program and to policy matters.

The New Look.—Among Al Moss's first acts as publisher of *Media/scope* was to obtain critical appraisals of the magazine from parties external to the SRDS organization. For these critiques, Moss turned to two men regarded as leading operating figures in their respective fields, men who were immersed daily in the actual task of publication. Ray Schultz, art director with Hayden Publications, agreed to write a critique of *Media/scope*'s appearance, format, typography, layout, and general "feeling." Dick Haitch, rewrite editor for the New York *Times* did the same for *Media/scope*'s editorial content.

These two critiques indicated such significant opportunities for improvement that both Haitch and Schultz were asked to work closely with and through their SRDS counterparts—Roger Barton, editor, and Lincoln Mott, art director—several hours daily for two to three months.

As their first major task, Schultz and Mott developed a proposal for a new format for *Media/scope*, one designed to give the magazine a "contemporary feeling," a format that would appeal directly to the very discriminating audience for whom *Media/scope* was edited. Taking a recent issue of *Media/scope* (December 1963), Schultz and Mott completely redid the magazine in their proposed style. In a presentation of the proposal to the *Media/scope* management, the two men showed how a remarkable transformation in appearance and feeling could be accomplished within the same number of pages as the December issue, and with the same quantity of editorial and advertising material as had appeared originally. The presentation and the proposals were accepted with great enthusiasm, and the new format became a reality with the June 1964 issue. Since then, the response from *Media/scope* readers has more than justified the "new look" approved in early 1964. Moreover, the interjection of Schultz generated a new and much to be desired improvement in the relationship between the art and editorial departments at *Media/scope*, one that allowed the art department significantly more latitude for creativity.

Haitch's work with the editorial content of *Media/scope* is not so readily described, being of the type that affects the massive submerged portion of an iceberg rather than the element that is seen by light of day. A critical problem, one that was by no means entirely resolved, concerned the tendency for the articles contributed by members of advertising agencies or advertising departments to be "fence straddling" in character. This reluctance to take a firm position or to be controversial stems, it seems, from the necessity of most such contributors to clear their material with their organizational superiors, including often a legal department. The natural inclination of the latter parties is to "play safe," i.e., to "blue pencil" anything likely to be offensive to anyone. Other matters concerned the usual editorial problems of any publication: balance of editorial matter and clarity and preciseness of text.

Tom Carr, recalled from an SRDS subsidiary, took Moss's old position as advertising director. A new sales presentation of "The *Media/scope* Story," a presentation described by Moss as "masterful," was developed by Carr and made available to the *Media/scope* sales force. This, added to the momentum building up from changes initiated 12 to 18 months earlier, began to turn the tide on advertising volume. At the same time, a far reaching program of cost reduction, initiated by Walter Botthof during 1963, was bearing fruit. As a result of the downward movement of costs and the rise in advertising revenues, *Media/scope* moved into the "black'" during mid-1964 for the first time in its seven year history!

As to the future of *Media/scope*, management expects the magazine to continue to grow in stature as a carrier of advertisements that concern media values, both the values of media classes and of individual publications, networks, or stations. This will stem, they feel, from a growng recognition of the key role in media selection played by *Media/scope's* target audience—the persons who make the crucial buying decisions.

XVI

SRDS Moves to the Country

As the Service expanded in scope during the 1940's, the company's space requirements grew apace. All aspects of the business were involved—administrative, editorial, and sales offices had been housed on the sixth and twenty-third floors of the building at 333 North Michigan Avenue, Chicago, while the composing work was done nearby in the company's own plant at 179 North Michigan. Printing was done at the Horner Printing Company, 181 North Michigan, after which the books were bound at another plant several miles away and then returned to the company's plant for packaging, addressing, and mailing. This dispersion of activities created problems of coordination among the various departments. In addition to the delays and costs of transporting materials back and forth, there was an element of risk. On one memorable occasion the van carrying a load of "scows" (set-type locked in chases) from the composing room to the printers was involved in an accident, and much of its precious load was upset and hopelessly "pied." In spite of round-the-clock work at SRDS and assistance from outside composers, the publication date of the book was missed by several days.

The memory of this occasion was one of the factors that led the SRDS management, and especially C. Laury Botthof, to think wistfully of a time when the entire operation would be under one roof. Even before the end of World War II, Laury had begun to consider providing a new home for SRDS. Prodded by ever increasing demands for space, he redoubled efforts to locate a suitable site in early 1946, when the directors voted to establish a reserve of $250,000 in anticipation of a new building. From the beginning, they concentrated on an area that would permit easy commuting from the North Shore—the string of suburbs that border Lake Michigan north of Chicago, beginning with Evanston and extending some 25 miles north to Lake Forest. All the SRDS management had long resided on the North Shore, an area which also would be a ready source of high-quality staff and secretarial personnel.

The choice was complicated by the fact that, while office facilities could be located in many attractive sites along the North Shore, zoning restrictions quite generally prohibited manufacturing, including printing and binding. After many unsuccessful attempts to obtain zoning variances for manufacturing, a desirable piece of land at the corner of Ridge Avenue and Lyons Street (1740 North Ridge) in Evanston was obtained in December 1947.

The design of the new building was undertaken by the architectural firm of Maher and McGrew, Evanston, under the direct supervision of Laury Botthof. The structure was to have a central tower of three stories, from which would extend two wings, one for editorial and promotional activities and the other for the sales and general administrative departments. Executive offices, including a directors' room and adjoining dining facilities, were to be located in the tower area on the second floor, and a small penthouse suitable for overnight visitors was to occupy the top floor of the central tower. Because of zoning restrictions, composing, printing, binding, and distribution activities were to be housed below ground level.

As the plans for the building progressed, Laury Botthof became increasingly apprehensive about the suitability of the Evanston site. On June 7, 1948, he reported to the Board of Directors:

> [I am] skeptical about the advisability of building on the Lyons and Ridge property in Evanston at this time because of the restriction imposed upon us by the zoning board and because the size of the property may not allow the construction of a building large enough to take care of anticipated future expansion. . . . These items . . . appear more important now because of the difficulties we are having with the zoning board at Evanston and because changes in the organization . . . indicate the possible need of more space than was originally anticipated.[1]

Further investigation, plus the acquisition of an additional parcel of land adjacent to the original Lyons and Ridge property, proved reassuring, however, and the general contract for the building was let in September 1950. It was planned that the general offices would move into the new building on October 1, 1951, the composing room on January 1, 1952, and the new presses, folders, collating equipment, and bindery facilities later in 1952. As often happens, some of these expected dates were missed by several months.

The formal date of the move was October 1, 1951, and a gala housewarming was held

1. Directors' Minutes for June 7, 1948.

a few weeks later. The list of invited guests—agency, publisher, and broadcasting personnel, other business associates, and personal friends—numbered several hundred, and most of them attended. Of special interest to the visitors were the handsome and spacious offices of Walter and Laury Botthof and the other executives as well as the Board room with its adjacent area for executive dining.

Life at 1740 Ridge.—The new building had been designed "from the inside out," in that the functional areas had first been planned in accordance with requirements for space and light, patterns of communication, and flow of materials. After these requirements-in-use had been determined and spatial relationships established, the structure was "wrapped around" the business activity. Thus the executive offices were at the hub of things, the artists of the promotional staff were located with ample north light, and so forth. (See Figure XVI-1.) For the first six months or so, working in the new building was a wonderful experience for all hands. The patterns of communication and work flow had been carefully thought out and proved satisfactory in use. The lighting, decorating, furnishing, and lack of noise were relaxing and conducive to concentration. The air-conditioning and heating systems performed well. After a lifetime of inconvenience necessitated by dispersed offices and production facilities, the management was thrilled at having nearly the entire operation in the same structure. The building's appearance and facilities were a source of pride to management and employees alike.

Before the first year was over, however, Laury Botthof's premonition as to the inadequacy of the site was forcefully revived. The basement facilities for composing, printing, and binding proved to be cramped, especially in view of the increasing size of the Service—the number of books produced, the expanding editorial matter, and the growing volume of advertising. The subterranean location of the printing plant was not entirely satisfactory either—humidity, ventilation, and lighting were difficult to control satisfactorily. The handling of bulk materials was awkward because of the confined space. For all these reasons the management reluctantly concluded that a major item of equipment—a high-speed, roll-fed, four-color offset press—should not be installed. Printing was therefore carried on in rented facilities nearby. Finally, some of the production employees disliked being wholly enclosed in a "box of concrete" for eight hours at a stretch.

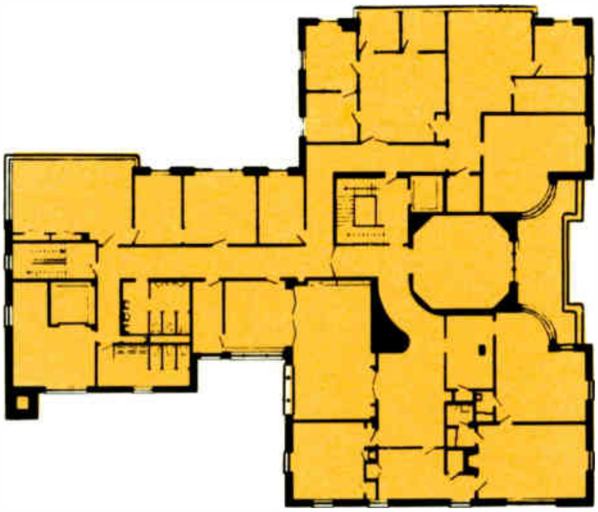
Most important of all, relatively little expansion was possible. The special-purpose spatial arrangements proved difficult to modify or alter, and functions could not be shifted easily. Even if the zoning restrictions had not existed, walls could not be "pushed out" without destroying the symmetry of the building. The same reasons—symmetry and zoning restrictions—prevented expansion upward. These difficulties were especially regretted since the manage-

East elevation

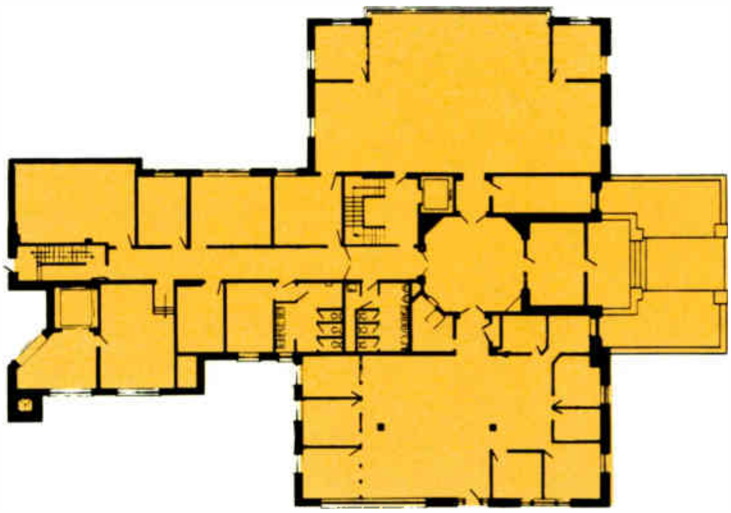
Figure XVI-1
SRDS IN EVANSTON

Office of the chairman

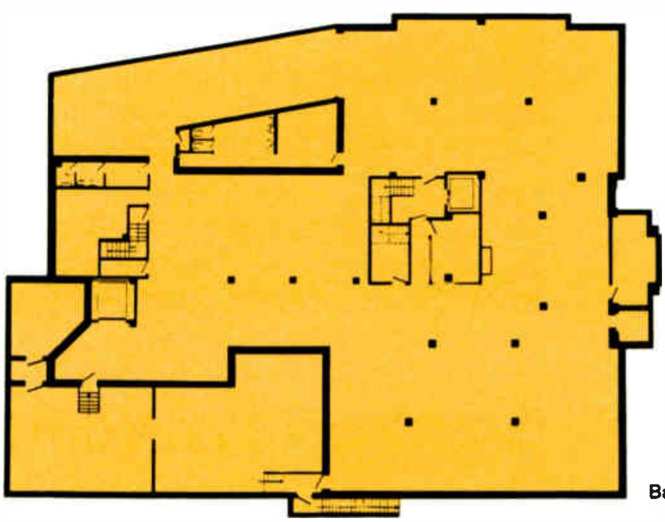
FIGURE XVI-1A



Second Floor: Executive offices, sales, promotion



Ground Level: Editorial offices



Basement: Composing, printing, binding

FIGURE XVI-1B

ment recognized that the special-purpose character of the building would render difficult the full recovery of its costs through sale to another party. It was evident that the more conventional, boxlike structures might have some advantages after all, in spite of their lack of specialized features and the consequent impersonal atmosphere.

Some notion of the pressures experienced in the new location can be derived from the fact that in mid-1950, when plans for the building were completed and the contracts let, the business was operating at the highest level in its history—about $1,500,000 in annual sales, with a total employment of about 110 persons. At the end of the first full year of occupancy, revenues had risen to $2,000,000 annually, and by 1955 they were approaching $3,000,000, with more than 200 employees. Toward the end of 1955, portions of the production process were being performed in two outside locations, and some of the office work was being carried on in rented office space nearby and in hotel facilities.

The quest for a home for SRDS was begun anew, and in May 1956 seven acres in the village of Skokie, immediately west of Evanston, were purchased. The new site had much to offer: ample space for future expansion; proximity to the North Shore; ready access to Chicago's central business area, the famed "Loop," via a 20-minute ride on adjacent Edens Expressway; good transportation to the new jet-age Chicago airport, O'Hare Field; and desirable industrial neighbors, such as the administrative offices of the International Minerals and Chemicals Company and the Research Laboratory of the Portland Cement Association. There was even the prospect of luncheon shopping for the staff at the beautiful Old Orchard shopping center nearby. Just 500 yards west of the SRDS site was Harms Woods, a forest preserve and recreation area, part of a belt of such property extending for many miles both north and south. Across the street to the north of the site, a field had just been planted to corn, emphasizing the fact that industrial and commercial development was very recent in the area. It was contemplated that the new home of SRDS publications would be beautifully landscaped and illuminated and would present an attractive appearance to the tens of thousands of motorists who daily traveled along Edens Expressway at the eastern edge of the property. The site seemed to offer the rare combination of city advantages in a parklike environment.

Standing bareheaded in an open field in October 1957, Laury Botthof addressed the assembled organization, gathered to witness the breaking of ground for the new structure. First, the Reverend William K. Hodgson of Kenilworth Union Church gave the invocation, then to his father Walter Botthof, Laury gave praise and gratitude for having founded the business and brought it to its present state of health and affluence. Then he thanked those present for having done so much to help bring about the remarkable growth of the recent past. An expression of firm confidence in the future prospects of the company concluded the address. In spite of the damp greyness of the fall day and the soggy, slippery, grassy footing, the occasion was stirring and impressive. One had the feeling that the fine future of which Laury Botthof spoke would indeed come to pass.

A New Home at 5201 Old Orchard Road.—The rugged beauty of the massive central tower and spreading wings of the new building, done in quarried stone and brick, surrounded by landscaped lawns, and set off by a lovely fountain and formal garden at the main entrance, must be seen to be fully appreciated (Figure XVI-2). Designed by the architects of the company's 1740 Ridge Building, Maher and McGrew of Evanston, the building incorporates the same general philosophy of design. Some of the outstanding features are the two-story main lobby with its decorative pool, circular staircase, and handsome mural rendition of *The Story of Advertising Is the Story of Human Progress,* the art work commissioned for the company's twenty-fifth anniversary (see Chapter XIII).

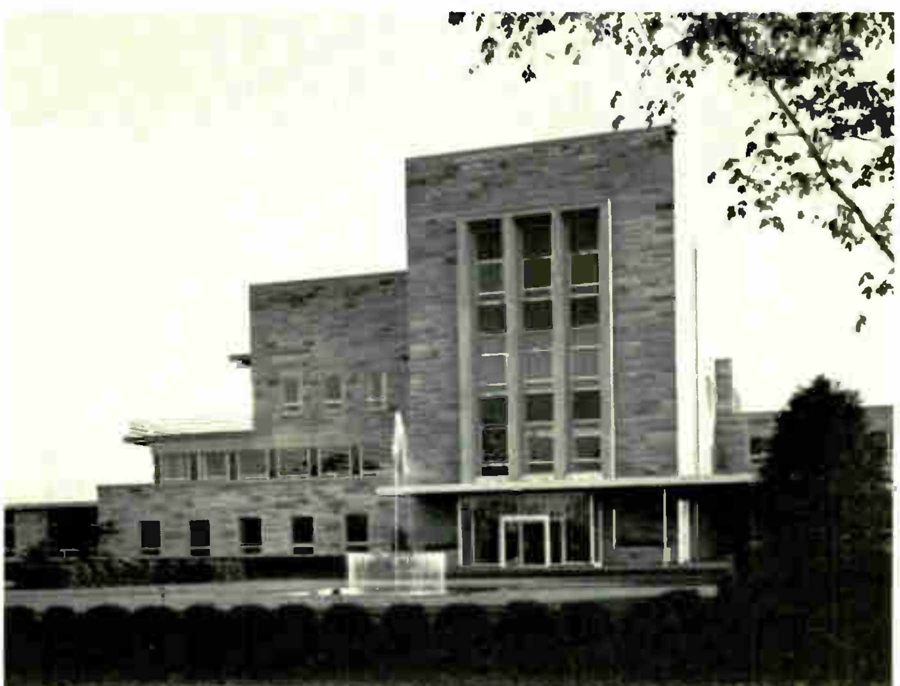
Near the main lobby is the spacious and attractive employees' dining room, distinguished by a magnificent mural (15 by 26 feet) of George Washington's inauguration as the first President of the United States, a ceremony which took place on the portico of Federal Hall, New York City, on April 30, 1789. Done by the noted American muralist, Ezra Winter, the work had been created for the George Washington Bicentennial Celebration in the nation's capitol and had been displayed during the year 1932 in the great rotunda of the National Gallery of Art.

Also noteworthy is the third floor, devoted to the executive offices, an art gallery, the officers' dining room, and a lounge that also serves as a conference room. The general decor of the executive area is such as to make it a "home away from home." Each office is furnished according to the choice of its occupant—French Provincial, Danish Modern, Contemporary Oriental—and in the informal style of a fine home library. The offices open off a gallery and foyer in which are hung works of prominent contemporary painters. Attractive carpeting throughout adds to the relaxed and informal atmosphere. Reflecting as it does the individual preferences of the executive group, the floor affords some insight into the owner-managers' philosophy regarding the new home of SRDS. To them it is more than an office building; it is a reflection of their own tastes and personalities—a place in which work is enjoyed and creativity stimulated by imaginative surroundings, business activity dignified by a high regard for individuality and beauty, and quality of performance encouraged by atmosphere and example.

Even more significant, by way of comparison with the 1740 Ridge building, is the amount of space in the Skokie building. The new facilities not only were adequate for the size of the staff that moved in October 1959 but allowed for a further expansion of 50 per cent and more. Especially striking is the contrast between the tomb-like, subterranean production area at Evanston and the spacious plant in Skokie, with its broad expanse of windows looking out

An aerial view, office building in the foreground an[d] printing facility in the background

Figure XVI-2
SRDS HEADQUARTERS
5201 Old Orchard Road, Skokie, Illinois



The fountain and central tower on a warm spring day

FIGURE XVI-2A

Editorial workroom

Lunch room and mural

FIGURE XVI-2B

toward trees and vivid green lawns. Finally, in the event that the quarters should ultimately become crowded, the Skokie building can be enlarged in any of several directions.

Bricks, Printing Presses, and Profits.—As already suggested, the financial results of the decade of 1950–59 were most impressive. Annual gross revenue rose from $1,572,000 to $4,261,000, a ratio of 2.7 to 1.0. Total operating income for the 10-year period was some $28,116,000, on which net profits (after taxes) of nearly 9 per cent were realized. Of these profits, only 12 per cent was distributed as dividends, the remaining 88 per cent being retained to finance the expansion of the business. But even this high rate of reinvestment was not sufficient to support growing financial requirements, and long-term mortgage loans helped to finance the construction of both the 1740 Ridge building and the Skokie building. In the first instance a 10-year installment loan of around $500,000 sufficed, but the Skokie building required a much more substantial mortgage. The construction of these buildings and the establishment of the SRDS printing facility absorbed well over $3,000,000 by the end of 1959, and the completion of the projects to which the company was then committed was expected to raise the total fixed investment at 5201 Old Orchard Road, Skokie, to around $4,000,000.

Another outstanding consequence of the decade, then, was the change in the company's investment and cost structure. At the beginning of the decade SRDS occupied rented space at 333 North Michigan and 179 North Michigan. Aside from office equipment and composing-room facilities, the firm had virtually no investment in fixed assets, and the risks attendant on the ownership of the necessary production facilities and office space were borne by others. By the end of 1959 the company occupied land and facilities whose cost was approaching $4,000,000.

The impact of the company's decision to construct and own its own office and printing facilities on this scale had a marked effect on its cost and financial structure. Investment in operating assets increased to nine times the 1949 level, while sales rose to only three times the earlier figure. Operating profits (net income *before* federal taxes on corporate profits) declined somewhat from earlier levels. As a result, the pretax operating return on operating assets declined to less than one third of the level of the late 1940's. (See Figure XVI-3.)

During this decade the ratio of working capital requirements to sales fell from 17 per cent to 11 per cent, a remarkable accomplishment in view of the fact that the firm now operated its own presses and had to maintain inventories of paper stock and other materials in addition to the value of the work in process. Since the return on sales was only moderately lower than during the late 1940's, it follows that the key to the decline in the ratio of operating return to operating assets was the company's investment in bricks, mortar, and printing presses. Figure XVI-3 provides additional data on the radical shift in financial structure and operating results over the 10 years.

The Basic Question.—Some reflection on the ratio between the total profits for the decade, around $2,400,000, and the expenditure for bricks, mortar, and presses at the end of the decade is certain to raise the question, "Why did the owner-managers—Walter Botthof, Laury Botthof, and Al Moss—choose this particular mode of investment?" The answer is not to be found in a cost analysis, since the equivalent square footage of office and plant space could probably have been provided at considerably less expense had the firm wished to accept a lower quality of construction in a conventional cubelike structure. The same line of reasoning also applies to the site.

Two significant reasons for choosing the suburban location were commuting convenience and satisfaction in use. The commuting time of the management group was reduced by at least one and a half hours a day, and the enervating daily struggle to the downtown business area was replaced by a relaxing 15-minute drive. As to daily use, the spacious offices and artistically pleasing surroundings provided great satisfaction, as did the fact that the whole operation, from sales to production, being under one roof, was more readily subject to control. In addition, the quality of the new employees was expected to improve, and it did, thus making for a more effective work environment. These and similar factors may well be termed "psychic income" to the owner-managers and help to explain why they chose to invest more than 10 years of

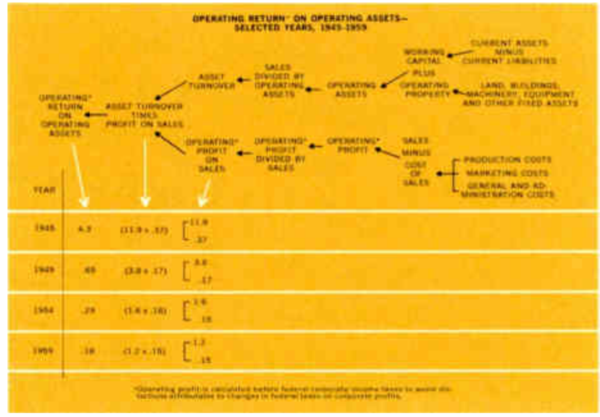


FIGURE XVI-3

SRDS earnings in giving their company a new home.

Another important reason was the structure of federal taxes on corporate income. Given an investment of $3,000,000 with an average depreciable life of 15 years, the annual depreciation charge will be $200,000, which will offset profits of a like amount, producing a tax shield of about $100,000 (under the 1961 federal corporate income tax of 52 per cent). If the fixed investment has been partially financed by a mortgage loan of $1,500,000 at 5 per cent, the annual interest of $75,000 the first year will provide a further tax shield of about $39,000. Assuming that inflationary pressures will prevent a decline in the actual market value of the property, the value of the total tax shield thus gained amounts to some $139,000 the first year. Even though this amount will decline annually as the mortgage is reduced, the sum is significant.

