

THE WHOLESALING ESTABLISHMENTS OF THE  
UNITED STATES AUTOMOBILE INDUSTRY

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## ABSTRACT

### THE WHOLESALING ESTABLISHMENTS OF THE UNITED STATES AUTOMOBILE INDUSTRY

By

Jack E. Fox

This thesis presents an explanatory description of automobile wholesaling patterns in the United States. These patterns are generalizations of the manufacturer's wholesaling activities in regions and zones. The emphasis of this analysis is placed upon understanding the distribution patterns described by the use of maps. The distribution system of this industry is of interest because it is the nation's second largest retail sales volume. In 1961 its sales were estimated to have been thirty-seven billion dollars or nine percent of the total yearly personal income in the nation.

This study describes the present size and location of wholesaling territories and centers. Based upon an understanding of the evolution of present patterns certain conclusions regarding further study leading to specific recommendation are presented. Maps designed especially have a most important place in this thesis. They afford the reader the opportunity to see the wholesale automobile distribution patterns currently in use. The maps have

been made to show this information on a national, regional, and local scene. Primarily they show the importance and worth of a geographical study versus an economic or a market analysis. It is hoped that the explanatory description of present patterns of automobile wholesaling in the United States will make a contribution in a beginning way along the lines of achieving more effective size and location of the wholesaling phase of the automobile industry.

Research for this thesis was accomplished by interviewing many executives of the leading automobile manufacturers and exchanging information by means of letters, files and telephone calls. From information compiled a beginning research was commenced and a group of 19 maps was made. It is the purpose of these maps to make this thesis more easily understood. An important factor in the total research is the author's actual experience as a member of a wholesale establishment for 7 years.

In general the automobile manufacturers have not kept abreast of the economic and cultural forces which are dynamic and continuing as they concern their wholesale establishments. Key to stability in a changing product acceptance to a marginal relationship is a redefinition of the zone and district. This realignment of wholesale territories should have one ultimate goal and that is to secure optimum location and maximum supervision of the retail-dealer organiza-



Jack E. Fox

tion. Men with academic and actual automobile wholesale experience should be selected to supervise the redefinition of these territories. Within a manufacturers own organization men with this background could be found.

It is the belief of the author that individual companies will enjoy competitive advantage in direct proportion to the wise exercise of judgment in matching up the sales territories of their zones and districts with the changing market potential surrounding their major centers. The key to the success of the study is the use of a well designed series of maps making the analysis visual as well as descriptive.

approved Allen K. Philbrick

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Jack E. Fox

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Jack E. Fox

Peoria, Illinois

April, 1962

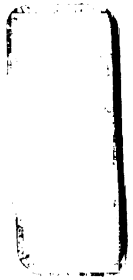
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CHAPTER I

AUTOMOBILE WHOLESALING PATTERNS

IN THE UNITED STATES

This thesis presents an explanatory description of automobile wholesaling patterns in the United States. These patterns are generalizations of the manufacturer's wholesaling activities in regions and zones. Regions and zones represent the territorial organization for the wholesaling of automobiles by manufacturers direct to retail dealers. Wholesale establishments or manufacturer's sales offices, as they are referred to by the Bureau of Census, have been created throughout the United States and will be identified by the name of their headquarters cities.

The automobile industry plays an important role in the economy of the United States. It is the single most important manufacturing industry of the nation. In addition the industry is not limited to the manufacturing of automobiles and their component parts, but in recent years has expanded into many other diversified fields.

The retail sales of automobiles in 1961 was estimated to be thirty-seven billion dollars, which represented nine percent of the total yearly personal income in the nation.<sup>1</sup>

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<sup>1</sup>Editor and Publisher Market Guide 1961, ed. Robert U. Brown (New York, N.Y.: Editor and Publisher 1961) pp 1-564.