Another important consideration is the effect of alternative distribution of operating income to the owner-managers of a

FEDERAL TAXES AND CORPORATE POLICY
Regarding
Dividends, Salaries, and Reinvested Earnings

FACTORS	SITUATION A 100% DISTRIBUTED AS DIVIDENDS (000)	SITUATION B 100% DISTRIBUTED AS SALARIES (000)	SITUATION C 50% REINVESTED AND 50% SALARY (000)
1. OPERATING PROFIT BEFORE ALLOWANCE FOR SALARIES OF 3 OWNER-MANAGERS	$600	$600	$600
2. ALLOWANCE FOR SALARIES OF 3 OWNER-MANAGERS	NONE	$600	$300
3. FCIT (FEDERAL CORPORATE INCOME TAX) AT A 50% RATE*	$300	0	$150
4. DISTRIBUTED AS DIVIDENDS TO 3 OWNER-MANAGERS (EQUAL DIVISION)	$300	0	0
5. FPIT (FEDERAL PERSONAL INCOME TAX, 1961 SCHEDULE) ON THE 3 OWNER-MANAGERS	$161	$405	$171
6. REINVESTED IN THE CORPORATION	0	0	$150
7. NET BENEFIT TO THE 3 OWNER-MANAGERS a. SALARIES AFTER FPIT	0	$195	$129
b. DIVIDENDS AFTER FPIT	$139	0	0
c. CLAIM TO REINVESTED EARNINGS IN THE AMOUNT OF	0	0	$150†
TOTAL BENEFIT	$139	$195	$279†
8. NET BENEFIT AS A PERCENTAGE OF ORIGINAL OPERATING PROFIT	23	33	46

*Plus benefits derived from reinvestment, less capital gains tax upon disposal of interest in the corporation.
†The actual FCIT rate in 1961 was 52 per cent on earnings above $25,000.

FIGURE XVI-4

closely held firm. Three such distributions are outlined in Figure XVI-4.

In addition to such "dollars and cents" considerations, weight is also given by many managements to factors which may have only a very indirect effect upon earnings. For example, the funds retained in the business may be employed to satisfy personal tastes and interests. Depending upon the outlook of the particular managerial group, corporate funds may be invested in handsome offices or attractively landscaped grounds, or bubbling fountains, or paintings by distinguished artists. In short, instead of building a palace at Newport, successful owner-managers of today may elect to use a much larger portion of their potential income for esthetic satisfactions at their place of business.

The line of reasoning just noted certainly applies to many owner-managers and may also have some relevance to the splendid edifices that corporations under professional managements (as opposed to owner-managements) are creating throughout the nation. Indeed it may be that the federal tax structure is having the important, though unanticipated, side effect of beautifying the industrial and commercial landscape of the nation. At any rate, this thought may render such taxes slightly more palatable to those upon whom their impact falls so heavily.

Let us now turn from the physical environment to the human one, and consider more closely what was probably the outstanding development of the post-World War II era at SRDS—the reshaping of the management team.

XVII

The "New Look" in SRDS Management

As A COMPANY grows from a small organization of, let us say, 15 to 25 people to an organization of 100 or more, dramatic changes often occur in both the structure and the practices of the managerial group. The intimate, face to face supervision of every aspect of the business by one or two men gives way to a more impersonal type of management, one dependent upon the insertion of one or more levels of intermediate managers between those who plan and direct the total activity of the enterprise and those at the "action level." As noted earlier (Chapter X), the desirability of inserting an intermediate layer of management at SRDS had been strongly recommended by a management consulting firm as early as 1947. This advice was gradually implemented over the succeeding years, and this chapter is concerned with the process and consequences of this transition. It will indicate how the new members of management were recruited, what their prior experience had been, how they were absorbed into the organization, and how the organization and its practices changed as a result.

One of the salient aspects of the new managerial groups that joined SRDS after 1947 was their extensive prior business experience. The 10 men who constituted the top echelon of professional managers in

1963 had, on the average, some 20 years of business activity prior to joining SRDS. Important also was the variety of business experience that these 10 men brought to SRDS, including positions of managerial responsibility with major advertisers, publishers, and advertising agencies; supervisory responsibility for large-scale marketing research and media-research activities; top-drawer editorial responsibility; and public accounting or controllership experience with outstanding firms. In every area of SRDS activity, by the late 1950's the person with primary responsibility was a man of considerable depth and breadth of business or professional training.

In contrast with the owner-manager group that had founded the firm some 40 years earlier, each of the top professional SRDS management men had attended a college or university, and seven had obtained bachelor's degrees in business or journalism. Nearly all had also taken advanced work at the college level. Four had master's degrees, two were CPA's, and one had a doctorate, as evidence of postgraduate or professional study. Over half of the group were active in some professional society or organization, usually in the field of publishing or advertising. To climax the "new look," five of the 10 had lectured or taught at a college or university, some for many years.

Needless to say, this managerial profile differed significantly from that of the SRDS organization in 1947 when the consulting firm of Stevenson, Jordan, and Harrison, Inc., had concluded that a major program of management recruitment and internal development was needed at SRDS. Following receipt of the consultants report, the Executive Committee, consisting of Walter Botthof, Laury Botthof, Al Moss, Richard Trenkmann, and Frank Ceithaml, had been formed and had undertaken the task of gradually transferring the reins of control, both operating and policy-making, from Walter Botthof to Laury Botthof and others. The committee's activities had stimulated the practice of group decision-making and had allowed Walter to assure himself both of the continuation of the business along the lines he had established and of the ability of the younger members of management to administer the firm effectively.

In addition to serving these purposes, the period of management by committee had provided time for recruiting and training newer members of management at the sectional and departmental levels. Prominent among the newer management personnel were Ceithaml himself, who joined the firm in 1947; Harkaway, who came to SRDS from James O. Peck in the same year; and George Heitz, who joined SRDS as the firm's promotion manager in 1954. By 1955 Laury Botthof felt that the period of management development and the growth of the firm had proceeded to the point where SRDS not only needed a strong layer of functional executives but possessed the nucleus of the necessary personnel. Over the intervening eight years, the Executive Committee had continued to exercise direct control over some 12 to 14 operating groups. (See Figure X-3.) Of course, each of the several members of the committee had special areas of interest and competence, and some, such as Laury Botthof, Al Moss, and Frank Ceithaml, wore two or more "hats," i.e., they served both as members of the Executive Committee and as heads of operating functions.

The special advantages of the Executive Committee arrangement were that many points of view were brought to bear on top management problems, that it afforded an opportunity to make a gradual transfer of authority and responsibility, and that any new policy was likely to be well understood and accepted by the members of the committee when they returned to their respective operating roles. Offsetting these favorable considerations were several rather important disadvantages. One was the time involved. The meetings of the Executive Committee consumed from 30 per cent to 50 per cent of the time of four or five key personnel each week. Another was that, in fact, the final decisions on most matters were made jointly by W. E. and C. L. Botthof, sometimes (on a matter of considerable importance) after a telephone conference with Al Moss in New York City. A third was that the system tended to perpetuate the referral of a wide variety of operating matters, in addition to policy questions, to the Executive Committee, thus impeding the professional growth of the lower levels of management. Fourth, the presence on the Executive Committee of a large number of persons with direct operating responsibilities tended to inhibit an objective appraisal of the activities represented. Persons in the lower echelons of management also tended to "shop around" among the members of the Executive Committee to ascertain which would be the most favorable person to whom to refer a problem or a proposal. Finally, the Executive Committee had, from the beginning, been considered a stopgap arrangement to function during a period of management development.

Not until late 1955, however, did Laury Botthof feel that the time was ripe for a consolidation of operating activities into approximately half of the then existing areas of responsibility, and for the institution of a new intermediate level of management between the policy-making and general administrative level and the many operating sections. Significantly, when he broached the subject to Walter Botthof, it was in terms of the cost of the change, since he knew that this would be one of his father's first concerns. In effect, he said, "Dad, how would you like to add about $150,000 of administrative overhead?" As might be expected, this query precipitated a series of discussions, at first between father and son, then broadened to include Al Moss on his next visit to the home office and later Frank Ceithaml and Richard Trenkmann. By early 1956 Laury Botthof had developed a complete plan of reorganization. In it present personnel had been tentatively slotted, and necessary additional management positions had been identified.

Laury's plan of organization was adopted by top management and announced to the internal organization in mid-1956 and to the public that November. This plan was distinctly different from that contemplated by the consultants eight years earlier in several ways. As indicated in Figure XVII-1, the operating sections were grouped into five divisions: sales, editorial, records, personnel, and production. In addition, Frank Ceithaml continued in charge of the finance, accounting, and controllership functions which constituted, in effect, a sixth division. The Executive Committee was abolished, and the heads of all operating divisions were instructed to report to Laury Botthof. Richard Trenkmann, who because of poor health had not been fully active for some years, retired formally in December 1956.

Two of the new divisions were headed by recently acquired personnel—Dr. Harold P. Alspaugh in editorial and Joseph Landon in personnel. A search was under way for a new chief of the production division, since Oscar Simms, long-time head of the company's composing department, was reluctant to assume responsibility for both that activity and the firm's new printing process. From a longer view, however, it is clear that this reorganization was but another step in a gradual process of adaptation to growth and change that had begun 15 or more years earlier when Laury Botthof and Al Moss had first begun to make an impact on the firm.

It is significant that Laury, in describing their positions to the new incumbents, did not state their responsibilities and authority in a narrow sense. Instead he indicated the general lines of functional responsibility and said that each was charged with taking such action as was necessary to achieve the objective of that particular function. Each was free to move into "grey areas" as he saw the need, and the person who saw a job that needed to be done, and did it well, would be congratulated rather than criticized. Hopefully this arrangement would allow the men to assume greater responsibility as they felt able and as they saw the opportunity. Hopefully also things that needed to be done would not fall "between the cracks" of rigidly defined areas of responsibility.

So much for the plan. Now let us consider some of the people upon whom its success depended.

Finance, Accounting, Control.—Frank J. Ceithaml, the first major addition to the management group, had left the prominent public accounting firm of Price Waterhouse to join SRDS as controller and assistant treasurer. Ceithaml's prior business experience included corporate accounting and financial management in addition to public accounting. At SRDS his first task had been to develop internal operating procedures and financial controls of the type suggested by the Stevenson, Jordan, and Harrison report. These changes had been instituted gradually over a period of several years, departmental budgets having been intro-

PUBLISHING AND EXECUTIVE OFFICES

1740 Ridge Ave., Evanston, Ill.,
Hollycourt 5-2400; Davis 8-5600.
TWX Evanston Ill 2034

Walter E. Botthof, Publisher and Chairman of the Board
C. Laury Botthof, President and Treasurer
Albert W. Moss, Executive Vice Pres. (N.Y.)
E. L. Botthof, Secretary
Frank J. Ceithaml, Vice President and Assistant Treasurer
William T. Whitehead, Assistant to the President

SALES OFFICES

Eastern—

420 Lexington Ave., New York 17, N. Y.,
Murray Hill 9-6620.
TWX N Y 1-4164

District Managers:
Allen J. Fagans—Delaware, Maryland, New Jersey, Pennsylvania, Virginia, West Virginia, New York City
Joe S. Fitch—Connecticut, Maine, Massachusetts, New Hampshire, New York, Rhode Island, Vermont, New York City
James Corgee—New York City
Arvid Hamrin—New York City and Philadelphia
Harvey A. Harkaway—New York City, Eastern and Central Canada
W. F. Pierce—Alabama, D. C., Florida, Georgia, N. C., S. C., Eastern Tennessee, New York City

Midwestern—

1740 Ridge Ave., Evanston, Ill.,
Hollycourt 5-2400
Midwestern Manager—John G. Williams
Market Analyst—Leonard J. Schultz

District Managers:
Warren Carhart—Iowa, Minnesota, Eastern Mo., Nebraska, N. D., S. D., Wisconsin, Chicago.
F. LeRoy Hess—Arkansas, Kansas, Louisiana, Western Mo., Mississippi, Oklahoma, Western Tenn., Texas, Chicago
Wm. C. Parrington—Chicago, Kentucky, Michigan, Ohio
David S. Wexler—Illinois, Indiana, Chicago

Western—

Don Harway & Co., 420 Halliburton Bldg., 1709 W. Eighth St., Los Angeles 17, Calif., Dunkirk 2-8576
Pacific Coast States and Western Canada

EDITORIAL AND RATE SERVICE

Media Relations Director—John F. Klatt
Editorial Managers:
Jay Dee Loomis—
Business Publications, Daily and Weekly Newspapers
Edward D. Gorman—
Radio & Television Stations, Networks
Bernard F. Kroeger—
Consumer Magazines, Farm Publications, Transportation Advertising, Canadian, Films for Television

Market Data:
Editorial Manager—Alfred J. McAndrew
Consultant—Dr. Frederick A. Ekeblad
Market Analyst—Leonard J. Schultz

DEPARTMENTAL PERSONNEL

Advertising Service:
Advertising Order—Walter Maher
Advertising Make-up—Florence Krayzer

Circulation:
Manager—Robert C. McKay

Personnel: Dwyer Roche

Production:
Composition—Oscar H. Simms
Printing—Edmund J. Soden

Promotion:
Advertising and Sales—George J. Heitz
Service—Victor G. Morris
Art—Robert K. Kibort

Research:
Product—Jean Ingram
Sales—Harry J. Johnson

PUBLISHING AND EXECUTIVE OFFICES

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Hollycourt 5-2400; Davis 8-5600.
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Walter E. Botthof, Publisher and Chairman of the Board
C. Laury Botthof, President and Treasurer
Albert W. Moss, Executive Vice-Pres. (N.Y.)
E. L. Botthof, Secretary
Frank J. Ceithaml, Vice-President and Assistant Treasurer

SALES DIVISION

Executive Vice-President in Charge of Sales—Albert W. Moss (N.Y.)

Territorial Sales Manager (N.Y.): Harvey A. Harkaway
Midwestern Manager: John G. Williams (Evanston)

Sales Service (Evanston)

Advertising Promotion George J. Heitz
Market Analyst Leonard J. Schultz
Sales Research Harry J. Johnson
Art Robert K. Kibort
Advertising Agency:
The Schuyler Hopper Company (N.Y.)

Sales Offices

Eastern—

420 Lexington Ave., New York 17, N. Y.,
Murray Hill 9-6620.
TWX N Y 1-4164

District Managers:
James Corgee—New York City
Allen J. Fagans—Delaware, Maryland, New Jersey, Pennsylvania, Virginia, West Virginia, New York City
Joseph S. Fitch—Connecticut, Maine, Massachusetts, New Hampshire, New York, Rhode Island, Vermont, New York City
Arvid Hamrin—New York City and Philadelphia
Harvey A. Harkaway—New York City, Eastern and Central Canada
W. F. Pierce—Alabama, D. C., Florida, Georgia, N. C., S. C., Eastern Tennessee, New York City

Midwestern—

1740 Ridge Ave., Evanston, Ill.
Hollycourt 5-2400
TWX Evanston Ill 2034

District Managers:
Warren Carhart—Iowa, Minnesota, Eastern Mo., Nebraska, N. D., S. D., Wisconsin, Chicago
F. LeRoy Hess—Arkansas, Kansas, Louisiana, Western Mo., Mississippi, Oklahoma, Western Tenn., Texas, Chicago
Wm. C. Parrington—Chicago, Kentucky, Michigan, Ohio
David S. Wexler—Illinois, Indiana, Chicago

Western—

Don Harway & Co., 420 Halliburton Bldg., 1709 W. Eighth St., Los Angeles 17, Calif., Dunkirk 2-8576
Pacific Coast States and Western Canada

EDITORIAL DIVISION

Editorial Director—Dr. Harold P. Alspaugh

Subscriber & Media Relations: John F. Klatt
Editorial Managers:
Jay Dee Loomis
Business Publications, Daily and Weekly Newspapers
Edward D. Gorman
Radio & Television Stations, Networks
Bernard F. Kroeger
Consumer Magazines, Farm Publications, Transportation Advertising, Canadian, Films for Television
Consumer Market Data: Alfred J. McAndrew
Consultant: Dr. Frederick A. Ekeblad
Service Promotion: Victor G. Morris
Service Research: Jean Ingram

RECORDS DIVISION

Director of Records—William T. Whitehead

Circulation: Robert C. McKay
Ad Order Processing: Walter Maher
Ad Make Up: Florence Krayzer
Accounting-Budgeting: Kenneth Draut
Purchasing: William T. Whitehead

PERSONNEL DIVISION

Personnel Director—Joseph London

PRODUCTION DIVISION

Composition: Oscar H. Simms
Printing: Edmund J. Soden

Figure XVII-1

duced in 1953. In the natural course of events, Ceithaml became involved in every facet of policy formulation and top-level administration. So significant were his contributions in these areas that when the Executive Committee was established in 1949 he was made a member. As already noted, this committee, composed of Walter and Laury Botthof, Moss, Trenkmann, and Ceithaml, administered the company from 1949 to 1956. Ceithaml's appointment as vice-president and assistant treasurer came in 1952; as a director in 1954; as vice-president, treasurer, and assistant secretary in 1959. When the division managers became vice-presidents in 1961, Ceithaml became senior vice-president, treasurer, and assistant secretary. During this period Ceithaml continued to exercise direct operating control over the financial, accounting, and controllership functions.

Standing six feet three inches, possessing the physique of a football fullback, round faced, bespectacled, and crew cut, Ceithaml was impressive even in repose. Soft spoken, deliberate, and incisive, over the 15 years following 1947 he implemented Laury Botthof's policy of establishing increasingly close financial and budgetary controls over the business. As is generally the case in such circumstances, operating managers who found their range of financial discretion narrowed and their operating activities brought under increasingly close surveillance often were made uneasy or resentful by the changes. Even the owner-managers sometimes looked back wistfully to the simplicity of earlier days. As Al Moss once put it when harking back to an event of the early 1940's, "It was the beautiful days before budgets." But the owner-managers were well satisfied with the controls established and maintained by Ceithaml—as well they might have been, for such controls were an essential aspect of the transition in size and complexity through which the firm was passing.

In addition to his impact upon the operations of SRDS proper, Ceithaml was also active in the company's program of diversification, becoming an officer and director of each of the several subsidiary corporations that were established. In keeping with his expanded range of interest and responsibilities, he attended a month-long executive program in 1958—the twentieth session of Northwestern University's Institute for Management. Besides these varied company-connected activities, he was able to participate in many professional and business associations: the Illinois State Chamber of Commerce (tax committee), the Association of National Business Publications (management committee), and the American Association of Certified Public Accountants. In all, his was an active career.

Sales.—In 1947, the same year that Ceithaml joined SRDS, Harvey Harkaway (subsequently vice-president, sales) came to the company to assist in the preparation of the "Product Advertising Guide" (see p. 181). A 1939 graduate of the Wharton School of Finance and Commerce of the University of Pennsylvania, Harkaway had begun his business career in the headquarters office of a chain of department stores, in the promotion department. Following his World War II service with the Army Air Force, he had joined the James O. Peck organization in the research division. Soon after his affiliation with Peck, Harkaway became involved with work being conducted by the firm for certain publishers of business papers. These publishers, including SRDS, were being plagued by the rapidly rising costs of this inflationary period (1946–48). They desired to hike their rates proportionally, though they had already encountered resistance to such increases. Peck surveyed advertisers and agencies to ascertain their attitudes toward these rate changes, and the results of the survey were of great value. In regard to procedure two conclusions were especially helpful: (1) When rates are increased, the amount should be such that another change will not be necessary in less than a year, and (2) a rate increase should be made effective at the beginning of the year. As for general attitudes toward business publications, the survey showed that buyers of media tended to accept rate increases more readily from media whose value was well established. Probing further, Peck's investigators determined that the buyers' appraisal of the value of a medium depended upon what they knew of its "market," i.e., the character of its reader audience, its editorial content, and the volume and distribution of its circulation.

These survey results were put to good use by SRDS and prompted Al Moss, speaking for the SRDS management, to ask Peck to consider what might be done to increase publisher interest in the *Consumer Magazine* book as an advertising vehicle. The "Product Advertising Guide" was a direct consequence of Peck's recommendations for improving acceptance of the *Consumer Magazine* section. (See Chapter XII.)

In the course of these surveys Harkaway had become known to the SRDS management, and with Peck's blessing he joined SRDS to assist in the development of the "Product Advertising Guide." After this assignment Harkaway remained with SRDS in charge of research. In this capacity he found his lack of sales experience a handicap in gaining management's acceptance of recommendations on promotional policy. ("All this research may be fine, but what do you know about how publishers really act? You haven't sold!") Aroused by this attitude, Harkaway asked for an opportunity in sales. There he quickly proved himself, becoming a district manager in 1950 and director of the sales division in 1956. Elevation to vice-president, sales, followed in 1960.

In recalling the changes that have occurred in SRDS sales policy since 1947, Harkaway pointed out that although by that time the taboo on promoting SRDS as a catalog or directory had been partially broken down, much remained to be done by way of clarifying and implementing the new sales philosophy. As already noted, field research during the late 1940's led to the development of *Copy Organizer* and the

Promotion Handbooks for the major SRDS publications. In addition to supplying the basis for these handbooks, the field research provided material for an extensive series of promotional campaigns, including more than 100 interview reports. These promotional campaigns and research reports had altered the character of the SRDS sales task. Salesmen were placed in a position to assist the various media in planning their promotional programs. Partly as a result of these pioneer efforts, the SRDS sales force developed a strong *esprit de corps*. They felt that they were actually helping to raise the quality and effectiveness of advertising as a force and a profession and that they were in a position to help clients buy, instead of merely to sell. Viewed in this fashion, the field research begun in the mid-1940's appears to have exerted a critical influence upon the evolution of SRDS marketing strategy and practice over the next two decades.

In discussing the administration of the sales force, Harkaway mentioned particularly the trends toward more intensive coverage and toward more specializaton. These two trends stemmed in large part from more accurate knowledge of the business available in particular areas or market segments. During his tour of duty as director of research (1947–50) Harkaway had begun to tabulate the advertising done by publishers and broadcasters in a select list of media—*Advertising Age, Editor and Publisher, Industrial Marketing, Printers' Ink,* and so forth. These tabulations were then grouped so that each SRDS salesman was told exactly how much advertising had been placed by each of his prospective clients during preceding months and where. The motivating effect of this market information was substantial. Each salesman could see for himself what his potential was and how well he was performing in relation to it. In addition, he was given information on the performance of his co-workers in the sales force. The information provided a positive incentive to improve, and the administrators —top management, Harkaway, and the regional sales managers—were in a position to ask how they could help achieve a larger share of the business that they all knew was available.

As sales volume in particular territories increased, the data on market potential helped to determine how the sales areas might be subdivided so as to permit more intensive coverage. Because the salesmen had been compensated on a commission basis since shortly after World War II, a man who was given a smaller territory would lose some accounts and some commission income. To meet this problem, as has been explained earlier, top management inaugurated a policy of guaranteeing a salesman his prior income whenever his territory was subdivided, and this guaranteed income would become his "base" in the new territory. Since the subdividing was accomplished with full knowledge of sales potential—at least in so far as the past was a guide to the future, each new territory offered a man an opportunity to sell more, not less, even though the total potential was not so great as before. This reasoning followed from the fact that the salesmen would be able to spend more time in productive sales calls and less time in unproductive travel. In addition, the cost of maintaining salesmen in the field declined as the territories were reduced in area. For experienced sales managers who might raise their eyebrows at the foregoing recital, Harkaway has an unarguable answer: "It works."

Much of the foregoing represented a substantial shift from early SRDS practice and policy. As late as 1946 the sales force had been paid on a straight salary basis. During 1946–47, it will be recalled, the sales environment shifted rapidly. Price inflation caused a rash of rate increases, complicating the selling task. The return to a peacetime economy offered great opportunities to obtain new business, and strenuous sales effort was vitally important. Territories needed revision; new salesmen had to be trained and put into the field. It was in response to these needs that the SRDS management inaugurated the policy that salesmen who were productive thereby "earned the right to earn," i.e., the right to a compensation in proportion to their sales contributions. Moreover, it was felt that the sales force was entitled to receive this compensation as soon as possible after sales results were known. Formerly selling achievement had been recognized through year-end bonuses or increases in annual salary schedules; now sales results were reflected in monthly pay checks.

The principle of compensation in proportion to productivity is an old one, and it was well regarded by the SRDS top management long before the postwar shifts in compensation policy. What stood in the way of its application in prior years was not reluctant acceptance of the principle but difficulty in putting it into practice. Until the tabulation of publishers' and broadcasters' advertisements, beginning in 1948–49, there had been no very accurate way of estimating sales potential, and without such an estimate it was hard to devise a compensation plan that would provide a consistent and equitable method of relating financial rewards and sales results. Manifestly the salesman who generated $100,000 in billings from a territory whose potential was $1,000,000 was more deserving than the salesman who generated the same sales volume from a territory whose potential was $5,000,000.

Thus the development of continuing estimates of market potential through tabulations of advertisements was a major forward step in the administration of the SRDS sales effort. In addition to being the basis for the company's compensation program, these tabulations were invaluable in the specification of sales territories, in the focusing of sales effort, and in the planning of promotional strategy. At first the data processing was accomplished through hand tallies; subsequently the data were transferred to punched cards and mechanically sorted, tabulated, and printed. While SRDS was by no means the innovator of this mode of analysis, its adoption of the idea came early. Also, this more scientific approach to sales and marketing is just one indication of the transition through which the company's marketing activity in general was passing.

Still another significant aspect of the SRDS sales program was the conscious effort made to highlight the sales function, to lend dignity to it, and to make each salesman feel that he had the confidence and respect of a powerful organization that would support him to the fullest. This attitude extended to designating salesmen as district managers, in the sense that each man had a geographic district which he "managed." The spirit of the organization as well as its practices are exemplified in the following extracts from a letter written by Harvey Harkaway to the author:

Sales training at SRDS. We employ sales training to make each district manager self-supporting as a market and advertising counselor. Our ideal is to qualify the SRDS district manager for a job in the organization of each class of media to which he sells, preferably as the marketing man. Parenthetically, most of our salesmen know as much about selling radio or newspapers or business papers as does the publisher or owner of these media properties. They may not know how to operate the total business, but as specialists in sales we believe they have no peer.

Information flows at SRDS. We maintain a continuous program of education by constantly feeding our district managers new information on both product and market by means of meetings and bulletins. We have had a general sales meeting annually since 1949, and regional meetings are held twice a year at the major sales offices: New York and Skokie. Conferences are also held at the national conventions of the various media or agency associations. We also have a bulletin service, an internal memorandum which flows three times a week to the district managers, keeping them informed on matters dealing with new market information, suggested sales techniques, instructions on how to meet certain sales resistance points, and general announcements.

Personnel policy. Management believes they have always pursued a policy of fair and objective handling of personnel. Our people may have grievances, but never on matters dealing with compensation or personal dignity. These are generally prime causes for turnover, of which SRDS has had very little.

Service departments. Management has introduced the policy of supporting the salesman through the service departments. The function of the salesman is to sell in the field. The function of the service departments is to provide, arm, and equip the salesman with the material he requires. The service department is staffed with dedicated people who contribute to the *esprit de corps.*

If we were to sum up these attitudes and add them to the ones you've already included, I think you would come up with an over-all attitude that says in effect that every effort is made to develop the district manager into a person of great self-sufficiency. We tend to build loyalties without demanding them. There are no problems arising from the suspicion that a man is going to "run away" after we've made our investment in both training and money. By building the district manager's stature among his customers and prospects, we have benefited not only the man but the company.

We've also built a sales system, a system that's so strong that it would operate and function at near high efficiency with the disappearance of any individual. (December 10, 1962)

As for the consequences of these many changes in sales administration and in the SRDS promotional program, perhaps the most telling summary is presented in Figure XVII-2. This shows that advertising by business publications in SRDS increased from about 2,450 pages in 1952 to some 3,750 pages in 1961, while the volume in other publications of the editorial trade press fared substantially less well. Similar tabulations for advertising by consumer magazines and farm publications, by television stations, by radio stations, and by newspapers are also quite favorable to SRDS.

These results are, of course, not attributable to any one person or linked with any one period of time. In retrospect, it can be seen that the rethinking of the function of SRDS began when C. Laury Botthof and Albert W. Moss entered the business as the second generation of owner-managers. This started a chain reaction that continued for more than two decades and ultimately involved the entire SRDS organization. Had it not been for this long-term trend, SRDS might not have recognized so soon the need of the talents of professional managers. As it was, these talents were appreciated and, what is more, an opportunity was provided to apply them to all areas of the business.

Promotion.—Next to join the new managerial group was George J. Heitz, who

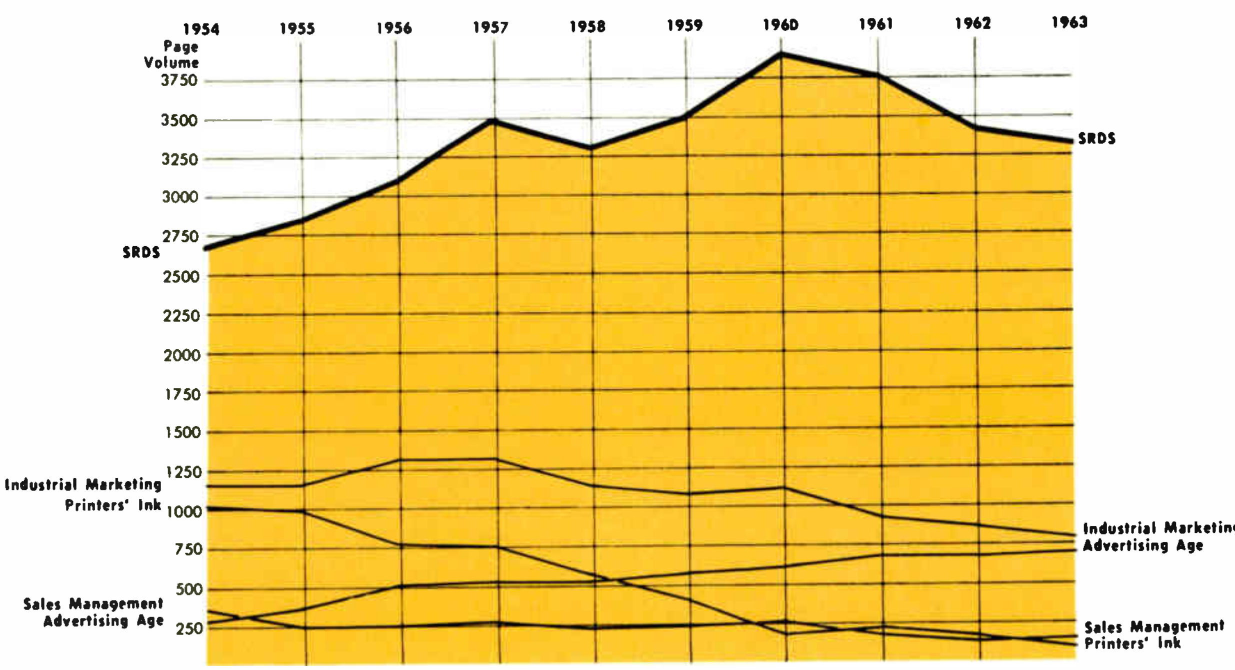

FIGURE XVII-2

came as promotion manager in August 1954. This position had been vacant since late 1953, when Stanley Moses became seriously ill. Moses, promotion manager since the early 1940's, had made many important contributions, especially in connection with the "Tell All" campaigns. When it became known that his illness was not only serious but would in all probability prove fatal, the management had regretfully made a special retirement arrangement for him and began the search that led to the engagement of Heitz.

After attending the School of Journalism at the University of Illinois and the School of Commerce at Northwestern University, Heitz had been successively engaged in several phases of advertising—industrial, agency, and media—before becoming a sales promotion manager with several media-sales organizations and with a Chicago publisher. This broad range of experience paralleled the SRDS promotional objectives and especially recommended Heitz to the SRDS management. At SRDS Heitz made telling contributions to the *Copy Organizer* and *Handbook* programs and to the promotion of *Consumer Markets*. He was also instrumental in organizing the department's activities in terms of budgetary controls and systematic scheduling of output, features that were conspicuously absent at the outset of his tenure. Interestingly enough, one of the tasks he recalls most vividly was that of persuading the artists and copywriters in the department to follow the "Service-Ad" and *Copy Organizer* precepts in the preparation of the firm's own promotional material. The recurring complaint was that adherence to these precepts of informative advertising "stifled creativity." Heitz acknowledged that creativity of the broad-generalization, or "blue-sky," variety was barred by the very rules that SRDS was recommending to its clients for use in SRDS "Service-Ads." But, he argued, the opportunity for creative work was still amply present. The strength of this conviction had a powerful influence on the firm's promotional literature, a perusal of which demonstrates that imaginative layout, art work, and copy can go hand in hand with solid and useful information.

In the course of these duties, Heitz quickly became involved in broader matters of marketing strategy, and before long he joined the daily luncheon meetings of the firm's top echelon. In the reorganization of 1956 he became director of the promotion division and in 1960 vice-president of the division. Soon afterward, Laury Botthof began to devote more and more time to the firm's program of diversification and turned to Heitz for assistance. In 1961, therefore, Heitz began to devote full time to these and other special projects, with the title of assistant to the president. At the same time, the promotion division was combined with the sales division under the supervision of Harvey Harkaway as vice-president.

Editorial.—As of October 1956 there were no fewer than five responsibility centers within the area that became the editorial division—media relations, market data, and three publication groupings, each operating more or less independently of the others though subject to such control as might be exercised by the Executive Committee.

Long convinced of the desirability of simplifying this portion of the company's management structure, the top management group took steps leading to the recruitment of Dr. Harold P. Alspaugh in late 1956 and to his appointment as director of a newly formed editorial division.

As in the case of the previous additions to the company's group of top professional managers, Alspaugh had a solid record of related business experience and achievement. Until joining SRDS, he had been director of marketing for the H. J. Heinz Company, where he had been responsible for coordinating that firm's annual advertising budget of some $9,000,000. Before that he had been manager of market research for the Radio Corporation of America and, still earlier, a consultant in marketing with A. T. Kearney and Company. Important also was the fact that Alspaugh had been active in the academic field from 1929 to 1941, in the latter years as head of the marketing department at Temple University. A native of Ohio, he had taken his bachelor's, master's, and doctor's degrees at Ohio State University and had served as a national officer of the American Marketing Association.

In his new position at SRDS Alspaugh reported to the president and assumed responsibility for all listing material, feature material, consumer market data, and media maps for the company's nine media services. In total, these services covered more than 11,000 media, utilized more than 4,500 pages a month, involved processing nearly 150,000 listing changes a year, and required the preparation of basic market data for all states, counties, and cities of 20,000 population and over. It is readily apparent that this volume of activity necessitated a veritable paper-work factory. About 50 persons were employed in the newly created division, including 10 in managerial and supervisory positions.

Upon taking up his new duties, Alspaugh found an organization that was performing well in terms of meeting deadlines and getting the work out. This was, of course, the first requisite. The difficulty was that, under the pressure of 10 different publication deadlines, the division's entire effort was being absorbed in processing information, including listing changes, as it was reported. By contrast, relatively little time and effort were being devoted to establishing goals, policies, and practices calculated to improve the usefulness of the material from the point of view of the users, i.e., the buyers of media.

For example, the sequence in which items of listing-information were presented was not uniform between books or even within books. Also, the content of the listings had tended to grow like Topsy. This latter was a natural result of the increasing complexity of rate and discount structures, the availability of which in turn reflected a trend toward increased use of color, special positions, inserts, regional editions, "combination deals," and the like. Similar complications affected the listings for the broadcast media—for example, the growing availability of "spots" and participating programs.

The growing complexity of our industrial society was also reflected in a wider variety of media, particularly business publications, and there was a need to review the classification systems of the SRDS books. Finally, the books themselves were becoming more bulky, some editions running to 1,500 three-column pages and creating problems both in binding and in use.

Over the next few years the activities of the editorial division were brought into three subgroupings—print media, broadcast media, and market data—and a comprehensive drive was launched to improve the editorial format and the content of the Service. The most readily observed change in format was a shift from three columns to four columns for the major books. This permitted a 33 per cent reduction in pages, facilitated both production and use, and provided a wider variety of space combinations for display advertising. Most significant of the editorial changes was probably the rearrangement of material in the listings themselves.

Working with the 4-A's, the ABP, the NBP, and other groups, including a panel of 250 buyers of media in major agencies, the company hammered out policies designed to simplify, condense, and code the rate and data information carried in SRDS books. First, agreement was reached on pertinent major headings, such as "Rates," "Covers," "Inserts," "Special Positions," "Colors," etc. Then the sequence in which listing data should be organized for most convenient use was determined. The precise information desired under each major heading was studied, and the sequence of subtopics was standardized. Rate and discount structures were examined, and ways of simplifying presentations were developed. Last, a start was made toward replacing wordy statements of routine practice with code numbers. In the *Business Publications* book, for example, the great majority of listings used considerable space to state the following:

> Production charge: Engravings, electrotypes, drawings, or photographs will be made to order and charged at cost. Necessary repair to plates received in worn or damaged condition or requiring mortising, cutting, routing, patching, tacking, tooling, finishing, or notching to be paid by the advertiser.

Needless to say, buyers of media were not thrilled by having to wade through, or over, vast quantities of such information, all in small type. On the other hand, any deviations from standard practice were likely to be important and had to be noted.

This particular problem was one that had long bothered Laury Botthof and others at SRDS. In fact, during his illness in 1943, Laury had begun the task of simplifying the listings but had not progressed very far before going off to war. Thus it was that he urged Alspaugh to give top priority to the problem of consolidating and standardizing listings. As a point of departure, Alspaugh decided to employ the well-known "exception" principle. Routine statements of necessary information would be replaced by code numbers in the same way that orthographic symbols are used in dictionaries, and only exceptions would be given in detail. Such a simplification would be a boon to buyers of media and would at the same time speed up processing, composing, and proofreading at SRDS.

Finally, new and more comprehensive written statements of policies and procedures for each book were developed, and a program of gradual revision, section by section, was begun. The results of the program are readily seen in Figure XVII-3, in which listings for 1952, 1956, 1962, and 1965 are displayed for comparison.

Another type of editorial innovation was that exemplified by the inclusion of TV circulation data in the *Spot Television* book beginning with the issue of June 15, 1962. *Circulation* here means the reports of station coverage developed by either or both of two independent agencies, the American Research Bureau and the Nielson Coverage Service. The decision to include these figures, with each station having the option to accept or reject such data in its listing, was made after an extensive investigation had indicated that buyers of media were strongly interested in having the reports readily available within the SRDS listings. It should not be imagined that such improvements in the quality of listings were uniformly welcomed by listees, however, for such is rarely the case. In the instance at hand, only about one third of the stations listed in the book initially chose to authorize the inclusion of the circulation data. The other two thirds either declined or did not respond to the invitation. Prominent among their reasons for not authorizing the use of the circulation data probably was the feeling (on the part of station managers or their sales representatives) that the data, if excluded from SRDS, would continue to provide a "door opener," i.e., an opportunity to respond to a request for circulation data with the requested information *and* with a sales presentation.

It should also be observed that much of what was begun or accomplished during these years by way of standardizing, condensing, and simplifying the SRDS listings was a necessary prerequisite to another goal, that of coordinating plans for the eventual "automation" of segments of rate and data information, an objective about which more will be said later.

After a review of the changes that occurred in the editorial make-up of the basic SRDS books during the period 1957–62 and a comparison of these tangible evidences of innovation with the record of prior years, it becomes apparent that the institution of an editorial director, Dr. Harold Alspaugh, was accompanied by a significant revival in editorial activity. No doubt the rapidly changing technology of the times provided many stimuli and opportunities, but it also seems clear that, from top management on

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Provides Circulation Statement subject to audit verification by Audit Bureau of Circulations.

Published by McGraw-Hill Publishing Co., Inc.
330 W. 42nd St., New York 36, N. Y., Longacre 4-3000.

Rates effective January, 1953 issue. (Card No. 6.)
Card received July 23, 1952.
Agency commission 15%: cash discount 2%—10 days.

General Advertising

All advertising orders are accepted subject to the terms and provisions of the current rate card. Orders are accepted subject to change in rates upon notice from the publisher. However, contracts may be cancelled at the time the change in rates becomes effective without incurring a short rate adjustment, provided the contract rate has been earned up to the date of cancellation.

Less than 2 pages, per year, per page	375.00
2 pages, per page	355.00
4 pages, per page	350.00
6 pages, per page	320.00
8 pages, per page	310.00
12 pages, per page	295.00
18 pages, per page	275.00
24 pages, per page	255.00

Covers

Rates on request.

Special Positions

Rates on request.

Color

"AAAA" standard colors: yellow, orange, red, blue, green, per page for any one color, extra 70.00. Rates for metallic inks and for matching special shades quoted on request.

Inserts

Regular black and white rates apply on complete inserts which are ready for binding when received. Before making plates, or ordering printing, please check with publisher, as to date, number of pages, quantity required, trim size. Maximum acceptable weight 100 lb coated or 80 lb. offset 25 inches by 38 inches basis, or equivalent.

Bleed Pages

Single pages, extra 45.00 per page; spread 75.00. Plate size 8-3/8 inches by 11-1/2 inches; trim size 8-1/4 inches by 11-1/4 inches.

Classified

Not accepted.

Reading Notices

Paid reading notices not accepted.

Mechanical Requirements

	Width	Depth	Width	Depth
1 page	7	10	—	—
2/3 page	4-9/16	10	—	—
1/3 page	4-9/16	4-7/8	2-3/16	10
1/6 page	—	—	2-3/16	4-7/8

Page is 3 columns, each column 2-3/16 inches wide.
Composition—no charge.
Halftone screens: All halftones should be 110 line screen. They should be etched to the depth of .003 of an inch in the highlights, .002 of an inch in the middle tones, and .0012 of an inch in the shadows.

COPY SERVICE

Advertisers who do not have an advertising agency and who request copy will be charged in accordance with rates shown in schedule issued May 1, 1933.

Issuance and Closing Dates

Published monthly; issued last week of preceding month.
Forms for copy, cuts and complete plates close 1st of preceding month.

SPECIAL ISSUES

March—Annual Survey of Distributor Operations: Report of distributor sales, inventory, invoices billed, number of employees, number of salesmen, sales per salesmen, etc. Forms close February 1.
April—Annual Convention Issue: Published in connection with the Triple Industrial Supply Convention; copies circulated at Convention. Forms close April 1.
May—Annual Convention Report Issue: Report of the Convention business and social activities. Forms close May 1.

Guide

1952

Industrial Distribution

A McGraw-Hill Publication

Provides Circulation Statement subject to audit verification by Audit Bureau of Circulations.

Published monthly by McGraw-Hill Publishing Co., Inc., 330 W. 42nd St., New York 36, N. Y. Longacre 4-3000.

PERSONNEL
Publisher—A. M. Morris.
Business Manager—C. H. Holdsworth.
Editor—W. F. Crowder.

REPRESENTATIVES
Atlanta 3—William Lanier, William Kearns, Jr., 1311 Rhodes-Haverty Bldg. Walnut 5778.
Boston & New York—W. A. West, 330 W. 42nd St., New York 36, N. Y. Longacre 4-3000.
Chicago 11—E. N. Grantvedt, 520 N. Michigan Ave. Mohawk 4-5800.
Cleveland 15—Edward J. McOsker, 1514 Hanna Bldg. Superior 1-7000.
Dallas 1—Douglas Billian, Adolphus Tower Bldg., Main and Akard Sts. Prospect 5064.
Detroit—E. N. Grantvedt, 856 Penobscot Bldg. Woodward 2-1793.
England—Herbert Lagler, McGraw-Hill Company, McGraw-Hill House, 95 Farringdon, London E. C. 4.
Los Angeles 17—H. L. Keeler, 1125 W. 6th St. Madison 6-4323.
New York & Philadelphia—John Ors, 330 W. 42nd St., New York 36, N. Y. Longacre 4-3000.
Pittsburgh 22—Room 919, Oliver Bldg. Atlantic 1-4707.
San Francisco 4—R. C. Alcorn, 68 Post St. Douglas 2-4600.

MAILING INSTRUCTIONS
Ship inserts to Industrial Distribution, c/o Williams Press Inc., 99-129 N. Broadway, Albany 1, N. Y. (Specify date.)

COMMISSION AND CASH DISCOUNT
15% to agencies; 2% 10 days.

ADVERTISING RATES
Effective January, 1956 issue. (Card No. 9.)
Issued June 1, 1955.
Card received June 6, 1955.

GENERAL
See "Special Issues" for data covering mid-December Marketing and Products Number.

RATES

1 page	435.00
2 pages, per page	420.00
4 pages, per page	390.00
6 pages, per page	375.00
8 pages, per page	365.00
12 pages, per page	350.00
18 pages, per page	325.00
24 pages, per page	300.00

INSERTION RATES

	1 ti.	2 ti.	4 ti.	6 ti.	8 ti.	12 ti.
1 page	435.00	420.00	390.00	375.00	365.00	350.00
2/3 page	290.00	290.00	280.00	260.00	260.00	243.34
1/3 page	145.00	145.00	145.00	140.00	140.00	130.00
1/6 page	72.50	72.50	72.50	72.50	72.50	70.00
2 pages (center spread)	840.00	780.00	730.00	700.00	700.00	600.00

Rates based on total space contracted for and used in those issues within a 12-month period from the date of the first issue.

COVERS
Including AAAA standard red. Non-cancellable.

2nd or 3rd cover	500.00
4th cover	600.00

Additional charge for color other than AAAA red.
Covers rates count as one page on space contracts.

SPECIAL POSITIONS
Rates on request.

INSERTS
Furnished complete, ready for binding—regular black and white rates apply.
Check with publisher before making plates or ordering printing as to date, number of pages, quantity required, and trim size.

SPLIT RUN
Information on request.

COLORS
Second colors available in pages, 2/3 and 1/3 page units only. Standard AAAA second colors yellow, orange, red, blue, green used.

Standard 2nd color on single or fractional page, extra	75.00
Standard 2nd color on spreads, extra	140.00
Matched 2nd color on single or fractional page, extra	100.00

Metallic inks and 3rd and 4th color—contact publisher.

BLEED OR OVERSIZE
Acceptable for spreads, full page and 2/3 page units.

Per page or 2/3 page, extra	50.00
Per spread, extra	85.00
For each additional consecutive page, extra	35.00

No extra charge for spread ads that bleed into the gutter spread.

CLASSIFIED
Not accepted.

READING NOTICES
Paid reading notices not accepted.

1956

THE EVOLUTION OF LISTING FORMAT

FIGURE XVII-3A

Industrial Distribution

A McGraw-Hill Publication

Provides Circulation Statement subject to audit verification by Audit Bureau of Circulations.

Published monthly by McGraw-Hill Publishing Co., Inc., 330 W. 42nd St., New York 36, N. Y. Longacre 4-3000. Area Code 212.

PERSONNEL

Editor & Publisher—Walter F. Crowder.
Advertising Sales Manager—George L. Bottard.
Marketing Services Mgr.—Clarence H. Holdsworth.
Business Manager—Guy C. Staffa.
Promotion & Research Mgr.—John P. Godman.