Retail sales are generally divided into six categories; food, general merchandise, apparel, home furnishings, drugs and automobiles. Of these six divisions only the retail sales of food exceeds the expenditure on automobiles.<sup>1</sup>

One of the important aims of the automobile manufacturers is the achievement of optimal size and location of wholesale establishments to gain efficient and effective supervision of the retail sales activities. This study describes the present size and location of wholesaling territories and centers. Based upon an understanding of the evolution of present patterns certain conclusions regarding further study leading to specific recommendations will be presented. It is hoped that the explanatory description of present patterns of automobile wholesaling in the United States will make a contribution in a beginning way along the lines of achieving more effective size and location of the wholesaling phase of the automobile industry.

In the first chapter the origin of automobile wholesaling will be briefly touched upon and the specific terms to be used in the thesis will be defined.

The scarcity of capital among even the most successful auto makers initially caused them to rely upon the independent merchant as the principal distributor or wholesaler of the product until the early 1920s. It was in the 1920s that

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<sup>1</sup>Ibid. pp 2-3.

the major manufacturers began to organize and operate their own wholesale establishments for wholesaling functions exclusively.<sup>1</sup>

The first step toward mass merchandising of the auto was to sell to the retail dealers in the communities near the manufacturing activities.<sup>2</sup> Each manufacturer acted as his own wholesaler. The dealers could be anyone with the necessary funds to pay for the product. Often the retailer had been engaged in the transportation business, perhaps as a carriage dealer, repairman or livery proprietor. As time elapsed and the market grew, many of these dealers would be offered contracts or franchise agreements with the manufacturer. It was soon apparent to the makers that this type of retailing was a vital link between the factory and the ultimate consumer and held the key to their success or failure. These first retail dealers were localized around the factory and seldom were more than 300 miles distant. This arrangement of wholesaling by the manufacturer to such retail dealers was effective only in the

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<sup>1</sup>"Ford Branch Managers Meet" Automobile Industries  
July 24, 1919, p 17.

<sup>2</sup>Ford Archive, Dearborn, Michigan, private files containing materials from meetings between Mr. Henry Ford and aides expressing ideas on how best to merchandise the Ford product, 1926.





region immediately adjacent to the factory. It was not satisfactory in the outlying areas of the United States.<sup>1</sup>

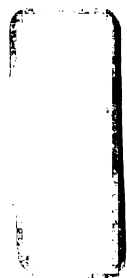
The second step in the evolution of automobile wholesaling occurred when specific dealers in many of the larger northeastern cities were given the opportunity to become retail-wholesale distributors for the manufacturers. An example of this type of retail-wholesale establishment is still in use by Buick Division of General Motors today. In Figure 1, it can be noted that the northern one half of the lower peninsula and the eastern portion of the upper peninsula of Michigan is controlled by a retail-wholesaler with headquarters in Saginaw, Michigan.<sup>2</sup>

Exact boundaries of the land areas were described and named in a contract between the factory and the retail-wholesale dealer. The territory could be relatively small or it could be one or several states in size. The size depended upon several factors -- current business volume, potential volume, and the availability of capital which the independent dealer had to invest in such an enterprise. These wholesalers were expected to organize a group of

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<sup>1</sup>During this infancy period the auto manufacturers were, for the most part, centered around the Detroit, Cleveland, and Pittsburgh areas.

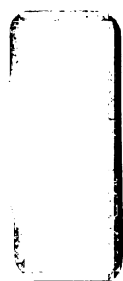
<sup>2</sup>Letter from Jerry Hagan, Jr., Public Relations, Buick Motor Division, Flint, Michigan, March 9, 1959. This is the only retail-wholesale establishment existing on Buick's distribution system.



sub-dealers to whom they would sell cars. The factory permitted the wholesaler to make or cancel agreements with sub-dealers without factory supervision. They would also supervise management, sales and service problems with complete authority. Along with their wholesale activities, they continued to sell at retail.

The third step in disposing of the product was the establishment of manufacturer-owned retail-wholesale branches. These branches were generally limited to the very large cities, and served two functions -- first, the retailing of the product to the public and second, the wholesaling of cars to independent retail outlets in an area surrounding the branch. The organization of manufacturer-owned wholesaling generally meant that the manufacturer was successful and currently had sufficient volume and money to operate his own wholesale establishments. This was a step in the direction of greater control over wholesale and retail activities in a particular region.