REPRESENTATIVES

Atlanta 9—R. H. Powell, Jr., 1375 Peachtree Bldg. Atlanta 875-0523. Area Code 404.
Boston & New York—W. A. West, 500 Fifth Ave., New York 36, N. Y. Oxford 5-5959. Area Code 617.
Chicago 11—E. N. Grantvedt, 645 N. Michigan Ave. Mohawk 4-5800. Area Code 312.
Cincinnati 2—3609 Carew Tower. Garfield 1-5474. Area Code 513.
Cleveland 13—R. N. Shaw, 1164 Illuminating Bldg., 55 Public Square. Superior 1-7000. Area Code 216.
Denver 2—J. W. Patten, Tower Bldg., 1700 Broadway. Alpine 5-2981. Area Code 303.
Dallas 1—F. LeBeau, Vaughn Bldg., 1712 Commerce St. Riverside 7-5117. Area Code 214.
Detroit 26—W. F. Stone, 856 Penobscot Bldg. Woodward 2-1793. Area Code 313.
Houston 25—J. C. Page, Prudential Bldg. Jackson 6-1281. Area Code 713.
Los Angeles 17—N. Humphrey, 1125 W. 6th St. Huntley 2-5450. Area Code 213.
New York & Philadelphia—John Ora, 500 Fifth Ave., New York 36, N. Y. Longacre 4-3000. Area Code 212.
Pittsburgh 22—4 Gateway Center. Express 1-1314. Area Code 412.
Portland 4, Ore.—Scott Hubbard, Pacific Bldg., Room 445, Yamhill St. Capital 3-5118.
St. Louis 3—D. C. Jackman, The Clayton Tower, 7751 Carondelet Ave. Parkview 5-7285. Area Code 314.
San Francisco 11—T. Carmody, 255 California St. Douglas 2-4600. Area Code 415.
United Kingdom—N. Murphy, 34 Dover St., London.
Germany, Austria—S. Kimes, 85 Westendstrasse, Frankfurt/Main.
Switzerland, Italy, France and Belgium—M. Zeynel, 2 Place du Port, Geneva, Switzerland.

MAILING INSTRUCTIONS

Ship inserts to Industrial Distribution, c/o Williams Press Inc., 99-129 N. Broadway, Albany 1, N. Y. (Specify date.)

COMMISSION AND CASH DISCOUNT

15% to agencies on space, color, bleed and position; 2% 10 days.

GENERAL

See "Special Issues" for data covering mid-December Marketing and Products Number.

ADVERTISING RATES

Effective January 1, 1961. (Card No. 11.)
Rates received June 15, 1960.

RATES

	1 ti.	6 ti.	12 ti.	18 ti	24 ti.
1 page	600.00	535.00	500.00	480.00	440.00
2/3 page	410.00	380.00	350.00	335.00	320.00
1/2 page	330.00	300.00	280.00	260.00	240.00
1/3 page	210.00	195.00	185.00	180.00	175.00
1/6 page	115.00	105.00	100.00	95.00	90.00

Rate earned based on total number of insertions for 12 regular monthly issues within any 12-month period. The combination of various space units is a factor in determining the frequency rate. Therefore, advertising schedules composed of mixed space units are entitled to standard frequency rates, with one exception which is designed to prohibit use of rateholders. The exception is a mixed schedule in which use of the smaller units lowers the total cost of the campaign below the amount which the larger units taken alone would cost. Rateholders are not acceptable.

COLORS

AAAA standard 2nd colors: yellow, orange, red, blue, green, per page or fractional page, per color 90.00
Matched 2nd colors, per page or fractional page, extra 130.00
Rates for three and four color advertising and metallic inks quoted on request.

COVERS

Includes black and 1 standard AAAA color. Non-cancellable.
2nd or 3rd cover 750.00
4th cover 900.00
Cover rates count as one page on space contracts.

SPECIAL POSITIONS

Single horizontal 1/2 page unit under solid editorial: 10% premium.
Facing horizontal 1/2 page units under solid editorial: 25% premium.
For special positions opposite editorial matter: the following premium charges per insertion should be added to the earned space rate to determine total cost of units:

	6 ti.	12 ti.
1 page	100.00	70.00
2/3 page	[illegible]	80.00

1962

Industrial Distribution

A McGraw-Hill Publication

Published monthly by McGraw-Hill Publishing Co., Inc., 330 W. 42nd St., New York, N. Y., 10036. Area Code 212. Direct dial numbers.

MAILING INSTRUCTIONS

Ship inserts to Industrial Distribution, c/o Williams Press Inc., 99-129 N. Broadway, Albany 1, N. Y. (Specify date.)

1. PERSONNEL

Publisher—Donald H. White, 971-2971.
Assistant to Publisher—Ran Sclater, 971-2103.
Mktg. Serv. Mgr.—Clarence H. Holdsworth, 971-2118.
Business Manager—Guy C. Staffa, 971-2272.
Prom. & Research Mgr.—John P. Godman, 971-2722.

2. REPRESENTATIVES and/or BRANCH OFFICES

Atlanta 9—G. Krimsier, I. C. Hill, 1375 Peachtree St., N. E. Trinity 5-0523. Area Code 404.
New York 36—W. A. West, John Ora, 500 Fifth Ave. Phone 212-971-3611.
Chicago 11—R. W. Daniels, R. P. Holton, 645 N Michigan Ave. Mohawk 4-5800. Area Code 312.
Cincinnati 2—W. F. Stone, 3609 Carew Tower. Garfield 1-5474. Area Code 513.
Cleveland 13—R. N. Shaw, 1164 Illuminating Bldg., 55 Public Square. Superior 1-7000. Area Code 216.
Denver 2—J. W. Patten, Tower Bldg., 1700 Broadway. Alpine 5-2981. Area Code 303.
Dallas 1—G. R. Ambroze, Vaughn Bldg., 1712 Commerce St. Riverside 7-9721. Area Code 214.
Detroit 26—W. F. Stone, 856 Penobscot Bldg. Woodward 2-1793. Area Code 313.
Houston 25—K. George, Prudential Bldg., Holcombe Blvd. Riverside 8-1230. Area Code 713.
Los Angeles 17—N. Humphrey, 1125 W. 6th St. Huntley 2-5450. Area Code 213.
Pittsburgh 22—R. N. Shaw, 4 Gateway Center. Express 1-1314. Area Code 412.
Portland 4, Ore.—Scott Hubbard, Pacific Bldg., Room 445, Yamhill St. Capital 3-5118.
St. Louis 8—Continental Bldg., 3615 Olive St. Parkview 5-7825. Area Code 314.
San Francisco 11—J. A. Hartley, 255 California St. Douglas 2-4600. Area Code 415.
United Kingdom—N. Murphy, 34 Dover St., London.
Germany, Austria—M. Herfurth, 85 Westendstrasse Frankfurt/Main.
Switzerland, Italy, France and Belgium—M. Zeynel, 2 Place du Port, Geneva, Switzerland.

3. COMMISSION AND CASH DISCOUNT

15% to agencies on space, color, bleed and position; 2% 10 days.

4. GENERAL RATE POLICY

See "Special Issues."

ADVERTISING RATES

Effective January, 1964 issue. (Card No. 12.)
Issued May 24, 1963.
Card received June 19, 1963.

5. BLACK/WHITE RATES

	1 ti.	6 ti.	12 ti.	18 ti.	24 ti.
1 page	710.00	635.00	595.00	570.00	520.00
2/3 page	485.00	450.00	415.00	395.00	375.00
*1/2 page	420.00	380.00	350.00	325.00	300.00
1/3 page	260.00	245.00	230.00	220.00	215.00
1/4 page	215.00	200.00	180.00	170.00	160.00
1/6 page	145.00	135.00	125.00	120.00	110.00

(*) Island half page, extra 10%.

Rate earned based on total number of insertions for 12 regular monthly issues within any 12-month period. The combination of various space units is a factor in determining the frequency rate. Therefore, advertising schedules composed of mixed space units are entitled to standard frequency rates, with one exception which is designed to prohibit use of rateholders. The exception is a mixed schedule in which use of the smaller units lowers the total cost of the campaign below the amount which the larger units taken alone would cost. Rateholders not acceptable.

6. COLOR RATES

AAAA standard 2nd colors: yellow, orange, red, blue, green, per page or fractional page, per color 105.00
Matched 2nd colors, per page or fractional page, extra 140.00
Rates for three and four color advertising and metallic inks quoted on request.

7. COVERS

Non-cancellable
Includes black and 1 standard AAAA color and bleed.
2nd or 3rd cover 875.00
4th cover 1,050.00
Cover rates count as one page on space contracts.

8. INSERTS

Furnished complete, ready for binding—regular black and white rates apply.
Inserts that must be backed up will be charged to the advertiser at our prevailing rates—furnished on request. Inserts requiring trimming will be charged at cost. Back-up and trim charges will be in addition to regular space rates and are not commissionable.
Check with publisher before making plates or ordering printing as to date, number of pages, quantity required, and trim size.

9. BLEED

1 page in any issue, extra 70.00

1965

FIGURE XVII-3B

down, the will to respond and, more significantly, to lead and to innovate was amply present.

Circulation.—The next new professional manager to arrive on the SRDS scene was Arthur Gardiner Gibbs. As already mentioned in connection with *Media/scope* (Chapter XV), Gibbs was a veteran of some 30 years with McGraw-Hill, mainly in the mail circulation sales department, which he headed from 1938 to 1957. At SRDS Gibbs was in charge of the newly created circulation division, a functional area that had assumed major significance with the launching of *Media/scope*. Again, the breadth and variety of experience brought by Gibbs to the SRDS scene was salutary, especially in connection with promoting *Media/scope* and enabling it to apply for membership in the various audit bureaus. In the organizational revision of 1960 Gibbs became vice-president for the circulation division.

Printing.—With the advent of d-i Offset, printing at SRDS became a major concern of top management. Before the development of the new process the company's major commitment in the production area had been composition, an activity that had required little attention from the owner-managers. The investment was small, the personnel were few, and the process was stable. As we have seen, the decade of the 1950's witnessed the launching of full-scale production activity at SRDS. For example, in the late 1940's the production facility at 179 North Michigan consisted of five linotype machines, two proof presses, and some miscellaneous equipment, operated on two shifts by a total crew of about 20 men. Only 2,400 square feet of floor space was required; the fixed investment was around $50,000; and the annual operating budget was under $200,000.

With the move to 1740 Ridge Avenue, Evanston, the floor space of the production department jumped to 9,500 square feet. During the eight years in Evanston the investment in equipment rose from around $100,000 to a little over $300,000 (at cost), the employees from 20 to about 50, and the annual operating budget to some $700,000. At the same time the activities performed by the printing department expanded from composing and mailing to include platemaking, printing, and binding. When SRDS moved to Skokie the fixed investment in production facilities (at cost) rose by 1960 to around $750,000 in equipment and $250,000 in plant. Meanwhile production employees and supervisors were increased to 70, plant space to 26,000 square feet, and operating budget to over $800,000. By 1960 the department was producing and distributing some 389,000 bound copies of SRDS books annually, with a total of some 240,000,000 printed pages of four columns each. Although the plant also produced a large volume of promotional material, it still had substantial excess capacity, for it usually operated on less than two full shifts. In fact, if the facility had been fully used on three shifts, nearly twice the SRDS requirements for 1960 could have been produced. At the same time that the magnitude of the operation was expanding, its technical complexity was greatly increasing. Instead of a one-phase process (composition), it was now multiphase (composition, printing, binding); instead of a stable process, there was rapid technological development, especially in printing and binding. Men who had grown up with SRDS, such as Oscar Simms, long-time head of the composing department, and who had gained their experience primarily in the composition and letterpress phase of the business, were faced with high-speed offset presswork and automatic binding machinery.

During this period the d-i Offset process was in a continuing state of refinement and improvement, with very favorable results. In fact, a rather rigorous comparison of production costs of the previous letterpress method and the d-i Offset method indicated that the latter was saving some $250,000 annually by 1960.

As it happened, the operating interests of the three owner-managers were complementary. Whereas Walter Botthof and Al Moss were especially concerned with sales and promotion, Laury Botthof's abiding interest, other than the diversification program and the general administration of the business, tended toward editorial and production. Frank Ceithaml, now a full-fledged fourth member of top management, concentrated largely on finance and control.

In the first phases of the expansion of the printing department and the evolution of the d-i Offset process, the department operated under two supervisors, one for composing and platemaking and the other for printing and binding, each reporting to Laury. This arrangement became unwieldy as the pressures of general administration and diversification increased. Soon after the reorganization of 1956 and the establishment of operating divisions, Laury consolidated the printing activities and employed a new manager to supervise the total program. This initial choice of personnel was temporary, and in February 1958 Charles D. Winders was appointed to the position with the title of director, printing division.

Like the other additions to the company's high-level management group, Winders had professional qualifications that included both business experience and academic training. Most recently he had been plant manager of a combination offset and letterpress plant employing some 60 people. Other business experience included general management of a small corporation that specialized in the production of color advertising material by the offset process, and supervision of an experimental printing department for a larger corporation. As for academic work, Winders received a B.S. in printing management from Kansas State Teachers College (1935), following which he was an instructor in vocational printing in Kansas and Oklahoma school systems. These qualifications made him an excellent choice for the SRDS operation, which required a combination of all-round technical competence, administrative ability, and proved experience in experimental work.

With the advent of Winders, Laury Botthof was able to devote himself more fully to the general administrative affairs of the business. Winders, in addition to taking full charge of the printing division, assumed responsibility for the continuing development and industrial application of d-i Offset. Particularly significant was a speeding-up of efforts to stabilize the d-i Offset process so that the preparation of satisfactory plates could be reduced to a well-proved routine, one that could readily be mastered by other commercial d-i Offset users. This accelerated research program, started in 1961, began to bear fruit in 1962 when several commercial printers adopted the process. These applications were proving successful during 1963, and it was thought that 1964 might well be a banner year for d-i Offset. In the organizational revision of 1960, Winders became vice-president for the printing division.

Personnel.—By the mid-1950's the number of SRDS employees had risen to more than 200, but there was still no separate department for the various personnel functions: recruiting, hiring, training, promotion, transfer, vacations, hours, wages, salaries, and so forth. At that time, as previously noted, the firm was still being administered by the Executive Committee—the two Botthofs, Al Moss, Richard Trenkmann, and Frank Ceithaml, and many problems related to personnel came to the committee's attention, even to salary raises for individual members of the maintenance force. Each department head tended to operate independently in respect to personnel matters, and it is fair to say that personnel policies and practices were at times inconsistent and confused. Moreover, the company was in the midst of an expansion program. Office space was becoming cramped at 1740 Ridge, and employee turnover was uncomfortably high.

Recognizing the inefficiency of the existing method of handling personnel matters, as well as the drain on its own time, the Executive Committee established a personnel department in 1955 and placed it under the direction of a young man who had recently come into the firm. It soon became apparent that the task of establishing uniform policies and practices had best be undertaken by a more experienced person. Laury Botthof, in particular, wanted to recruit a young man who had drive and initiative, one who would see at SRDS an opportunity to develop the personnel function fully.

In October 1956 Joseph D. Landon joined SRDS as personnel director. Previously employed by the U.S. Gypsum Company, Landon had risen to the top personnel position at the plant level and subsequently to several areas of responsibility at the home office. A graduate of Oklahoma State University with a B.S. in personnel administration (1948) and an M.S. in psychology and philosophy (1949), Landon augmented the company's rapidly growing echelon of high-level professional managers.

A major consideration in his decision to join SRDS, Landon recalls, was the broad opportunity to centralize the personnel function as outlined by Laury and the latitude for action offered him.

But all this was really only half of the problem. The other half had to do with management's attitudes and practices. The various department heads had to be drawn away from pursuing an independent course of action in personnel matters, but without detracting from their roles as supervisors.

By 1961, some five years after Landon's arrival, the SRDS personnel program seemed to be functioning well. Perhaps the most significant indication of progress was top management's increasing tendency to delegate authority in respect to salary reviews and final selection of personnel. Most of the responsibility in these matters was now handled jointly by the personnel department and the appropriate division chiefs. In addition, a comprehensive wage and salary program was in operation, the role of the personnel division in hiring and training had gradually gained acceptance. Personnel policy had been codified in a series of bulletins issued as a part of the company's policy manual, and a comprehensive employees' handbook had been developed. This handbook, a loose-leaf affair (so as to permit "updating"), included a brief description of the nature and purpose of SRDS publications; a short history of the company; a description of its structure and of activities within each of the operating divisions; and personnel policies with respect to attendance, vacations and holidays, wage and salary administration, fringe benefits, and recreational programs.

Meanwhile the field of industrial relations—dealings with organized labor—was added to the Personnel Department's responsibilities. The company's first experience with unions came shortly after the move to Skokie. As a result of a brief campaign by the International Typographical Union, an election was held on March 2, 1960, under the provisions of the National Labor Relations Act. The 35 composing room employees were the union's target, and the results of the election were 13 votes for the union, 18 against, and four challenged votes. The challenged votes would not have formed a majority so an inquiry was not opened. After the required one-year waiting period, the same union again claimed to represent a majority of the composing room employees, and a subsequent National Labor Relations Board election (March 29, 1961) resulted in 19 votes for the union, 12 against, and three challenged votes. Hence SRDS was "organized" for the first time in its history—employers as well as employees. (In the Chicago area some employers who deal with the ITU are organized into a group calling itself the Franklin Association. SRDS joined this group and adopted the standard contract for the area.) In July 1962 the Amalgamated Lithographers of America claimed to represent the seven employees who operated offset presses. An NLRB election held on August 3, 1962, supported that claim. The seven employees voted for the union; there were no opposing votes.

The reasons for the shift from a nonunion to a union shop in the areas of presswork and composition are not clear. The working conditions were good, the pay scales comparable. Actually the payment of union dues resulted in a reduction in take-home pay. It would appear, therefore, that the basic motivation was related neither to monetary factors nor to the physical environment.

The advent of the unions altered, to some extent, the manner in which Winders and Landon did their jobs, and one more area was added to the broad activity of "maintaining" people—the area of industrial relations.

In addition, two major organization changes occurred during the years in question. The personnel department became a division in December 1956. Landon became a division manager and later (1960) vice-president, personnel.

Looking back on the experience of the past seven years (1956–63), top management, and Laury Botthof in particular, had reason to feel that their original judgment as to the value of a personnel department at SRDS had been well founded. The personnel function was operating smoothly. The challenge ahead was mainly in the area of training, including fuller use of the framework of personnel policies and procedures that had been established.

Research.—While research had been an important activity within SRDS since at least World War II, it did not achieve divisional status until 1959. At that time Phillip W. Wenig joined the firm as research director and head of the new division. He was to be responsible for "all present and future research activities for both SRDS publications and for *Media/scope*." Looking back to the interviews preceding his employment, Wenig recalls that the company had been particularly interested in four areas:

1. What is "necessary" copy in the SRDS rate and data books from the point of view of agency usage? The material submitted by publishers and broadcasters for inclusion in their SRDS listings was growing by leaps and bounds, and the books were getting fatter by the month. The SRDS editorial department screened this data carefully to eliminate "unneeded" information and attempted to organize the information in a standard sequence and format so as to facilitate subscriber usage. This resulted in differences of opinion that were sometimes awkward, especially as the same publishers and broadcasters were also actual or potential advertisers in the SRDS books.
2. What were likely areas for further diversification by SRDS? The question was meant to cover not only activities closely related to the firm's current efforts but also matters in more distant fields.
3. What opportunities did automation offer SRDS?
4. What specific opportunities for research connected with sales and promotion of the basic Service and *Media/scope* might exist? For example, what was a reasonable circulation expectation for *Media/scope?*

The new director of research came to SRDS directly from Harold Cabot and Company, Advertising, of Boston, Massachusetts, where he had been director of marketing and consumer research. Previously he had been associated with A. J. Wood and Company, a national market-research organization, where he was director of media research. Upon graduation from the University of Illinois (with A.B. and M.A. degrees), Wenig joined the faculty of that University in 1952 to teach statistics and experimental psychology. He left the teaching profession to become supervisor of the division of research and statistics in the Illinois Department of Public Welfare, after which he shifted to commercial research. This varied background, especially his experience in the administration of field research, commended Wenig to SRDS, where, it was hoped, he would be able to establish the firm as a commercial processor and supplier of information pertinent to the buying of media.

Control.—The position of controller was established at SRDS in 1947, with the arrival of Frank Ceithaml. Despite his increasing involvement in policy formulation and general administration as chief financial officer, Ceithaml continued to function as controller until the fall of 1962. At that time Charles J. Vojta, Jr., joined the firm in the capacity of controller, reporting to Ceithaml, now senior vice-president.

Vojta's record reflected the pattern of business experience and academic qualifications established by previous additions to the SRDS management group. A graduate of Northwestern University's School of Business in 1949, he spent the next three years in public accounting, passing the C.P.A. examination in the meanwhile. Two years in the controller's office of a Texas steel company followed, after which he returned to Chicago to become chief accountant and, somewhat later, controller of a Chicago-based merchandising firm. During his eight years with this company, Vojta earned an M.B.A. from the evening school of the University of Chicago.

Significance.—In reviewing the changes that occurred in the upper echelon of SRDS management after World War II, and particularly since 1955, one may well ponder several questions. For example, why was there not more promotion from within during these years? The answer lies in an examination of the organization during the 1940's and early 1950's. Many of the senior members of the 15-odd departments (see Figure X-1) had been with the firm since the early 1920's. Until the 1940's neither the size of the organization nor its mode of operation had changed appreciably. But between the early 1940's and the early 1960's the firm's growth was approximately tenfold in many respects. Its array of products and its market strategy had changed drastically. All aspects of the business had become increasingly complex—the techniques or research employed by SRDS, the varieties of media information it processed, the method of printing, and so forth. Obviously these changes required abilities different from those demanded by the earlier scope and character of the business. For the most part, the older members of the middle-management group either retired or held the same positions but reported to the new division chiefs. No employees were released in the process of reorganization. By 1963, however, the conclusion of the period under consideration, none of the management echelon who reported to the owner-managers directly had been with the firm more than 15 years, and the majority had been with SRDS less than seven years. All the new men had come with excellent qualifications, most of them from larger firms. Thus for many of them—and certainly for the younger members of the group—a post at SRDS was not an end in itself but a means of realizing personal objectives. As professional managers they had an appreciation of their own worth and, having already changed jobs several times (the average was nearly four), many might be expected to do so again.

In such circumstances how does an owner-manager go about maintaining an effective managerial environment, one that will insure the continued availability of high-quality talent at reasonable cost? The relevant considerations may be split into tangible and intangible, short-run and long-run factors. Short-run, tangible factors would include the base salary and the profit-sharing plan; a short-run intangible might be the managerial climate, as indicated by the responsibility delegated, the confidence demonstrated, the opportunities for professional growth presented. A long-run tangible factor might be a stock-option plan; a long-run intangible consideration might be the firm's prospects for expansion, with a corollary expansion in the "manning table" of the organization.

At SRDS short-run tangibles have included base salaries that are at a competitive level and participation in a profit-sharing plan whereby a portion of the net profit of the firm is set aside for employees and allocated in proportion to base salary. During the late 1950's, that plan, however, ran afoul of the company's building and diversification program, the cost of which substantially reduced the profit made available for distribution. For example, a division manager solely concerned with the operation of the basic books and doing a very creditable job of holding down costs while improving his division's over-all record of performance might have found his bonus declining because of heavy development or investment expenses outside his area of responsibility. This is, of course, a classic problem in such profit-sharing programs. In good times everyone shares, whether deserving or not, and in poor times managers of those portions of the business that are still performing well are penalized along with the rest.

A possible remedy for this situation lies in the creation of cost or profit centers for each distinct operating identity within the firm. Certainly the U.S. portion of the basic Service would be such a grouping. *Media/scope*, Data, Inc., and the various foreign operations would be others. But such a move might be unpalatable in several ways. It might so split the identity of the firm that loyalty to the organization as a whole would be threatened, and it might require disclosing financial data hitherto known only by the owner-managers. Such disclosures, in addition to creating possible competitive disadvantages, might permit persons at lower levels in the internal organization to appraise and criticize policy and operating decisions made by one another and by members of the higher echelons.

On the other hand, with full and timely feedback of financial information, the operating heads of interdependent activities, such as sales and editorial, would be better able to appraise their joint performance and to initiate corrective action, rather than waiting for someone at a higher level to take notice of an unsatisfactory situation and bring it to their attention.

At SRDS, there was some feeling that a profit-sharing plan more directly related to individual performance might not be feasible until such time as genuinely meaningful cost, revenue, and profit centers were instituted and employed.

In conclusion, as the mid-1960's got under way, SRDS seemed well staffed at the managerial level for the tasks that lay ahead. Considerable progress had also been made toward a meaningful delegation of responsibility to a new layer of management, and the results had been most encouraging. The financial record of the decade just past attested to the basic soundness of the company's policies and of the program of management development initiated and nurtured by Laury Botthof.

Karsh of Ottawa

C. LAURY BOTTHOF

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XVIII

SRDS & Automation

THE TERMS *automation, integrated data processing, computerization,* and *operations research* began to enter the common business vocabulary during the 1950's, and with them came a growing concern throughout the advertising industry. Hardly a week went by that Walter Botthof, Laury Botthof, Al Moss, or some other member of SRDS management did not read or hear something about these technological developments or was not asked some question pertaining to their possible application. But in spite of the persistent rumors of impending breakthroughs or radical changes in the mode of industry operation, no concrete evidence of such changes had yet come to light when, in 1959, Laury asked John Cusick of the SRDS research staff to locate and appraise applications of automated procedures that seemed to bear on the buying of media.

One of Cusick's first discoveries was that, despite recurrent rumblings to the contrary, no advertising agency had as yet accomplished anything significant by way of applying computer technology to media selection. More astonishing was the fact that only a few agencies even had research programs charged with developing electronic data-processing capability. He also learned that several large industrial firms were experimenting with the application of computer "hardware" and operations research techniques to their advertising programs. The basic reason for this pioneering by major industrial firms, rather than agencies, was that the industrial firms already possessed the requisite staff and computer equipment, the "fixed" cost of which (equipment and personnel) was being borne by other applications. Especially interesting to Cusick was the case of a large oil company that was actually allocating its advertising budget by means of a computer program which related sales volume, demographic information, media coverage, and media costs.

The reports submitted to the SRDS management during the spring and summer of 1959 were cautiously optimistic regarding the potential use of computer programing and operations research techniques to the media-buying function. One suggestion was that a significant portion of the rate and data information carried in SRDS publications might lend itself to manipulation by electronic computers. Another was that the basic SRDS data might be combined with market and audience information in such a way as to permit integrated data processing, i.e., the use of a basic stock of information for multiple purposes, such as the matching of a target audience with demographic information and with the penetration of particular media.

While some very large agencies might ultimately perform these electronic data-processing activities on their own computers, it appeared that the majority of advertising firms would find it advantageous to have their data processed by a computer service center. It was also thought that some types of information might lend themselves to the company's traditional single-source concept. For example, at that time an agency wishing to schedule spot announcements on TV or radio had to inquire of each prospective station which blocks of time were as yet unsold and then place an order with each broadcaster for the block desired. In contrast, if a computer were to store all the available blocks of spot-time for all U.S. commercial broadcasting stations for a particular calendar period, and if all stations reported allocations of this time as they occurred, the computer would contain a "real time" schedule of station availability. A prospective spot announcement schedule that contained statements of "first choice," "second choice," and so on could then be matched against the open-time availability stored in the memory of the computer. The time could be allocated in accordance with the preferences indicated, and the schedule could be confirmed within a matter of seconds. Moreover, the foregoing service might be combined with cost estimating, program-validation, client-billing, and station-billing procedures. It seemed to the SRDS management, and especially to Laury Botthof, that this type of clearing house activity fitted logically into the concept of "Serving the Media-Buying Function" and that it might have commercially attractive possibilities.

An example of a situation in which media data from SRDS or some other source might be combined with demographic data, product-use and ownership information, and media-readership data might be the case of a manufacturer of a new sudsless detergent, whose target market has been identified as housewives using automatic dishwashers. If the number of such households in various demographic categories of major metropolitan areas is known, if media exposure for the corresponding areas is also known, if the cost of purchasing space in these media is given, and if the parameters of the advertising program are precisely defined, a linear programing technique might be applied to achieve either a least-cost solution for a specified coverage, or a maximum coverage solution for a given budget, and the whole problem might be resolved electronically. But many other dimensions might be added to the problem. Perhaps the various forms of broadcast media should be considered concurrently—spot radio, spot TV, or specific sponsored programs. Similarly, consumer magazines and outdoor advertising might be considered, either singly or in combination. And all these plans might be coordinated with the marketing program's plans for the use of coupons, handbills, sampling plans, combination offers, dealer stocking and display arrangements, and physical production and distribution. Available computer capability, Cusick reported, might be adequate for the simple one-media situation, but not for the more complex multi-media program.

In considering the possibilities of automated media selection, many experienced agency personnel had also pointed to an "information gap"—the difference between the form, quality, and quantity of information upon which an experienced media specialist customarily relied when constructing a media plan and the information a computer would require in order to achieve a decision of comparable quality. They argued that so much of the information relied upon by the human specialist was "internal" and "qualitative" that the achievement of a comparable decision by a computer would be next to impossible and certainly not economical. For example, a promotional plan might wish to take into account the social class most likely to purchase the product to be advertised. In that case the media specialist would seek a good "match" between (a) this aspect of the "consumer profile" and (b) the "audience profile" of the medium to be employed. In making the match, the human specialist might not be primarily concerned with a highly tangible characteristic, such as the geographic dispersion or dollar income of the audience, but with rather intangible factors such as the "tone," "credibility," and "intellectual quality" of the medium itself. To computerize such factors, they pointed out, would be difficult, especially because of the scarcity of factual information upon which to base conclusions, i.e., the information gap.

Retorting to these reservations about the potential role of automated decision-making in media selection, some brash upstarts in the profession observed that "game theory," "decision theory," and "operations research" techniques could be applied. These decision-making models could employ the tangible information already available and could combine it with "externalized" versions of the implicit decision rules and value judgments already possessed by experienced and successful media buyers. All that was necessary to achieve this externalization of internal concepts, knowledge, and attitudes, they said, was cooperation between a competent management scientist and a person skilled in the craft of media selection. The scientist would draw from the media specialist rules of thumb, concepts of significant relationships, and value judgments. These would then be classified, analyzed, reduced to quantitative relationships, verified, improved upon, and ultimately incorporated in a standard procedure for media selection. The resulting "decision model" would, of course, be programed for computer application.

In point of fact, this was almost precisely the method by which Frederick W. Taylor and his followers in "scientific management" revolutionized much of American industry between 1880 and 1920—without, of course, the assistance of computers.

Before Taylor, for example, metalworking was a highly subjective art. The choice of metals for cutting-tools, the heat treatment applied to them, the shapes to which they were ground, the feeds and speeds with which they were used, and the adjustment of these according to the composition of the metal to be worked and the type of surface and the accuracy desired—all were internalized decisions. Every shop foreman and skilled machinist had his own "little black book" in which he recorded the results of his necessarily limited experiences, and his resulting prejudices, as to the best manner of combining the foregoing variables. Taylor began to extract these prejudices, and when he discovered how radically they varied he began a series of objective tests to identify the best approaches. He started his studies in 1880 and continued for some 26 years before the results were published in *Toward the Art of Cutting Metals* in 1906 (American Society of Mechanical Engineers).

With the publication of this work, the magic of metalworking began to disappear as does a fog in a morning sun. And with the disappearance of the fog, the ranks of the old-line shop foremen, the witch doctors with their secret formulas and their little black books, also began to thin. To replace the limited and uncertain knowledge of these traditional experts, Taylor provided a mathematical model, containing some 12 variable elements, and a set of tables from which one chose values for the variables according to the type of metal being worked. A novice in the field could select values from the tables, apply them to a special logarithmic slide rule developed in the course of Taylor's work, push and pull the scales of the rule, and emerge with a better solution than the most experienced traditionally trained metal craftsman could hope to achieve except by chance. In fact, the results were so superior to previous methods that the output of machine shops using Taylor's system was at least doubled, and the production of individual machines sometimes was increased by a factor of nine.

Needless to say, the transfer of prestige and skill from horny-handed craftsmen to professionally trained "tooling engineers" was rarely smooth and easy. In almost every instance, a sort of guerrilla warfare developed between the new staff experts and the "practical" men of the shop. In fact, a considerable antagonism between the two groups still exists in almost any metalworking organization.

Taylor is even better known, of course, as the pioneer in time-and-motion study and work simplification, the means by which the physical activity of human beings is made more effective. In this process again, however, the work being studied was frequently standardized and "de-skilled" to the point of creating intense apprehension and hostility among the workers so affected. For example, the task of setting up and operating a machine tool might be so engineered and standardized, with the results of this study so well recorded in the form of written instructions, that a foreman could readily train a rank novice to do work formerly performed only by a skilled machinist.

This process of work simplification and task standardization not only displaced skilled labor, but also greatly facilitated mechanization and its contemporary cousin, automation, thus eliminating many tasks altogether. Moreover, the de-skilled tasks that were not eliminated often became sheer drudgery and hardly conducive to the enrichment of the human personality. On the other hand, Taylor's methods not only greatly increased productivity but also called for an expansion of the role of staff specialists, thus opening employment opportunities that were often on a higher plane than those eliminated.

In the contemporary problem facing SRDS, the "de-skilling," routinizing, and model-building activities of the new science of management decision were to be applied to technical and managerial specialists in the realm of advertising, whereas Taylor's findings had been applied within the factory. The analogy probably was not explicitly drawn in the minds of either the SRDS management or the media-buying field, but there is little doubt that both groups had an uneasy visceral reaction to the prospects conjured up by the bright young "management scientists."

Such a reaction was much in the minds of the SRDS management group as they considered their next step in respect to automation and the media-buying function. They were already keenly aware of at least some of the human consequences should automation prove even partially successful. They had observed the intensely emotional manner in which many SRDS users viewed the subject. But in spite of the temptation to take the "humanist" position and side with those who argued that media buying simply was not a logical subject for programing, they were inclined to accept the view that significant portions of the media-buying process would eventually be automated. Furthermore, they recognized that even if automation were confined to large advertisers and large agencies, it would affect the use of SRDS books. True, only a small portion of an SRDS listing might be "taped," and even this would have to be checked against SRDS periodically in order to assure its accuracy. Nevertheless if the use made of SRDS by major agencies and advertisers were to alter, the appeal of SRDS as an advertising vehicle would change also. Thus it seemed to Laury Botthof and to the SRDS management generally that the company had no choice but to step up its inquiry into electronic data processing. The place to begin, they decided, was the "service-center" concept.

The Service-Center Concept.—As noted earlier, Laury Botthof believed that a computer center which specialized in serving the media-buying function would have good commercial possibilities. Such a center would develop and maintain, on cards and tape, a standard "mix" of media-market information such as was then carried in the various SRDS rate and data guides. The center would maintain standardized routines for processing media-buying schedules and would have the talent to develop "custom" programs. It seemed probable, however, that the cost of developing and maintaining a comprehensive and up-to-date computer program would be very high —so high that only a very large agency or firm could afford to sustain such an activity for its exclusive use. Since the same data could be used by many firms, large and small, there seemed to be a real need for an electronic data-processing service organization. That organization could spread the costs of its operations over many applications and could even process the basic information according to the analytical techniques specified by its clients. Thus it would be possible for clients—agencies or advertisers—to differentiate themselves according to their skills and preferences in problem formulation and analysis.

In addition, such a service organization might obtain some business even from firms that chose to do their own processing. In the latter instance, a large agency operating its own computer facility might still find it economical to purchase basic demographic and media-market data on in-put cards or tapes, and this service might be sold on a regular subscription basis.

The SRDS management group was uncertain, however, about whether this type of service would be technically feasible and, if so, whether it could be offered at reasonable cost. If so, there was no doubt in their minds that other companies were bound to enter the field. Their experience led them to believe that the first firm to offer such a service would have a substantial competitive advantage, and they were resolved that this firm be SRDS.

Still, they were disturbed by the fact that no agencies seemed to have been active in the development of computer applications. Had they misjudged the need? Would an agency be interested in using a central media-selection service if it were available? To answer these and other questions the SRDS research group, in the fall of 1959, drew up a prospectus for a service that might be rendered if the SRDS *Newspaper Rate and Data* book were converted to punched cards and magnetic tape and if these information resources were made available for analysis and tabulation by a variety of hypothetical program routines on an electronic computer. The prospectus was presented to a number of medium-sized and large advertising agencies, and the results were almost uniformly negative. This was a shock.

In reporting on the results, Cusick offered some tentative explanations:

1. Is it possible that respondents would be predisposed toward a negative answer, since, while they are acutely aware of their current problems, they know little or nothing about the capacity of the machines to solve those problems? (At this point even SRDS cannot guarantee that such a service is practical without actual experience in the field.)

2. With so many unknowns involved, would the respondents be inclined to discourage an activity that *may* minimize the importance of their own responsibilities or, at the very least, create many headaches in the future? (Since SRDS cannot as yet determine the efficiency or scope of the proposed service, why should the respondent commit himself at this time?)

3. Could the feeling that newspapers are not a problem area stem from the fact that respondents have never been shown a more efficient method? Media department clerical procedures have remained unchanged for years and hence may now be taken for granted as part of the business.

4. Can an EDP [electronic data-processing] newspaper service be sold on the basis of speed and accuracy alone, without substantial reductions in media department costs? When viewed as an end in itself, such a service may not be profitable to either the agency or SRDS. Many of the original personnel and accounting machines would still be needed to handle other media. However, since it was important that the research be as specific as possible, most of our discussions were limited to a service on "newspapers only." [1]

A New Division and a New Director.—After the many imponderables of EDP, operations research, and decision theory as applied to the SRDS goal of "Serving the Media-Buying Function" had been brought into somewhat clearer focus by the investigations of early 1959, the conclusions of management were twofold. First, more or less as an article of faith it was argued that EDP and the new analytical techniques would certainly play a significant role in the media-buying function, even though the questions "When?" and "How?" could not presently be answered. Second, it seemed clear to the group that SRDS should strive to maintain a leading position in the field served by the SRDS media data guides, regardless of the form of the service rendered. For SRDS was a purveyor of media-buying information first and a publisher second. Also, this was seen as a case in which an ounce of prevention might well be worth a pound of cure. It might be better to absorb the inevitable costs of pioneering than the expense and risk of attempting to catch up with a well-established rival.

1. A. J. Cusick's report to C. L. Botthof, February 25, 1960, entitled "SRDS Automation Summary," p. 2.

Thus it was that in September 1959 Laury Botthof announced that the company's research department would be elevated to the status of a division which would "handle all present and future research activities for both SRDS publications and *Media/scope*." To head the new division Laury selected Phillip W. Wenig who, as noted earlier, joined SRDS directly from Harold Cabot and Company, Advertising, of Boston, Massachusetts, where he had been director of marketing and consumer research.

Phil Wenig, yet in his early thirties, stepped into the new position with the vigor and assurance of an experienced account executive dealing with an uncertain client. Although his department's area of responsibility was quite broad, a clear priority was assigned to getting SRDS started in the field of electronic data processing and, more particularly, testing the feasibility of programing portions of the media-buying function by using taped media-market information.

Entry into EDP.—When the new research division began operations in September 1959, two potential EDP applications were already under consideration: an automated newspaper-estimating, insertion-order, and bill-pay service and an automated service for the allocation of time availabilities of broadcast media. By the end of November 1959 it seemed clear that either one of these projects would require a substantial investment in personnel and equipment and that the market potential was highly uncertain. Interest then shifted to the possibility of automating a portion of the SRDS internal editorial routine for the rate and data services, with the idea that such an application would help to cover the fixed costs of operating an EDP facility and offer the possibility of developing marketable EDP applications as a supplement. Two computer manufacturers successively viewed the SRDS editorial operation, and each concluded that it was too intricate to be programed economically. Next the computer division of a prominent consulting firm was queried regarding its procedure and charges for conducting an EDP-feasibility study for SRDS. The proposed fee seemed quite high, and this avenue of investigation was tabled. It was now January 1960, and the attention of the research division was redirected to media-buying activities at the agency level with a view to evaluating the service-center concept. Wenig began an interviewing program that was ultimately to include men and women in some 25 medium-sized advertising agencies. The intent was to learn how practical the service-center concept might be.

Meanwhile another possibility was also under investigation by the new research director—that SRDS enter the field of commercial research, particularly media research. This was the product area from which Wenig had come, and it was natural for him to think of spreading the cost of research personnel and a computer facility by some combination of standardized and "custom" research with a high EDP content. On the other hand, "custom" research was almost precisely 180 degrees removed from the long-standing forte of SRDS, i.e., the assembly of highly standardized media-market information in various publications and the promotion of these publications as advertising media.

While these investigations were under way, in July 1960 Sky Hopper alerted the SRDS management to the serious financial plight of Barnard, Inc., and its availability for acquisition. Barnard operated a moderate-sized data-processing service and statistical research bureau ($456,000 in 1959 billings), located in a loft building at Fourth Avenue and Twenty-ninth Street in New York City. Services to its clientele among advertising agencies included the allocation of media by means of EDP procedures or MATEC (media allocation through electronic computers). The firm was also said to have a very substantial statistical library of media-market information already converted to computer language.

Barnard, Inc., had grown out of an automatic data-processing service established by Robert Barnard and others shortly after World War II. The firm grew gradually, and when computers came into commercial use for data processing Barnard developed competence in that field. In mid-1960 the firm was employing on its premises IBM automatic data-processing equipment (keypunch, sorting, and tabulating machines) that carried rental charges of some $6,800 per month. (This was a reduction from a much higher peak reached a few years earlier when the firm had maintained a rented computer.) In mid-1960, computer time was being rented as needed at a nearby installation.

Barnard's billings had been declining for several years—partly because of aggressive and even cutthroat competition among a growing number of similarly equipped service bureaus in the New York area. Robert Barnard had sold his interest in the firm toward the end of 1958 to a group of New Yorkers who promptly launched a short-range rehabilitation program, apparently for the purpose of resale. The rehabilitation did not seem to "take" very well, for the firm's sales and assets continued to dwindle under the new management. In mid-1960, when Frank Ceithaml came on the scene to look over Barnard's financial condition, he found that the firm was nearly six months behind on its equipment rental fees, that it had already factored its accounts receivable, and that bankruptcy was just around the corner.

After an on-the-site appraisal, Wenig reported (August 8, 1960) that while the morale of the Barnard staff left much to be desired and while MATEC in its present form did not fit Wenig's plans, there were some important plus factors:

> I see the proficiency, reputation, and volume which they [Barnard] have developed in this area to be attractive to us in moving toward the development of broad new service possibilities. They do have "know-how" and good client contacts. It would be my hope that in

a relatively short time the company would be solvent and that we could use at least part of the income from the accounting and tabulating side of the business to support the growth of MATEC and the development of new services in the area of media buying.

I still believe that we would spend in the vicinity of $100,000 and two years to get to the position that Barnard is potentially in today and that, since we are going to move in this general direction anyway, the acquisition of Barnard, Inc., represents an unusual opportunity.

At about the same time Frank Ceithaml summed up the financial steps necessary to an acquisition:

1. To reach an agreement on price with the present stockholders.
2. To reach an agreement with Barnard for cancellation of his employment contract ($18,000 per year for "consulting services").
3. To secure the cancellation of employment contracts with Messrs. Duffey, Green, Brown, and Fogarty (respectively, the company's president and its three key salesmen, each of whom has considerable technical competence).
4. To compromise the debts of the corporation (current liabilities exceed current assets by some $70,000).

With these reports at hand the basic decision was made: SRDS would buy, *if* the price was right and *if* the various obstacles enumerated by Ceithaml could be removed. Time was of the essence, however. IBM planned to withdraw its equipment at the end of the month, and this move would terminate Barnard's activities and force the firm into bankruptcy. Moreover, the disordered conditions of the past several years and the mounting threat of "folding" had already taken some toll in loss of personnel and in low morale, and that condition seemed to be worsening rapidly. This was a vital consideration, it would seem, for it was the people—their know-how and their contacts—that constituted the principal assets of the business from the SRDS point of view.

Negotiations continued through August. IBM cooperated by extending its deadline a month, and one by one Ceithaml's financial goals were achieved. As each succeeding financial target was reached, excitement mounted within SRDS. But at Barnard little was known of the process of acquisition and still less of what it portended. Morale, sales, and assets, both financial and human, continued to ebb. Thus like a cake of ice in a July sun the economic substance of the Barnard organization steadily diminished.

On September 29, 1960, Barnard was acquired by SRDS, and a new board and slate of officers was elected. Laury Botthof became president and Phillip Wenig vice-president and general manager. At the time Barnard, Inc., was billing $474,000 annually in the following categories:

BARNARD, INC. 1960 BILLINGS

ACCOUNTING TABULATIONS	$260,000
LIBRARY SERVICES	91,000
RESEARCH SERVICES	80,000
MATEC SERVICES	43,000
TOTAL	$474,000

Three years later, by which time the firm's name had been changed to SRDS-Data, Inc., it was billing a little more than $500,-000 annually in these categories:

SRDS-DATA, INC. 1963 BILLINGS

RESEARCH	
CONSUMER/AUDIENCE PROFILE SERVICE	$136,693
ADVERTISING IMPACT MEASUREMENT SERVICE	46,640
CUSTOM RESEARCH	40,826
TOTAL RESEARCH BILLINGS	$224,159
DATA PROCESSING	
AGENCY IMPLEMENTATION	$ 94,285
OUTDOOR ADVERTISING SERVICE	59,879
SRDS DATA PROCESSING	31,054
OTHER DATA PROCESSING	117,831
TOTAL DATA PROCESSING BILLINGS	$303,049
GRAND TOTAL	$527,208

In the 1960–1963 interval, Wenig became president of the new SRDS subsidiary and supervised the shift in emphasis indicated by the foregoing trend in billings. Meanwhile every one of the original Barnard sales personnel left the company, most of them within the first six months, and all but one of the key technical personnel did likewise. A major job of rebuilding contacts, know-how, and sales was thus precipitated. In general this rebuilding effort emphasized the programs and talents that fitted the objectives outlined earlier: to provide media-allocation programs using media-market information from SRDS and other sources; to provide standardized EDP services, especially to agencies and advertisers; and to provide commercial research capabilities. Commercial accounting and tabulating activities, formerly the backbone of Barnard's sales, were not stressed.

In the first of these areas, media allocation, SRDS-Data, Inc., continued to develop Barnard's MATEC approach, first with newspaper media-market information and then with that for consumer media. For example, by 1963 Data, Inc., had computerized substantial blocks of information from the two SRDS directories (*Newspaper* and *Consumer Magazines*) and was in a position to allocate advertising dollars to publications whose circulation areas offered a "best match" with the dollar sales of a product or firm. But significant billings in the general area of media allocation were yet to develop.

In the realm of standardized EDP services, Data, Inc., began developmental work on a computerized program, including estimates, recaps, insertion orders, bill/pay, etc., for radio and TV. In late 1961 a pilot project of this type was inaugurated on a cooperative basis with the New York advertising firm of Lennen and Newell, and a fully operative program for that company's work was in being by mid-1962. Billings in this general area rose to $154,000 in 1963.

During this same period SRDS also launched a new and related service under the aegis of the Broadcast Billing Company (BBC), a wholly owned subsidiary. The objective of BBC was to provide a clearing-house type of activity between TV broadcasters on the one hand and advertising agencies on the other. In general, this is how the system was to work:

1. Subscribing agencies would send BBC their spot TV purchases daily. These orders would be consolidated by EDP and placed with stations.

2. The stations would bill BBC daily for services rendered as indicated by their station logs. Automatic data processing would reveal any discrepancies between anticipated programing and actual programing, and both station and agency would be notified promptly in case of error.
3. Invoices for verified station services would be paid by BBC, which would in turn bill the agency by which the service had been requested. Preparation of invoices would include the consolidation of purchases of particular ultimate purchasers, the determination of appropriate rates and discounts, the assignment of credits due, and the calculation of the net sum to be billed.