One might think that this third type of retail-wholesale establishment, the so-called factory branch, would be most advantageous to the manufacturer. This was not the case. For one reason the manufacturers found it extremely difficult to hire a branch manager as competent as the owner of the retail-wholesale establishment who had his own funds



invested in the business.<sup>1</sup> Their experience with hired managers was generally poor as many of these individuals were rather liberal in the expenditures of the manufacturer's money.<sup>2</sup> This single disadvantage outweighed the advantages such as direct-product delivery between the factory and its branch, greater control over sub-dealers, and reduction of over-all sales expense. From the beginning of the industry to the present day few of the manufacturers have been successful in operating factory-owned retail-wholesale branches for anything other than training their wholesale personnel.<sup>3</sup>

It is difficult to determine which maker initiated the manufacturer-owned wholesaler. No doubt it was either the Ford Motor Company or Studebaker Corporation who were the leaders in this movement. Ford as early as 1918 had factory-branch wholesale establishments in thirty-four of the major United States cities.<sup>4</sup> These branches were not a pure wholesale business since manufacturing took place in many of them.

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<sup>1</sup>From personal interviews with the director of sales of two auto manufacturers evidence exists that this feeling still prevails.

<sup>2</sup>Ford Archive, Dearborn, Mich., Personal notes to Ford executives in reference to unsatisfactory performance of factory owned retail-wholesale establishments, 1929.

<sup>3</sup>Ralph Cecil Epstein, The Automobile Industry, (Chicago and New York: A.W. Shaw Company 1937) pp 415.

<sup>4</sup>Ibid.





Boundaries were semi-fixed and oriented to the location of the branch. Methods of transportation and current freight rates were often the causes behind these flexible boundaries.<sup>1</sup>

Studebaker, at a slightly later date, set up a wholesale organization with more exact geographic territories to handle their distribution system. They divided the United States into branch sales offices and these branches were sub-divided into smaller district areas. Five thousand or more retail dealers were distributed among the districts of Studebaker.<sup>2</sup> Studebaker did not set up their wholesale organization in a haphazard manner but rather oriented it to geographical features and current economic conditions.<sup>3</sup>

The low-priced, high volume manufacturers were the ones who led the way toward today's wholesaling establishments. It was not until the mid 1930s that the medium-price-class makers produced sufficient volume of autos to be financially able to move away from the independently owned retail-wholesale system.<sup>4</sup> Even today, we still have the

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<sup>1</sup>Ibid.

<sup>2</sup>Stephen Longstreet, A Century on Wheels, (New York: Holt, 1952) pp 121.

<sup>3</sup>Currently the Studebaker Corporation is opening factory owned branches throughout the principal cities of the United States to retail their product.

<sup>4</sup>Medium price class is a common term used by the auto makers. In 1961 Buick, Olds, Pontiac and certain makes of Chrysler, Dodge and Mercury composed this grouping. In the late 1930s and postwar years this group made up 50% of total industry. Today it is 20%.

independent retail-wholesale establishment in existence.<sup>1</sup> Cadillac of General Motors depends largely upon this type of distribution. Until recent years their volume of production had not been large enough to justify a factory-owned wholesaling system. However, they do have at least four such establishments in operation in the United States now. Their current plans call for complete abandonment of the independently owned retail-wholesale system by the middle 1960s. These establishments will be replaced by seventeen wholesale offices. Cadillac also has the largest group of factory-owned retail stores in use among the entire industry. These stores are to be found in the five largest cities of the United States.<sup>2</sup>

Pontiac and Chevrolet Divisions of General Motors maintain factory retail stores in their manufacturing headquarters cities, Pontiac and Flint, Michigan.<sup>3</sup>

The Chrysler Corporation has a number of independently owned retail-wholesale dealers. They call these businesses "Associated Dealers" and are widespread throughout the United States. They generally handle only one of

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<sup>1</sup>Stephen Longstreet, A Century on Wheels, (New York: Holt, 1952) pp 75-95.