Most of the above data processing would be accomplished by EDP at SRDS-Data, Inc. The advantages cited for the new BBC service were these:

1. The speed with which station purchase orders for TV time could be placed and verified.
2. The speed with which bills could be rendered for services performed.
3. The elimination of vast amounts of paper work for both stations and agencies, with corresponding savings in direct costs.

Somewhat as a side line, the BBC process could yield information for an SRDS broadcast-measurement service, i.e., what was advertised, when, by whom, in what dollar volume. This by-product might become quite valuable, it was thought.

Heading the new BBC organization were Laury Botthof as chairman of the Board, Al Moss as president, George W. Schiele as sales vice-president, and Richard I. Golden as operating vice-president. Schiele was formerly sales vice-president of Broadcast Advertisers Reports, Inc., where he had been instrumental in developing a successful television audit system. Golden was formerly supervisor of automated operations for 13 stations in the Triangle Radio Network, where he had developed a centralized traffic and billing system containing many of the elements of the service to be offered by BBC. Schiele and Golden had come to Wenig in early 1961 to obtain backing for the venture that became BBC, and he had brought their proposal to the attention of SRDS.

Practically concurrent with the announcement of BBC came the news that two other groups were aiming at the same market, Broadcast Clearing House, Inc., and Central Media Bureau, Inc., both of New York. In succeeding months, it seemed that everywhere Schiele went, the others were sure to follow, and vice versa. At forums of radio and television executives, for example, representatives of all three were often asked to appear in sequence. Similarly, the trade press typically grouped the three systems in any article on the subject. The reaction of the industry was often cautious:

> Three firms will compete to do the work that one could handle. . . . A delay in starting is likely. . . . Out of the presentations . . . will probably come at least one system that makes it. But it will take a lot of evolution before the full benefits of central billing are achieved.[2]

At the end of six months of promotion, BBC had not yet garnered an adequate set

2. "Automated Media Billing," *Broadcasting*, December 18, 1961, p. 36.

of cooperating agencies and stations. To reduce costs and to compensate for some overlap in services offered, BBC was "folded into" SRDS-Data, Inc., in early 1962. Golden and Schiele were absorbed into Data, Inc.'s sales effort. BBC was a dead issue.

The other two starters, Broadcast Clearing House and Central Media Bureau, fared somewhat better at first. Each actually began central billing operations in 1962 but, alas, not for long. By the end of 1963 the broadcasting industry had been swept clean of services of the type contemplated by BBC. The reasons for these failures are not clear. Perhaps part of the problem was (and is) the reluctance of agencies to divulge their programing plans to any outside entity for fear of "leakage." Another may be that, unless the clearinghouse operation is conducted on a very comprehensive scale, the direct savings to agencies and stations will not be large because a staff will still have to be maintained to service the items that are not "within the system."

In the third area of SRDS-Data, Inc.'s activity, commercial research related to the media-buying function, many services were generated over the years 1961–63. Most important of these were the Consumer/Audience Profile Service and the Advertising Impact Measurement Service. The measurement service got under way first as a means of demonstrating the impact of advertisements placed in *Media/scope*. In general its goal was to ascertain the type of message that was communicated to a reader by an advertisement and to relate the message perceived to the message intended by the advertiser. The messages perceived by the readers were classified and, by an appropriate audience-sampling plan, the results were given statistical validity. Billings for this type of service rose to $47,000 in 1963.

C/APS, as functioning in late 1963, ascertained for a nationwide sample of several thousand households the following classes of information:

A broad array of demographic characteristics.

Use/ownership facts concerning some 50 different product categories.

Use/exposure facts concerning some 200 advertising media—both print and broadcast.

With the aid of these data, for example, an advertiser could determine how many families in the Pacific Northwest owned color TV sets, what income and educational levels they represented, what their radio and TV habits were, what newspapers and magazines they read, and so on for a list of some 200 categories of facts that would help to pinpoint a particular market segment and the advertising media best suited to reach it.

A pilot run of C/APS was made in the spring of 1963, the response to which was such as to encourage a full-scale survey in the fall of 1963. A substantial number of media and advertisers had already contracted for portions of the results, and it was hoped that the total response would warrant repetition of the survey on a regular basis.

At the close of 1963, then, SRDS-Data,

Inc., was operating in the three general areas just cited. It employed some 50 people, had an annual budget of more than $750,000, and occupied some 10,000 square feet of floor space at 235 East Forty-second Street, New York City. As the author walked into its attractive, ultra-contemporary reception room on the fourth floor, the company's new Honeywell 400 computer, reels spinning and console flashing, was conspicuously visible in a temperature- and humidity-controlled room behind an extensive glass partition. While he watched and waited, the thought came, "If such is the future of media buying, SRDS is sure to be there!" Or in the phrase made famous by Admiral David G. Farragut at the battle of Mobile Bay, August 5, 1864, "Damn the torpedoes! Captain Drayton, go ahead! Jouett, full speed!"

XIX

Expansion Abroad

By mid-1963 SRDS was able to offer its subscribers no fewer than seven associated national media publications, one for each of the three major countries of the European Economic Community (France, Germany, and Italy), plus publications for Canada, Great Britain, and Mexico (Figure XIX-1). The circumstances surrounding the establishment of *Canadian Media Rates and Data* in 1955 have already been noted in Chapter XII. The next new SRDS publication was *Medios Publicitarios Mexicanos* in 1958, truly an international data book in that it was printed in the Spanish language in Mexico and was edited for use throughout Latin America. *British Rate and Data* (BRAD) was established by a British firm in 1954, as noted in Chapter XII. It was acquired a few years later by the prominent Canadian firm of Maclean-Hunter, Ltd., of Toronto, also the publisher of *Canadian Advertising,* a rate and data service that enjoyed a substantial Canadian circulation. *Canadian Advertising* had been established in 1928, and the SRDS management had for nearly 30 years enjoyed a friendly relationship with the publisher of its Canadian counterpart. As it turned out, this relationship between SRDS and Maclean-Hunter was the precursor of an even closer association between the two firms.

By early 1959 substantial segments of the U.S. business community had been jolted into action by the rapid progress of the European Economic Community toward a common market consisting of France, Germany, and Italy plus the Benelux countries—Belgium, the Netherlands, Luxembourg.

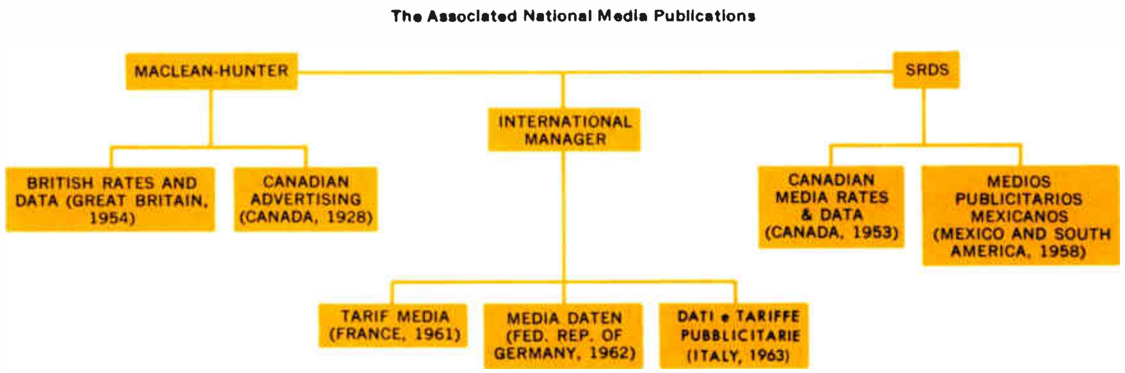

FIGURE XIX-1

Virtually all major U.S. manufacturers were busily establishing footholds with the EEC or were reshaping and strengthening positions previously secured. Many U.S. service organizations, including major advertising agencies, were also striving to make alliances with European counterparts or otherwise to establish positions from which they might participate in the dynamic growth of the European economy.

Feeling that these activities augured an even more dramatic expansion of the role of advertising within the EEC, several members of the SRDS management had visited Europe during the 1950's and had made preliminary inquiries there. These investigations had convinced Walter and Laury Botthof, as well as Al Moss, that the time for inaugurating one or more European media data services was quickly approaching. Moreover, they were well aware that, if they waited until market conditions were entirely ripe, the publishing position they coveted for SRDS might well be preempted by another firm. This latter consideration was of the utmost significance, they thought, for their experience suggested that only one media data service could profitably serve a given market and that the first firm to establish such a service, if it survived at all, would be extremely difficult to dislodge.

At this point the thoughts of the SRDS management naturally turned to Maclean-Hunter, the firm that had already preempted the media rate service opportunity in Great Britain by buying BRAD a few years after its founding in 1954 and by subsequently building it into a sound publishing venture. As fortune would have it, the Maclean-Hunter management had also been appraising the European opportunity and had come to the conclusion that, while the time for entry did not seem to be altogether auspicious, it might be well to make the move before some other firm did. Thus it was that when the managements of the two companies attended the annual spring meeting of the Associated Business Publications, Inc., at Hot Springs, Virginia, in 1960, each group had in mind making discreet inquiries to ascertain the other's intentions with respect to European publishing.

The opening came when Donald Hunter, president of Maclean-Hunter, talking with Walter and Laury Botthof, made a casual comment about the rapid progress of the EEC. Sensing an unspoken question behind the remark, Walter responded to the effect that "the EEC's accomplishments are certainly impressive, and we are well along with plans to launch a publication on the Continent." He also revealed that he did not expect that the venture would reach a break-even point for several years.

As Walter Botthof later explained his response to Hunter, the SRDS management group had indeed discussed the European opportunity and were firmly convinced that the long-run prospects for a media data service for the EEC countries were good, but they did not relish the idea of the initial losses which they saw as necessary to the process of becoming established. On the other hand, they felt that there would be considerable danger in waiting. Hence the possibility of a joint venture with Maclean-Hunter had been foreseen as a desirable solution to the problem.

It is also clear that the Botthofs, together with Al Moss, were keenly aware of having been "scooped" by Maclean-Hunter in respect to BRAD and were resolute in their determination not to be similarly dealt out of the EEC.

At the next stage of the game, Hunter had a rendezvous with his associates and relayed the news that SRDS might be on the verge of acting. That very afternoon Hunter invited the SRDS executives to meet with the Maclean-Hunter group the following morning. Out of this meeting came an agreement to enter the EEC on a joint-venture basis.

The first tangible result of this association came in November 1961, with the appearance of *Tarif Media*, a media-rate service published in Paris for the French market. There followed in close succession *Media Daten* (May 1962) and *Dati e Tariffe Pubblicitarie* (spring 1963) for Germany and Italy, respectively. In each instance the publication was edited and printed within the country it served and was managed and staffed by citizens of that country. The managers of the respective ventures were generally responsible to the director of BRAD. He in turn reported to SRDS and Maclean-Hunter, who shared ownership of the continental publications equally, while BRAD continued to be wholly owned by Maclean-Hunter.

Operations in the Americas.—The foregoing European activities coincided with an expansion of SRDS operations in the Americas. The first non-U.S. media guide to be published by SRDS, *Canadian Media Rates and Data*, had been a success from the start, but it provided information about a foreign country for a subscription list consisting primarily of U.S. advertising agencies. To make matters still easier, the language and customs of Canada were almost identical with those of the U.S. Finally, industrial development in the U.S. and Canada was similar, as was the "state of the art" in communications media and in the use of advertising.

Encouraged by the success in Canada, the SRDS management believed that the Pan-American Advertising Conference to be held in Havana, Cuba, in late 1956 might offer an opportunity to explore the launching of a media-rate service for Central and South America. This, together with the existing domestic and Canadian service, would blanket the Western hemisphere and result in a truly "pan-American" SRDS.

Accordingly the new editorial director, Dr. Alspaugh, prepared a prospectus for a pan-American service patterned after SRDS and flew to Havana on what was, he recalls, "a delightful assignment in those pre-Castro days." The trip was extremely rewarding in terms of the number and significance of the reactions that Alspaugh was able to obtain. But unfortunately they added to the conclusion that Latin America was not at all ready for the service SRDS hoped to offer. When the veneer of tact was cut away, the responses revealed several basic obstacles to the SRDS proposal. One was that accurate circulation figures and fixed rates for space and time were almost nonexistent throughout Latin America. Little had been accomplished by way of creating counterparts to such services as the Audit Bureau of Circulation, and quoted rates and charges were but starting points for negotiation. Also, the buyer of advertising space or time had to cope with a certain Latin nonchalance toward the fulfillment of contractual agreements. For example, a radio commercial might be given either more or less time than had been purchased, depending upon how the announcer felt toward the sponsor, the product, the price, or even the weather. Not infrequently announcers simply omitted the scheduled commercials.

In addition to these specific problems, advertising in Latin America was hampered by a low income per capita, generally less than $300 annually; by a high rate of illiteracy, over 50 per cent in most countries; and by extreme concentrations of economic and political power and of religious authority. Related to the foregoing was the business environment. In Latin America the political scene was characterized by instability of governments; by the venality or inconsistency of courts; and by the widespread use of official position, public or private, for personal gain. These considerations caused businessmen to place great emphasis upon personal knowledge of those with whom they transacted business. In short, their trust was ordinarily in *the man* with whom they dealt rather than in the company he represented or the contract he signed. What this pattern of doing business implied for the proposed service was that, since choices between competing advertising media were so often based upon personal factors, there was rather little incentive for publishers and station owners to advertise in an SRDS type of publication. In fact, the concept of "service advertising," so basic to the SRDS sales approach in the United States, would be altogether a new idea to many of the media whose advertising would be essential to the profitability of the proposed service.

The notion of a Latin American service was tabled as a result of Alspaugh's report, but not for long. A year or so later the SRDS management received an inquiry from Glen T. Davis, a United States citizen living in Mexico City. Davis had dabbled in advertising in Mexico since shortly after World War II and in 1953 began publishing *Periodicos de Mexico,* a mimeographed listing of advertising rates and data on certain Mexican publications. It appears that Davis' motives were very much like those of Herbert Stalker whose *Universal Rate Sheet* had stimulated Botthof and Beirnes in 1918. Davis seems to have thought of *Periodicos de Mexico* more as a means of attracting attention to his advertising interests than as a venture that might be significant in its own right. As time went on, Davis did begin to see the commercial possibilities of his enterprise, but rather than pursue them to the exclusion of his other interests he offered to dispose of his embryonic service to SRDS. An option to buy was taken and later exercised, and in 1956 a new corporation, Medios Publicitarios Mexicanos, was formed for the purpose of publishing an SRDS type of service. The new corporation, wholly owned by SRDS, began publication of *Medios Publicitarios Mexicanos* in November 1959 with a subscription list of under 200 and some 14 pages of advertising. Published quarterly, MPM gradually gained the confidence of both subscribers and advertisers and by the end of 1963 was able to boast some 750 listings, a circulation of more than 500 copies, and some 60 pages of advertising per issue. With 1963, MPM also "turned the corner" in a financial sense, this being the first year in which a profit was posted. Even so, the operation was a small one, with total revenues for 1963 being only about $36,000.

Glen Davis stayed on to launch MPM, assisted by a Mexican staff. In 1961, Davis withdrew and Señor José A. Villamil became general manager for MPM. Correspondence between Señor Villamil and the home office in Skokie suggested that the long-distance managerial arrangement was working out very well indeed.

But if the scale of MPM was rather modest as compared with that of the U.S. SRDS media guides, the exposure to the Latin American business environment that the Mexican venture afforded the SRDS management was most valuable. At the outset, for example, MPM was obliged to develop its own estimates of the circulation of the 18 daily and six weekly newspapers of the Federal District of Mexico, i.e., Mexico City and its environs. Since the MPM estimates were in most cases less than one half of the circulation figures claimed by the area's newspapers, considerable controversy ensued. The owner of one of the capital's major newspapers, in fact, complained vociferously to the United States government's representative that the circulation shown in the MPM listings was injurious and false. The net result of the dispute was that the newspaper in question ceremoniously presented for MPM's next issue a notarized certificate of circulation. The figure thus presented turned out to be rather close to MPM's original estimate! (In Mexico the *notario publico* is a formidable and highly respected individual, one who takes his task of certification quite seriously.) And the document so carefully certified was found to be a special circulation form which had been developed and distributed by MPM itself for just such notarization. Other publications slowly followed suit, and gradually the circulation figures quoted in MPM earned greater confidence within the advertising community. Still, as of 1963 the state of advertising in Mexico was far removed from that in the United States, and really significant changes appeared more likely to take decades than years.

Foreign Operations, an Overview.—The joint ventures established in France, Germany, and Italy between 1961 and 1963 occurred, of course, in economies much more advanced than those of Latin America. Even so, significant cultural differences as compared to the United States were found. Acceptance of the Service, particularly in respect to its potential as an advertising vehicle, was slow. In France, for example, sales solicitation was affected by two major firms which together acted as sales representatives for something like 60 per cent of that nation's periodical publications. Moreover, these firms seemed to control the advertising budgets of their publisher clients. Hence SRDS felt obliged to identify itself with one of the two major French firms, for which privilege it was to be paid a substantial sales commission on all advertising placed in *Tarif Media*. Subsequently some of the French firm's publisher clients placed advertisements in the new media guide. Unfortunately, however, the publisher clients of the other major firm generally chose not to advertise in *Tarif Media*. Moreover, the arrangement prohibited the *Tarif Media* sales representatives from carrying their advertising philosophy directly to the publishers whose business was sought. This was something of a handicap since the concept of informative advertising by publishers was quite new in France, and there, as elsewhere in Europe, something new is approached with great caution. Furthermore, *Tarif Media* was generally known to be foreign owned and, though the management was entirely French, foreign ownership was no advantage in gaining entry to the close-knit circle of French publishing.

The first two years of publication saw *Tarif Media*'s listings rise to nearly 3,400, its subscriptions increase from 700 to 1,100, and its advertising advance from 18 pages per issue to nearly 50 pages. But costs increased more rapidly than revenue, and Walter Botthof's initial forecast—that the growth and profit of these foreign publications would be slow—proved very accurate indeed.

The experience in Germany, where *Media Daten* began publication in May 1962, paralleled that in France. Listings rose quickly to nearly 5,000, subscriptions from an initial 300 to nearly 1,000 by the end of 1963, and pages of advertising from 19 to about 32 during the same period. Again costs continued to exceed revenues, a condition related to the fact that the national publishing fraternity did not yield readily to a newcomer, particularly one that was foreign owned. Also, the legal restrictions imposed by the Federal Republic of Germany upon competitive advertising extended to the type of informative copy that might otherwise have been carried in *Media Daten*. Thus Hamburg's newspaper "A" was not able to compare its circulation gains or advertising linage with those of Hamburg's newspaper "B." Finally, as in France and Italy, extensive state ownership and/or control of broadcast media greatly restricted the number of potential advertisers.

The Italian media guide, *Dati e Tariffe Pubblicitarie*, was first published in the summer of 1963. It made much more rapid progress than its French and German predecessors, rising to more than 1,000 subscriptions and nearly 100 pages of advertising by the third issue. The explanation seems, in part at least, to lie in Italy's more fluid business environment and more ready acceptance of new ideas. Then, too, the SRDS group may have profited from the two prior European experiences. In any event, *Dati e Tariffe Pubblicitarie* promised to break even with the third issue—a most pleasant and unexpected development.

By the end of 1963, then, SRDS was well on the way to becoming not only pan-American but also pan-European. What had been a mere "gleam in the eye" of the Botthofs and Al Moss a decade earlier was now a fast-growing reality. As it turned out, the determining factor in the European enterprise probably was the success scored by Maclean-Hunter with *British Rates and Data*. The SRDS group resolved not to lose the initiative on the Continent as they had in Great Britain. While the combined European operations at the end of 1963 were still not financially self-supporting, they seemed well on the way to profitable growth. European publishers and broadcasters were becoming aware of the significant contribution to advertising being made by the new media guides. But these changes in attitude were slow in coming. The same process had taken place many years before in the United States, when SRDS had had to spend so much time and effort to alter the attitudes of media owners toward the promotion of their own operations. The concept of informative advertising, and particularly the role of the media guide's "Service-Ad," had to be sold to publishers and broadcasters, and the selling task was not an easy one. Now as then, the "home team" at SRDS sometimes found it hard to reconcile itself to the time required to change attitudes. In launching the European media guides they would have liked to condense the decades of SRDS experience in the United States market into a few years at the most. Although this was proving unlikely, things were looking up in Europe as 1963 closed, and SRDS, together with Maclean-Hunter, seemed to be settling in for the long pull. Meanwhile *Medios Publicitarios Mexicanos* was gradually expanding its listings in Central and South America. SRDS was becoming truly international in scope and outlook.

XX

Looking to the Future

TODAY SRDS stands not at the end of a road, but at a milestone along a time-path that stretches backward to the idea which took such firm root in the minds of Walter Botthof and Al Beirnes in 1919, and forward into a future in which an accelerating rate of technological change looms as the major source of both promise and risk. At the beginning of this time-path, SRDS as an organization consisted of two men, their families and friends, and a few business associates. As SRDS advanced along the path of time, the terrain through which the organization passed altered; the economy grew in size and interdependency, new media entered the field of mass communication and engaged the old in strident battle, and SRDS successfully adapted its service to meet the needs of the changing environment. At the same time, the character of SRDS as an organization altered in many ways. Perhaps most striking was the change in size. With the exception of the 1930's, SRDS often doubled in revenue and in personnel every five years. At the same time, the internal structure of SRDS grew ever more complex as the company's product offerings and marketing programs were broadened and deepened in conjunction with the addition of new media-market services and the improvement of old ones. The same factors, i.e., the growth of old services and the addition of new ones, induced both more operating units and more layers of supervision. This increase in the size and complexity of the SRDS organization strained the coordinative and directive capabilities of the firm's "central nervous system," so that this too had to grow in size and complexity. The principal growth route was the subdivision of responsibility. This in turn depended upon an expanded use of standard operating procedures, of more elaborate accounting routines, and of entirely new budgetary procedures. These branches of the central nervous system spread through the organization to keep top management advised of events at a distance and to facilitate coordination and control of the growing organizational body.

It is this process of quasi-biological growth that has served as a continuing theme as we have followed the progress of SRDS along the path of time. In the course of the study, particular attention has been given to the interaction of the organization and its environment. And, with respect to the SRDS organization, particular emphasis has been placed upon the role of top management, i.e., the "head" or control center of the corporate body that has just been described. Finally, within this control center, attention has been focused upon the personality of Walter Botthof, co-founder and principal architect and builder of the SRDS corporate entity as it is today, and upon the second generation of top management, especially Laury Botthof, Al Moss, and Frank Ceithaml. But the past is but prologue, and it seems fitting that we conclude by looking to the future. True, the future of Standard Rate and Data Service, Inc., depends upon so many factors—some tangible, others highly subjective, and still others unknown and unknowable—that prediction is fraught with risk. But this is a normal state of affairs in business, and the prime task of business leadership is the management of risk, "risk" being a synonym for opportunity. Hence the author who "works" the rich lode of business history would seem obliged to consider the possible future course of the organization whose past achievements and evolutionary path he has so diligently recorded (and interpreted!).

Perhaps the most powerful single force affecting the future of SRDS is the set of aspirations of its present owner-managers. If they wished to divest themselves of ownership, for example, there would be virtually no basis for the author's predictions on many operating aspects of the business. Let us begin, then, with the attitude toward ownership and control.

First, it would be exceedingly difficult for the present owner-managers to divest themselves of a substantial part of the risk associated with ownership without also relinquishing a substantial measure of control. This follows from the present size of SRDS which precludes a wide distribution of ownership, as through a broadly dispersed public stock offering and concurrent listing on a major stock exchange. The firm simply is not large enough to permit the type of arrangement which allowed the Ford Motor Company, the du Pont Corporation, and many much smaller and less well-known firms to remain in family control long after the organization ostensibly became a "public" corporation. A significant divestment of SRDS ownership risk would almost certainly require either a merger with a much larger company or placement of a majority of the firm's voting stock with a single firm or investor or a closely knit group of investors. In either case the continuity of present managerial policies and attitudes might not be maintained, and important changes in the composition of top management might well occur.

The continuity of management could also be affected by the gradual broadening of the ownership group within the firm, as by stock bonuses or stock-purchase plans. While some moves have been made in this direction, any considerable dilution of ownership by this route seems unlikely. Just as in the case of profit-sharing plans, an active employee stock-acquisition program would inevitably tend to require a modification in the attitudes of the present owner-management group in many sensitive areas: dispersal of financial information, concepts of financial responsibility, financial risk, the structure of executive salaries, dividend policy, and so forth.

The desire to obtain greater diversification of financial risk and to acquire more liquid financial resources must, then, be balanced against the desire to retain operating control of the business. Needless to say, these considerations have been carefully explored on many occasions, and the wishes of the key persons in the management group are clear. At least in the foreseeable future SRDS will continue to be owned and managed as at present. The crucial question is how Walter and Laury Botthof and Al Moss see the business and its future. Since Laury Botthof spoke at the June 1963 SRDS sales conference on just this subject, the following draws heavily upon his presentation.

First, the core of the SRDS corporate entity consists of the 11 media data guides: *Newspaper Rates and Data, Business Publications Rates and Data,* and the others. Around this core are clustered various subsidiary and affiliated publications and services: foreign media data guides, *Media/scope,* SRDS-Data, Inc., and McKittrick's (Figure XX-1A). These publications and services focus on three groups: vehicles for mass advertising, or "media," the advertising agencies and advertisers who buy space or time in these media, and finally the individuals or firms who make use of the mass media and are influenced by the advertising carried therein (Figure XX-1B).

To illustrate the relationship of the SRDS media data guides to these markets, Laury Botthof employed a chart (Figure XX-1C) that suggests how quantitative and qualitative media-market information flows through SRDS books for use by agencies and advertisers. The quantitative information is, of course, the data on media rates, circulation, and so forth carried in SRDS listings. The qualitative information includes such matters as editorial policy and audience characteristics and is carried in SRDS "Service-Ads."

The role of *Media/scope,* as described by Laury, is illustrated in Figure XX-1D. Here

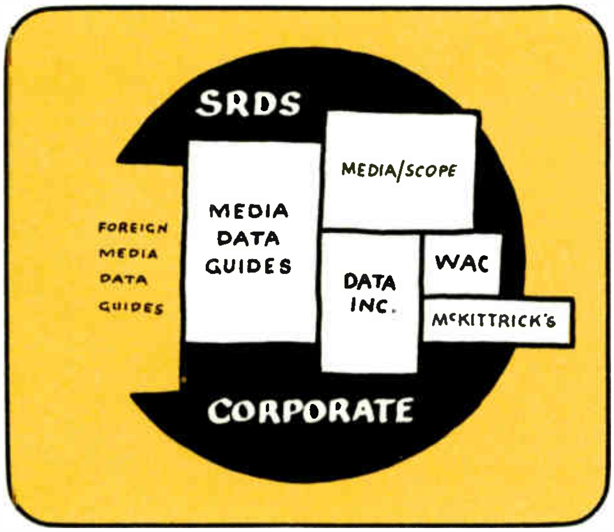

FIGURE XX-1A

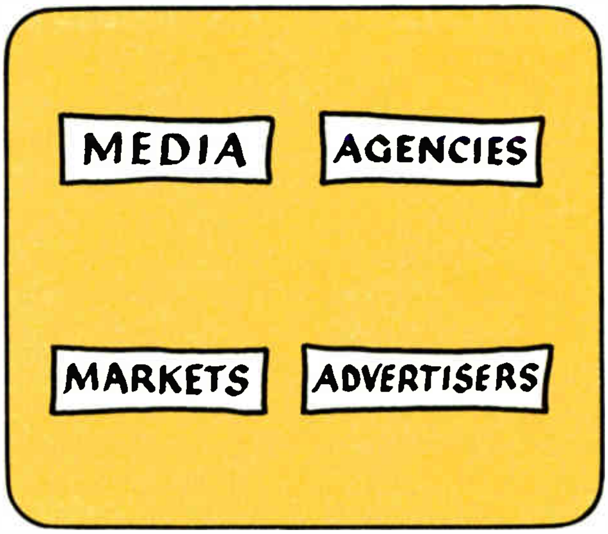

FIGURE XX-1B

the publication is shown at the center of several two-way flows of information relating to concepts and methods of advertising-program construction and media selection. Edited especially for the professional buyer of advertising space and time, *Media/scope* emphasizes ideas of lasting value as opposed to information necessary for an immediate decision, as in the case of the media data guides.

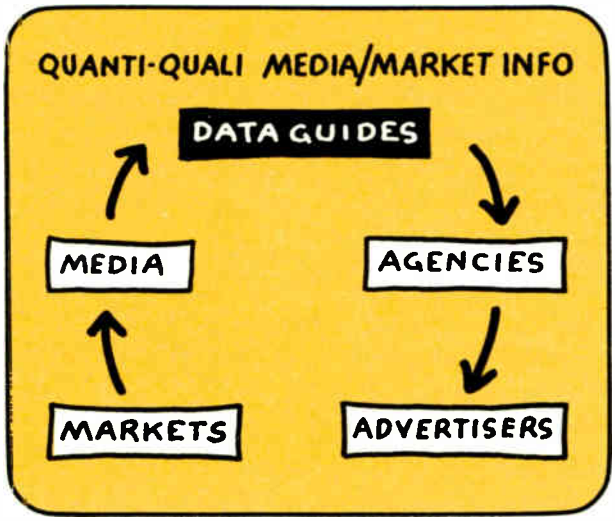

FIGURE XX-1C

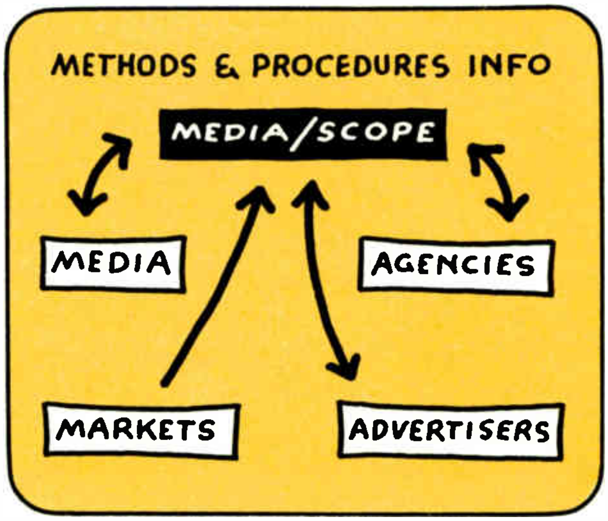

FIGURE XX-1D

In discussing SRDS-Data, Inc., Laury stressed its "custom" character—the fact that the organization goes into action on specific projects for specific clients. He also took cognizance of the possible adverse effect that SRDS-Data, Inc., and similar operations might have on the demand for advertising space in the SRDS media data guides. In this regard he observed that SRDS media data guides offer the subscriber a highly efficient and inexpensive means of keeping up to date on a vast body of qualitative and quantitative information covering some 10,000 media. Although limited portions of the more tangible and stable elements of this great array of data might usefully be maintained in computer language, the less tangible and more changeable portions certainly could not be so maintained at reasonable cost. For example, such qualitative information as a publication's editorial policy or a report of a comprehensive readership survey either does not lend itself to digital expression or can be so expressed only at exorbitant expense.

In respect to the company's foreign media-market guides, Laury noted that the next step was to develop an integrated "identity" and marketing plan for BRAD, *Media Daten*, and the other West European publications. This would prove helpful, he believed, in promoting the advertising potential of the books both abroad and in the United States.

In considering the latest SRDS acquisition, *McKittrick's*, he mentioned that it served the same general market segments as the media data guides, *Media/scope*, and SRDS-Data, Inc.

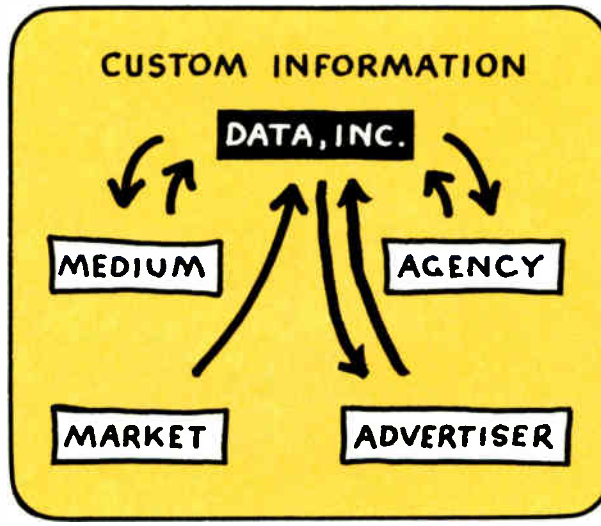

FIGURE XX-1E

Finally, in connection with the chart shown here as Figure XX-1E, Laury Botthof stressed the way in which the company's various activities tended to reinforce one another. The fundamental aim of the SRDS expansion program was more complete coverage of the media-buying function both in the United States and internationally. The core of this program would continue to be the provision of services to meet the information needs of (1) those planning the use of mass advertising media and the selection thereof and (2) those directly concerned with purchase of advertising space and time. Still other acquisitions or ventures were being studied, he said, but all were generally compatible with the market and product policy which had just been outlined.

Two of these acquisitions or ventures came to fruition during the last six months of 1963. One was the purchase of the *Standard Advertising Register*, a publication almost identical with *McKittrick's*—i.e., a directory of agencies, advertisers, and so on. The other was the announcement that SRDS and McGraw-Hill were jointly establishing the Media Information Bureau, Inc. (MIB), to provide data on the linage, pages, and estimated dollar volume of advertising placed in particular media. This information would be classified in various ways—as by products advertised and by publishers' sales territories. This new activity would be closely related to the company's basic services, and would, it was anticipated, move SRDS one step closer to its goal of providing all services essential to the media-buying function.

Given the policy statement outlined earlier, we may note that it seemed to include market research activities concerned with consumer buying habits and motives (Who buys what? Where? Why?). The Consumer/Audience Profile Service, of SRDS-Data, Inc., for example, currently employed a nationwide test panel to aid in developing new varieties of consumer market information, such as the use made of certain mass media and use-ownership data on a selected array of products.

In fact, the entire fields of media-audience measurement, advertising-impact measurement, market analysis, and analysis of consumer buying habits and motives appeared to fall within Laury Botthof's statement of product and market policy. Needless to say, each of these fields offered ample room for further activities, especially in relation to the present size of SRDS. But such activities were significantly different from the media data guides that traditionally provided the core of the company's services. In the first place, they do not tend toward the single-source concept as represented, let us say, by *Newspaper Rates and Data*. The fields are so broad that comprehensive, continuing coverage of all of them would probably not be practical. As a result, the services rendered would be likely to be "customized," and customized services tend to allow considerable freedom of entry, product differentiation, and aggressive competition. In the second place, such services generally do not provide suitable vehicles for advertising by publishers and station owners—another marked difference from the SRDS core of media data guides. Thus the requirements for success with these expanded activities, especially the personnel resources, would be quite different from those of the established services.

Finally, even the routine service aspects of the SRDS-Data, Inc., operation, such as programed media allocation and programed processing of media buys, media verification, and media payment, also differed substantially from those of the SRDS core. On the other hand, acquisitions like the *Standard Advertising Register* and MIB did lend themselves to the single-source concept and also to promotion as vehicles for advertising "beamed" at those engaged in the media-buying function. The same may also be said of *Media/scope* and the foreign media data guides. Thus SRDS-Data, Inc., represented the aspect of current SRDS activity least compatible with the organization's past experience and, therefore, the area of business activity most demanding in terms of new managerial knowledge, skills, and attitudes.

Looking to the future from 1964, then, it may be said that the proved resources of SRDS would be entirely compatible with a substantial portion of the company's 1963 expansion plan and that the outlook in these areas was quite favorable. Even the outstanding success of the plan would not, however, make SRDS a very large firm. Growth in the core area of U.S. media data guides appeared likely to proceed apace with the expansion of advertising in the economy—or perhaps somewhat faster if the company's past record continued in the future. Growth abroad seemed likely to be much more rapid, but even if the SRDS experience of some 45 years of U.S. publishing were to be compressed into a 20-year international experience, the overseas sales volume would not begin to approximate that of the U.S. guides until around 1980.

The outlook for SRDS-Data, Inc., seemed much more uncertain. The size of the market was suggested by the sales volumes of some of the leading firms in the same general area. A. C. Nielson and Company, also a family-owned firm that had expanded internally to a considerable extent over a period of 40 years, had 1963 sales of $45,000,000. C-E-I-R, a relative newcomer that grew largely by acquisition, had revenues of some $18,000,000 annually. If SRDS were to achieve substantial success in this field, its corporate complex might increase to several times its present size within a relatively short time. The chances for such growth (except by merger and acquisition) were lessened, however, by the fact that there were already several strong organizations in important segments of the field. Hence for really rapid growth SRDS would have to depend on (1) an acquisition program or (2) a truly differentiated product which had some permanence or (3) an exceptionally aggressive and talented management. Needless to say, the management was hopeful that one or more of these conditions were being met.

In summary, the U.S. business environment continues to present both opportunities and challenges to SRDS and firms like it. It is an environment in which very little is certain and which tends to demand a management's best efforts in each succeeding decade.

Indeed different types of management skills are required at each stage in a company's evolution, as is clearly shown in the history of SRDS. The initial qualities required for starting a new type of business on a shoestring and for gaining a foothold in a new market are exemplified by Walter Botthof in the 1920's. Retrenchment, an internal struggle for control, and a recasting of the basic product in a new mold are illustrated by the SRDS experience of the 1930's. Adjustment of the initial concept of the company's product and market to the demands of a new level of market sophistication characterized the 1940's for SRDS —a period in which the talents of Walter Botthof were combined with those of Laury Botthof, the younger Al Moss, Frank Ceithaml, and others. The diversification program of the late 1950's and early 1960's, combined with the growth in the size of the company's core area, called for still other managerial skills, qualities, and attitudes. Thus the acid test of any management is its capacity to rise to successive challenges, each requiring a different combination of abilities. In this respect it must be said that the SRDS executive group, and especially Walter Botthof, have been tested and have not been found wanting.

Each day the "game" begins anew, and the risk of loss as well as gain is always present. The game is an exciting one, however, and the satisfactions of success are manifold. For success can mean different things to different persons. To the present SRDS owner-management group, neither the size of the organization and its profits are not the sole criteria of success. Success is also measured by the service rendered in a chosen area, the recognition received for an excellent record of performance, the satisfaction of exercising the kind of discretion that comes with a close, effective owner-manager relationship, and the continuation of a family enterprise—all are summed in the company's motto: "SRDS—The National Authority, Serving the Media-Buying Function."

Appendices

Appendix 1
ELECTED OFFICERS OF SRDS
(B. and B. Service Corporation)
February 1919–December 1963

February 11, 1919	Walter E. Botthof	President	$5,200
	Alvin E. Beirnes	Secretary-Treasurer	5,200
	J. J. Coulter[1]	Assistant Treasurer	1
April 12, 1919– October 10, 1920	Walter E. Botthof	President	$5,200
	Fred C. Veon[2]	Vice-President	
	Alvin E. Beirnes	Secretary-Treasurer	5,200
October 11, 1920– January 31, 1921	Walter E. Botthof	President	$6,500
	John C. Shields	Vice-President	
	Albert H. Moss[3]	Honorary Vice-President	
	Alvin E. Beirnes	Secretary-Treasurer	6,500
February 1, 1921– September 13, 1921	Walter E. Botthof	President	$7,800
	John C. Shields	Vice-President	
	Albert H. Moss[3]	Honorary Vice-President	
	Alvin E. Beirnes	Secretary-Treasurer	7,800
September 14, 1921– March 16, 1922	Walter E. Botthof	President	$7,800
	Albert H. Moss[3]	Vice-President	6,500
	Alvin E. Beirnes	Secretary-Treasurer	7,800
March 17, 1922– September 24, 1922	Walter E. Botthof	President	$10,000
	Albert H. Moss	Vice-President	6,500
	Alvin E. Beirnes	Secretary-Treasurer	10,000
September 25, 1922– January 8, 1924	Walter E. Botthof	President	$10,400
	Albert H. Moss	Vice-President	7,800
	Alvin E. Beirnes	Secretary-Treasurer	10,400
January 8, 1924– October 13, 1924	Walter E. Botthof	President	$14,300
	Albert H. Moss	Vice-President	11,960
	Alvin E. Beirnes	Secretary-Treasurer	14,300
October 14, 1924– February 3, 1937	Walter E. Botthof	President	$15,600[4]
	Albert H. Moss	Vice-President	13,260[5]
	Alvin E. Beirnes	Secretary-Treasurer	15,600

1. Signed all checks (until debt owed to *Saturday Night Press* is liquidated).
2. Received $250 worth of stock for services.
3. The articles of incorporation precluded the election of Albert H. Moss, or any other person, as an officer until after his election to the Board of Directors. The latter occurred on September 14, 1921, at which time Albert H. Moss was also named vice-president.
4. Increased to $30,000, effective January 1926.
5. Increased to $22,000, effective January 1926.

February 3, 1937– January 19, 1939	Walter E. Botthof Albert H. Moss Richard A. Trenkmann	President Vice-President and Secretary Treasurer	
January 19, 1939– February 27, 1940	Walter E. Botthof Albert H. Moss Albert W. Moss Richard A. Trenkmann	President Executive Vice-President Secretary Treasurer	
February 27, 1940– September 18, 1943	Walter E. Botthof Albert H. Moss C. Laury Botthof Albert W. Moss Richard A. Trenkmann	President Executive Vice-President Vice-President and Assistant Treasurer Vice-President and Secretary Treasurer	
September 18, 1943– April 1, 1946	Walter E. Botthof Richard A. Trenkmann C. Laury Botthof Albert W. Moss C. W. Doheny James M. Kelly Howard E. Rogers	Publisher and Chairman of the Board President Executive Vice-President and Treasurer Executive Vice-President (New York office) Vice-President (Chicago) Vice-President (New York) Secretary	
April 1, 1946– May 2, 1947	Walter E. Botthof Richard A. Trenkmann C. Laury Botthof Albert W. Moss Elsa L. Botthof	Publisher and Chairman of the Board President Executive Vice-President and Treasurer Executive Vice-President (New York) Secretary	
May 2, 1947– April 26, 1949	Walter E. Botthof Richard A. Trenkmann C. Laury Botthof Albert W. Moss Elsa L. Botthof Frank J. Ceithaml	Publisher and Chairman of the Board Assistant Publisher President and Treasurer Executive Vice-President and Assistant Secretary Secretary Assistant Treasurer	
April 26, 1949– May 12, 1952	Walter E. Botthof Richard A. Trenkmann C. Laury Botthof Albert W. Moss Elsa L. Botthof Frank J. Ceithaml	Publisher and Chairman of the Board Assistant Publisher President and Treasurer Executive Vice-President and Assistant Secretary Secretary Assistant Treasurer	

May 12, 1952– January 7, 1957	Walter E. Botthof C. Laury Botthof Albert W. Moss Elsa L. Botthof Frank J. Ceithaml Richard A. Trenkmann	Publisher and Chairman of the Board President and Treasurer Executive Vice-President and Assistant Secretary Secretary Vice-President and Assistant Treasurer Assistant Publisher	
January 7, 1957– February 25, 1959	Walter E. Botthof C. Laury Botthof Albert W. Moss Elsa L. Botthof Frank J. Ceithaml	Publisher and Chairman of the Board President and Treasurer Executive Vice-President and Assistant Secretary Secretary Vice-President and Assistant Treasurer	
February 25, 1959– February 23, 1960	Walter E. Botthof C. Laury Botthof Albert W. Moss Elsa L. Botthof Frank J. Ceithaml	Publisher and Chairman of the Board President Executive Vice-President and Assistant Secretary Secretary Vice-President, Treasurer, and Assistant Secretary	
February 23, 1960– February 28, 1961	Walter E. Botthof C. Laury Botthof Albert W. Moss Elsa L. Botthof	Chairman of the Board Publisher and President Executive Vice-President and Assistant Secretary Vice-President, Treasurer, and Assistant Secretary	
	Walter E. Botthof C. Laury Botthof Albert W. Moss Elsa L. Botthof Frank J. Ceithaml	Chairman of the Board Publisher and President Executive Vice-President and Assistant Secretary Secretary Senior Vice-President, Treasurer, and Assistant Secretary	

Appendix 2
DIRECTORS OF
STANDARD RATE AND DATA SERVICE
(and its predecessor, The B. and B. Service Corporation)
February 1919–December 1963

February 12, 1919–April 11, 1919

Alvin E. Beirnes
Mary E. Beirnes
Elsa L. Botthof
Walter E. Botthof

April 12, 1919–October 19, 1920

Alvin E. Beirnes
Walter E. Botthof
George W. Ridenour
John C. Shields
Fred C. Veon

October 20, 1920–September 13, 1921

Alvin E. Beirnes
Walter E. Botthof
E. C. Cox
George W. Ridenour
John C. Shields

September 14, 1921–September 24, 1922

C. Bartow
Alvin E. Beirnes
Walter E. Botthof
E. C. Cox
Albert H. Moss
George W. Ridenour
John C. Shields

September 25, 1922–January 8, 1924

C. Bartow
Alvin E. Beirnes
Walter E. Botthof
E. C. Cox
Albert H. Moss

January 9, 1924–January 17, 1939

Alvin E. Beirnes
Walter E. Botthof
Albert H. Moss

January 18, 1939–February 27, 1940

Walter E. Botthof
Elsa L. Botthof
Albert H. Moss
Richard A. Trenkmann

February 28, 1940–September 17, 1943

Walter. E. Botthof
C. Laury Botthof
Albert H. Moss
Albert W. Moss
Richard A. Trenkmann

September 18, 1943–August 3, 1950

Walter E. Botthof
Elsa L. Botthof
C. Laury Botthof
Albert W. Moss
Richard A. Trenkmann

August 4, 1950–January 18, 1954

Walter E. Botthof
Richard A. Trenkmann
C. Laury Botthof
Albert W. Moss
Elsa L. Botthof
Gerard M. Ungaro

January 19, 1954–January 7, 1957

Walter E. Botthof
C. Laury Botthof
Elsa L. Botthof
Albert W. Moss
Frank J. Ceithaml
Richard A. Trenkmann
Gerard M. Ungaro

January 8, 1957–December 31, 1963

Walter E. Botthof
C. Laury Botthof
Elsa L. Botthof
Albert W. Moss
Frank J. Ceithaml
Gerard M. Ungaro
Joseph R. Frey

Appendix 3

STANDARD RATE AND DATA SERVICE

(B. and B. Service Corporation)

Stock Subscriptions

1919 and 1920

February 14, 1919

Name	*Shares*
Alvin E. Beirnes	99
Mary E. Beirnes	1
Elsa L. Botthof	1
Walter E. Botthof	99
Total	200

Source: Articles of incorporation

July 26, 1919

C. Bartow	2
Alvin E. Beirnes	74
Mary E. Beirnes	1
Elsa L. Botthof	1
Walter E. Botthof	74½
E. C. Cox	10
Jane A. Dempsey	5
E. E. Gallogly	2½
Max J. Hammel	2½
F. J. Heydon	1
M. Laury	5
E. Moss	1½
H. M. Nimmo	10
George W. Ridenour	5
John C. Shields	2½
Fred C. Veon	2½
Total	200

Source: Cash journal, 1919, pages 1 and 2

December 31, 1920

C. Bartow	2
Alvin E. Beirnes	73
Walter E. Botthof	73
E. C. Cox	10
Jane A. Dempsey	5
W. H. Larkin	1
M. Laury	5
Albert Moss	5
H. M. Nimmo	10
George W. Ridenour	11
J. C. Shields	5
Total	200

Source: Income tax return for calendar year 1920

Appendix 4
STANDARD RATE AND DATA SERVICE
(B. and B. Service Corporation)
Cash Dividends on Common Stock

November 1, 1920–January 15, 1925

Dividend Number	*Total Amount*	*Per Cent of Par Value*	*Date Paid*
1	$ 400	2	11/1/20
2	400	2	12/1/20
3	400	2	1/1/21
4	600	3	2/1/21
5	600	3	3/1/21
6	2,600	13	3/24/21
7	600	3	4/1/21
8	600	3	5/1/21
9	600	3	6/1/21
10	600	3	7/1/21
11	600	3	8/1/21
12	600	3	9/1/21
13	600	3	10/31/21
14	600	3	11/25/21
15	600	3	12/5/21
16	600	3	1/6/22
17	600	3	2/3/22
18	600	3	3/3/22
19	1,000	5	4/1/22
20	1,000	5	5/1/22
21	1,000	5	6/1/22
22	1,000	5	7/1/22
23	1,000	5	8/1/22
24	1,000	5	9/1/22

Appendix 5

STANDARD RATE AND DATA SERVICE
(B. and B. Service Corporation)
Source: Comptroller's Records

Comparative Statements of Income and Expense 1919–29, as of December 31
(All figures rounded to nearest 000)

	1919[1]	1920[4]	1921[4]	1922[6]	1923[6]	1924[6]	1925[7]	1926[7,8]	1927[8]	1928[8]	1929
Income											
Advertising space											
Standard service	3	43	88	101	144	205	254	300	348	371	399
Radio station section	—	—	—	—	—	—	—	—	—	—	22
Media market place	—	—	—	—	—	6	12	9	5	5	4
Subscriptions											
Standard service	16[2]	34[3]	33	38	39	45	52	55	56	58	61
Radio station section	—	—	—	—	—	—	—	—	—	—	1
Duplicate listings	—	—	—	—	—	—	—	—	—	—	5
Miscellaneous	—	—	—	4	—	5	—	2	4	3	1
Total income	19	77	121	143	215	261	318	366	413	437	493
Expense											
Composition and printing	—	—	—	—	—	—	—	36	36	—	—
Editorial	—	—	—	—	—	—	—	5	5	—	—
New York office	—	—	—	—	—	—	—	4	4	—	—
General and administrative	—	—	—	—	—	—	—	29	27	—	—
Sales	—	—	—	—	—	—	—	15	16	—	—
Officers' salaries	—	16	23	26	30	45	45	81	82	82	82
Salaries and wages	—	—	—	—	—	—	—	86	100	109	118
Other	42[5]	51[5]	77[5]	107[5]	140[5]	173[5]	189[5]	16	20	106[5]	121[5]
Total expense	42	67	100	133	170	218	234	272	292	297	321
Gross Profit	(23)	10	21	10	45	43	84	94	121	140	172
Add other income	—	—	—	—	—	—	—	—	3	1	1
Deduct other expense	—	—	—	—	—	—	—	—	6	6	2
Net profit before federal income tax	—	10	21	10	45	43	84	94	118	135	171
Federal income tax	—	2	5	1	6	5	11	13	12	14	16
Life insurance premiums	—	—	—	—	—	—	5	5	14	18	18
Adjustment	—	—	—	—	—	—	—	—	—	(1)[9]	(1)[9]
Net profit carried to surplus	(23)	8	16	9	39	38	68	76	92	102	136

1. Estimated from accounting ledgers.
2. Subscription sales totaled some $16,000, of which an estimated $4,000 represented earned revenue.
3. Subscription sales totaled some $34,000, of which an estimated $20,000 represented earned revenue.
4. Tax returns amended in accordance with IT:R:OR:4 of July 7, 1925 (government correspondence).
5. Not allocated.
6. Tax returns corrected in accordance with IT:CA:2552-N-17-60D of July 31, 1926 (government correspondence).
7. Tax returns adjusted in accordance with letter of April 13, 1928, from C. W. Herrick, agent in charge, Internal Revenue Service, Chicago, Illinois.
8. A composite of tax returns and audited annual reports.
9. Adjustment for error introduced by rounding.

Appendix 6

STANDARD RATE AND DATA SERVICE

(B. and B. Service Corporation)

Source: Comptroller's Records and Reports

Comparative Balance Sheets 1919–29, as of December 31

(All figures rounded to nearest 000)

	1919[1,2]	1920[1]	1921[4]	1922[4]	1923[4]	1924[7]	1925	1926	1927	1928	1929
Assets											
Current assets											
Cash and investments	—	1	6	1	11	29	52	64	29	33	47
Accounts receivable	1	3	12	22	22	28	31	27	22	26	23
Notes receivable	—	—	—	—	—	2	3	—	1	—	—
Inventory	—	—	1	1	—	1	—	3	—	2	1
Less reserve for bad debts	—	—	—	—	1	1	1	—	2	4	1
Total current assets	1	4	19	24	32	59	85	94	50	57	70
Fixed assets											
Furniture and fixtures	3	10	11	18	20	27	30	42	56	59	62
Leasehold improvements	—	—	—	—	—	—	—	—	8	8	9
Less reserve for depreciation and amortization	—	1	2	3	5	5	11	15	21	27	34
Total fixed assets	3	9	9	15	15	22	19	27	43	40	37
Other assets											
Accounts receivable—officers and employees	1	1	—	—	—	5	24	26	57	67	47
Deferred charges	—	—	—	—	—	—	—	3	3	4	5
Copyrights, good will, memberships	13	13	13	43[5]	43[6]	43[6]	13	13	16[11]	13	13
Total other assets	12	14	13	43	43	48	37	42	76	84	65
Adjustment	(1)[8]	1[8]	—	—	—	—	1[8]	1[8]	1[8]	—	2[8]
Total assets	17	28	41	82	90	129	142	164	170	181	174
Liabilities											
Current liabilities											
Accounts payable	7	5	8	8	1	—	—	—	5	—	1
Notes payable	—	—	—	18	—	14	—	—	—	—	—
Accrued life insurance premiums	—	—	—	—	—	—	—	—	9	9	9
Accrued payroll	—	—	—	—	—	1	2	—	—	—	1
Reserve for federal income tax	—	2	5	4	8	3	3	15	13	14	16
Accrued subscription and advertising revenue	12	17	17	41	33	30	33	35	33	34	37
Total current liabilities	19	24	30	71	42	48	38	50	60	57	64

Proprietorship											
Capital stock and surplus											
Capital stock	20	20	20	20	20	20	20	20	20	20	20
Surplus—beginning	—	(23)	(16)	(10)	(9)	28	61	84	93	90	103
Add net profit for year ended December 31	(23)[6]	8	16	9	39	38	68	76	92	102	136
Other income	—	—	—	—	—	—	—	—	—	1	—
Deduct dividends	—	1	10	8	2	5	15	45	80	90	149
Other deductions	—	—	—	—	—	—	30[8]	22[9]	15[10]	—	—
Surplus—ending	(23)	(16)	(10)	(9)	28	61	84	93	90	103	90
Total capital stock and surplus	(3)	4	10	11	48	81	104	163	110	123	110
Adjustment	1[3]	—	1[3]	—	—	—	—	1[3]	—	1[3]	—
Total liabilities, capital stock, and surplus	17	28	41	82	90	129	142	164	170	181	174
Supplementary information											
Current ratio	.05	.16	.60	.34	.76	1.23	2.23	1.87	.84	1.00	1.09

1. Amended in accordance with the report of Internal Revenue agent John N. Geiger, dated May 14, 1925. See IT:R:UR:4 of July 7, 1925.
2. Not a full year.
3. Adjustment for rounding error.
4. Tax returns amended in accordance with IT:CA:2552-N-17-60D of July 31, 1926.
5. Includes Barbour's Advertising Rate Sheets, Inc., at $29,993.52.
6. Report of Englehart Audit Company, Detroit, for 12 months ending June 30, 1920, indicates that organizational expenses of some $6.250 were incurred prior to July 1, 1919.
7. Trial balance (accounting ledger) amended in accordance with IT:CA:2552-N-17-60D, of July 31, 1926.
8. Barbour's Advertising Rate Sheets, Inc., previously carried at a book value of approximately $30,000, was written off.
9. Approximately $14,000 in additional Federal Taxes for years 1920 to 1924, plus an $8,000 adjustment of unexplained character.
10. Approximately $13,000 in life insurance premiums paid during 1927 plus some $2.000 of miscellaneous adjustments.
11. "Membership" at $2,910 plus "Good Will" at $13,400 have been rounded to $16,000.

Appendix 7
STANDARD RATE AND DATA SERVICE
(B. and B. Service Corporation)
Source: Comptroller's Records and Reports

Comparative Statements of Income and Expense 1930–39, as of December 31
(All figures rounded to nearest 000)

	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939
Income										
Advertising space										
Standard service	384	304	222	165	162	160	173	193	166	171
Radio station	44	52	39	33	43	56	52	57	41	55
Listing advertisements	—	—	10	7	7	8	8	8	7	7
Media market	3	2	—	—	—	—	35[5]	25[5]	—	—
Subscriptions										
Standard service	61	57	49	43	43	47	53	58	60	59
Radio station	3	4	4	3	4	4	6	7	7	7
Representative reference book	—	—	1	2	2	2	2	2	2	2
Personnel list	—	—	1	2	2	2	2	2	2	2
Reprints	—	—	—	—	—	—	4	2	1	1
Duplicate listings	9	9	6	5	7	7	8	9	9	11[1]
Miscellaneous	—	—	1	1	1	1	1	1	—	4[2]
Total income	504	428	333	261	271	287	344	364	295	319
Expense										
Composition	71	65	53	45	44	45	55	61	57	62
Editorial	27	25	18	15	17	17	17	19	17	18
New York office	13	14	15	13	13	11	12	15	23	32[3]
General administrative	12	11	10	10	14	13	18	21	28	23
Sales	58	63	43	38	39	45	52	57	58	58
Bulletin service	5	4	4	3	3	2	2	3	2	2
Representative reference books	2	2	2	1	1	1	1	1	1	1
Accounting	7	6	5	4	4	5	6	6	6	6
Copy	3	3	1	—	—	—	—	—	—	—
Mailing	7	7	6	5	5	5	7	8	8	10
Subscriptions	14	13	10	9	9	10	9	10	9	9
Radio station section	7	7	7	6	7	7	8	9	9	10
Standard media market service	—	—	—	—	—	—	44[5]	41[5]	—	—
Personnel list	—	—	1	3	2	2	2	2	2	2
Officers' salaries	82	82	82	82	82	82	82	63[6]	52[6]	40[3,6]
Depreciation	7	8	8	8	6	5	5	5	5	5
Bad accounts	3	4	6	2	4	2	1	—	—	1
Total expenses	318	314	271	244	250	252	321	321	277	279
Gross Profit	186	114	62	17	21	35	23	43	18	40
Add other income	2	1	1	—	—	1	—	2	—	—
Deduct other expense	1	1	1	1	1	—	1	—	3[4]	15[4]
Net profit before insurance and taxes	187	114	62	16	20	36	22	45	15	25
Life insurance	19	18	18	18	18	18	18	14	13	13
Federal income tax	20	11	6	—	1	2	—	3	—	2
Adjustment	(1)	1	(2)	2	2	(1)	(1)	(2)	1	1
Net profit to surplus	147	86	36	—	3	15	3	26	3	11

1. Includes duplicate listings ($9.061.00) and religious and foreign language section listings ($2,231.00).
2. Includes "Trade Marks" ($4,257.00).
3. Officers' salaries in the amount of $8,640.00 charged directly to New York office expense.
4. Contract payments to A. E. Beirnes in return for 77 shares of stock: 1938, $2,500; 1939, $15,000.
5. This service was discontinued after a two-year period.
6. Salary expense decreased because of resignation of A. E. Beirnes.

Appendix 8

STANDARD RATE AND DATA SERVICE

(B. and B. Service Corporation)

Source: Comptroller's Records and Reports

Comparative Balance Sheets 1930–39, as of December 31
(All figures rounded to nearest 000)

	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939
Assets										
Current assets										
Cash	32	24	20	15	28	35	7	17	9	3
Accounts receivable	30	22	17	15	13	13	23	20	14	18
Notes receivable	2	2	2	—	—	—	—	—	—	—
Less reserve for bad debts	3	—	3	2	3	3	4	3	1	1
Total current assets	61	48	36	28	38	45	26	34	22	20
Fixed assets										
Machinery, furniture, and fixtures	65	66	66	66	68	68	48	51	54	33
Leasehold improvements	9	9	9	9	9	9	7	10	10	10
Less reserve for depreciation and amortization	40	48	55	63	66	72	36	41	46	27
Rand Acres	—	—	—	—	—	54	54	55	55	55
Treasury stock—77 shares	—	—	—	—	—	—	—	—	200[4]	200
Copyrights	13	13	13	13	13	13	13	—[3]	—[3]	—[3]
Total fixed assets	47	40	33	25	24	72	86	75	273	271
Other assets										
Accounts receivable—officers	47	47	49	54	57	—	—	—	—	—
Accounts receivable—employees	2	1	3	2	1	1	—	—	—	—
Total other assets	49	48	52	56	58	1	—	—	—	—
Deferred charges										
Paper inventory	4	4	4	2	3	4	3	3	3	4
Stationery inventory	1	—	—	—	—	—	1	1	1	2
Resetting expense	2	—	—	—	—	—	3	1	—	—
Other deferred charges	—	—	1	1	1	2	—	—	1	4
Total deferred charges	7	4	5	3	4	6	7	5	5	10
Total assets	164	140	126	112	124	124	119	114	300	301
Liabilities										
Current liabilities										
Accounts payable	—	—	—	—	2	—	1	1	6	10
Notes payable	—	—	—	—	1	—	1	—	—	—

Appendix 8 (Continued)

	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939
Accrued life insurance premiums	9	9	9	9	9	9	9	7	7	5
Accrued payroll	1	1	1	—	—	1	—	—	—	—
Advance collections	4	3	3	5	5	6	7	6	7	7
Social security taxes	—	—	—	—	—	—	2	4	2	2
Personal property taxes	—	—	—	—	1	1	2	1	1	1
Federal income taxes	20	11	6	—	1	1[1]	—	3	—	2
Federal stock taxes	—	—	—	—	1	1	1	1	1	1
Other liabilities	—	—	—	—	—	—	—	—	15	17
Total current liabilities	34	24	19	14	20	22	23	23	39	45
Fixed liabilities										
Treasury stock	—	—	—	—	—	—	—	—	168	152
Unearned revenue										
Standard service	25	22	18	17	18	21	23	25	24	24
Advertising copy	4	3	2	2	2	1	1	—	—	—
Radio station service	1	2	1	1	2	2	3	3	3	3
Other unearned revenue	—	—	2	2	2	2	1	2	2	1
Total unearned revenue	30	27	23	22	24	26	28	30	29	28
Proprietorship										
Capital stock and surplus										
Capital stock	20	20	20	20	20	20	20	20	20	20
Surplus—beginning	90	79	69	64	58	61	58	50	43	48
Add net profit for year ended December 31	147	86	36	—	3	15	3	26	3	11
Other income	—	—	—	—	—	—	—	—	2	—
Deduct dividends	158	96	41	6	—	16	8	20	—	—
Other expenses	—	—	—	—	—	2[5]	3[2]	13[3]	—	—
Surplus—ending	79	69	64	58	61	58	50	43	48	59
Total capital stock and surplus	99	89	84	78	81	78	70	63	68	79
Adjustment	1	—	—	(2)	(1)	(2)	(2)	(2)	(4)	(3)
Total liabilities and proprietorship	164	140	126	112	124	124	119	114	301	301
Supplementary Information										
Current ratio	1.8	2.0	1.9	2.0	1.9	2.0	1.1	1.5	.56	.44

1. Paid $2,000 in back taxes.
2. Includes $2,350 additional federal income taxes for 1930–34 and a $707.37 loss on sale of fixed assets.
3. The arbitrary value of $13,000 for good will was written off the books by reducing the amount to $1.00.
4. Purchased on account 77 shares of treasury stock, total value $200,000.
5. Additional federal taxes for the years 1929–33.

Appendix 9

STANDARD RATE AND DATA SERVICE

Source: Comptroller's Records

Comparative Statements of Income and Expense 1940–49, as of December 31
(All figures rounded to nearest 000)

	1940	1941	1942	1943[1]	1944	1945	1946	1947	1948[1]	1949
Income										
Display space	235	263	267	404	650	866	1001	1017	1078	1067
Listing heads	—	—	—	—	28	37	51	71	82	88
Listing advertisements	8	10	10	9	14	19	23	24	24	26
Subscriptions	70	76	86	86	96	116	146	195	251	299
Duplicate listings	8	9	10	13	14	16	24	26	33	42
Special listings	—	—	—	—	—	—	—	—	28	47
Miscellaneous	10	13	14	16	1	3	7	10	5	8
Total income	331	371	387	528	803	1057	1252	1343	1501	1577
Total expense	315	343	354	426	541	662	866	1059	1229	1315
Gross Profit	16	28	33	102	262	395	386	284	272	262
Add other income	1	1	1	1	2	4	7	6	5	11
Deduct other expense—discounts	—	—	—	—	—	—	—	18	19	19
Miscellaneous	1	—	1	1	1	8	7	3	—	2
Net profit before taxes	16	29	33	102	263	391	386	269	258	252
Federal income tax	3	9	17	75	193	285	148	96	96	94
Adjustment[2]	1	(4)	(1)	1	—	(1)	(2)	1	(2)	(1)
Net profit to surplus	14	16	15	28	70	105	236	174	160	157

1. Change in the arrangement of accounting records.
2. This adjustment is incurred in rounding figures to nearest 000.

Appendix 10

STANDARD RATE AND DATA SERVICE

Source: Comptroller's Reports and Records

Comparative Balance Sheets 1940–49, as of December 31
(All figures rounded to nearest 000)

	1940	1941	1942	1943	1944	1945	1946	1947	1948	1946
Assets										
Current assets	22	28	41	108	302	461	502	459	356	445
Operating assets										
Land	—	—	—	—	—	—	2	38[16]	241[18]	63
Buildings	—	—	—	—	—	—	—	—	—	181
Less reserve for depreciation of buildings	—	—	—	—	—	—	—	—	—	6
Machinery, furniture, and fixtures	30	32	34	35	37	44	53	70	130	170
Less reserve for depreciation of machinery, etc.	12	15	14	16	18	22	24	27	34	46
Leasehold improvements	10	3	4	4	—	—	7	13	13	17
Less reserve for depreciation of leasehold improvements	9	1	2	3	—	—	1	6	9	12
Automobiles	—	—	—	—	—	—	3	7	13	13
Less reserve for depreciation of automobiles	—	—	—	—	—	—	—	1	2	3
Total operating assets	19	19	22	20	19	22	40	94	352	377
Other assets										
Accounts receivable, employees and officers	2	—	—	2	2	1	4	3	18	3
Rand Acres equity	56	57	22[2]	16[5]	11	8	5	2	—	—
Treasury stock	200	200	200	200	200	—	—	—	—	—
Miscellaneous	—	—	—	—	5[8]	—	1	2	2	—
Total other assets	258	257	222	218	218	9	10	7	20	3
Deferred Charges	8	14	11	16[6]	15[9]	56	51	62	61	40
Total assets	307	320	296	360	554	548	603	622	789	865
Liabilities										
Current liabilities	32	39	56[3]	120[2]	254[10]	394[12]	305[14]	163	215[19]	173
Fixed liabilities										
Treasury stock purchase contract	138	118	98	68	47	—	—	—	—	—
Unearned Revenue										
Advance collections	9	12	10	11	13	15	29	33	48	191[21]
Unearned advertising and subscriptions	28	37	34	37	47	56	76	107	145	—
Total unearned revenue	37	49	44	48	60	71	106	140	193	191
Total liabilities	207	206	198	236	361	465	411	303	408	364
Proprietorship										
Capital stock	20	20	20	20	20	20	20	20	20	20
Surplus—Beginning	57	77	93	77	105	173	262	373	497	560
Add net profit for year ended 12/31	14	16	15	28	70	105	236	174	160	157

	1940	1941	1942	1943	1944	1945	1946	1947	1948	1949
Other income	6[1]	—	3[1]	—	—	2[13]	—	—	1[20]	3[22]
Deduct dividends	—	—	—	—	—	18	123	49	89	39
Treasury stock	—	—	—	—	—	200	200	200	200	200
Other	—	—	34[4]	—	2[11]	—	2[15]	1[17]	—	—
Unrestricted, ending	77	93	77	105	173	62	173	297	361	481
Total capital stock and surplus	97	113	97	125	193	82	193	317	381	501
Adjustment[23]	3	1	1	(1)	—	1	(1)	2	—	—
Total liabilities and proprietorship	307	320	296	360	554	548	603	622	789	865

1. Adjustment of prior years' reserves for depreciation on equipment, furniture, and fixtures, resulting from adjustments made by the Internal Revenue Department.
2. Total cost of acres is $56,106.06, less a first mortgage of $4,532.15, less $30,000 reserve for decline in value.
3. Total accrued salaries due to officers is $7,570, plus a $10,000 loan, making a total of $17,570, rounded to the nearest 000.
4. $30,000 additional reserve for decline in value of Rand Acres property and $4,181.15 additional federal income taxes, rounded to nearest 000.
5. Total cost of Rand Acres property on December 31, 1943 is $48,686.86. From this is deducted a first mortgage in the amount of $2,532.15 and a $30,000.00 reserve for decline in value.
6. $10,000, recorded in note 3.
7. $70,031.96 assessed excess profits tax, which includes $23,110.55—deferred pending final action on claim for relief under Section 722.
8. Refund of excess profits tax, postwar, for year 1944.
9. Accrued commissions.
10. Includes $130,484.17 in excess profits tax for 1944, plus $84,675.76 of federal excess profits tax deferred pending final action on claim for relief under Section 722.
11. Addition of $1,500 to reserve for decline in value of Rand Acres property.
12. $266,936.25 in federal excess profits tax, plus $96,616.66 of federal excess profits tax deferred pending final action in claim for relief under Section 722, rounded to nearest 000.
13. Net additions to fixed assets resulting from capitalization of amounts charged to expense in prior years.
14. $96,616.66 in federal excess profits tax, deferred pending final action on claim for relief under Section 722, rounded to nearest 000.
15. Adjustment of Rand Acres property to company's net equity therein, in the amount of $1,500, rounded to the nearest 000.
16. Land: Evanston, Illinois, $35,000; Lac du Flambeau, Wisconsin, $2,587.81; total, $37,587.81, rounded to nearest 000.
17. Adjustment of $1,130.27 for prior years' taxes, rounded to nearest 000.
18. Land: Evanston, Illinois, site for proposed printing and publishing business, $34,000; Lac du Flambeau, Wisconsin, $2,587.81; Palm Desert, California, $203,621.91; total, $241,209.72, rounded to nearest 000.
19. Federal income taxes for the year 1948 in the amount of $96,209.19 and additional assessments for 1945–46 in the amount of $8,277.56, totaling $104,486.75, rounded to nearest 000.
20. Adjustment for prior years' reserve for amortization, $1,275.48, rounded to nearest 000.
21. Advance collections and unearned revenue from advertising and subscriptions are now combined.
22. Includes a $1,336.08 adjustment of prior years' reserve for amortization and $1,165.79 adjustment of prior years' reserve for federal income tax, totaling $2,501.87, rounded to nearest 000.
23. Adjustment incurred in rounding of figures to nearest 000.

Appendix 11
QUARTER-CENTURY CLUB MEMBERS

	Year Completing 25 Years with SRDS
Walter E. Botthof	1944
Elsa L. Botthof	1969 ex officio
C. Laury Botthof	1964
Albert W. Moss	1962
Frank J. Ceithaml	1972 ex officio
William J. Acker	1948
Arthur W. Carlson	1953
Gertrude Dale	1962
Helen Cosgrove	1961
Desire J. Eugene	1947
Edward D. Gorman	1962
Arvid E. Hamrin	1959
Don Harway	1952
Florence Krayzer	1957
Michael T. Matz	1947
Frank A. Muench	1947
Oliver J. Pepper	1951
Howard E. Rogers	1947
Oscar H. Simms	1946
Richard A. Trenkmann	1946

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