<sup>2</sup>Interview with H. E. Crawford, Director of Sales, General Motors Corporation, Detroit, Mich., April 10, 1959.

<sup>3</sup>Ibid.

the Chrysler car Divisions. The Chrysler Corporation does not operate any retail stores.<sup>1</sup>

The trend and current objective of the entire industry is to divorce themselves from any wholesaling system other than the factory-owned wholesale establishment. The purpose of the manufacturer owned wholesale system is to give the manufacturer more control through their own wholesale organization over the retailing of their products. The elimination of the existing independent retail-wholesaler is a slow process. The entire matter is touchy and requires a great deal of finesse.

The automobile industry's method of wholesaling their product is not exclusive to them. However, they are presented an opportunity that is probably unequaled in any other particular industry. For the most part manufacturers of other kinds of merchandise must take their retail and wholesale establishments where and as they find them. The car companies are in a unique position as they now exercise control over location, size and other characteristics of their outlets. In the auto business the direct-dealer or independently owned wholesaler buys the bulk of his merchandise not from many manufacturers but from one.<sup>2</sup> Moreover,

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<sup>1</sup>Interview with R. V. Diegel, Distribution Manager, Chrysler Corporation, Centerline, Mich., April 17, 1959.

<sup>2</sup>Direct-dealer is an automobile industry's term referring to those retail dealers supervised and serviced by the wholesale office of a particular manufacturer.



they have or can have access to a wealth of pertinent data to guide them in their plans and policies by using the United States Automobile Registration Laws. The registration laws make available nation-wide marketing information on a daily basis. Despite these conditions so favorable to planning, the automobile industry's wholesale and retail organization just grew without much control or regard.

Wholesaling as performed by the industry is not too different from other types of wholesaling business. The greatest difference lies in the fact that the wholesalers are owned by the manufacturer and are maintained apart from the actual manufacturing activities. The auto makers retain title to the product and simply transfer the cars from the factory to the wholesale business office for the purpose of wholesaling. Through the wholesaler the title to the product is transferred to the retailers. Often this transfer of product is a paper transaction only. Before the existence of the factory-owned wholesaler, physical delivery of product was made to the independent merchant wholesaler. Actual shipment of cars from the manufacturer to the wholesaler meant, therefore, a considerable inventory of stored automobiles. The wholesaler in turn shipped cars to established retailers oriented to the wholesaler's location. In some instances this type of two-step wholesaling still exists today, but it is on the decline.





In other types of wholesaling activities such as small finished items, agricultural machinery, home construction, etc., over and under production can be allowed to affect the price. Historically the wholesale price of automobiles has not fluctuated between the manufacturer and the retailer as frequently and as much as those of other industries. While seasonal changes do affect the automobile wholesaler it is not as pronounced as certain other major industries, because with the technical advances of the auto, the public now purchase them the year-around.<sup>1</sup>

In the first portion of this chapter, the evolution of the wholesale establishment has been discussed. It is important that certain terms be defined before the continuation of this discussion.

No two manufacturers are identical in their organizational structure. This is true even among the various divisions of a specific corporation such as General Motors. Oldsmobile, Buick, Chevrolet and Pontiac all differ from one another. Because of these existing differences it is necessary to establish several terms in order to describe the wholesale establishments. The wholesale establishments are found apart from the manufacturing operations and are

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<sup>1</sup>Simon Kuznets, Seasonal Variations in Industry and Trade, (New York: National Bureau of Economic Research, 1953) pp 455.

composed of several related categories of business offices with varying degrees of authority. The smallest is referred to as a "district". A district as described in this study is made up of a defined geographic area containing a varying number of direct-dealers. The Ford Division and the Lincoln-Mercury Division call this a zone. Because General Motors, Chrysler and American Motors use the term "district" to mean the same thing it will be used here also.

Next in degree of authority is the "zone". The zone is comprised of at least two districts. The zone headquarters could be characterized as a focal point for the districts. Since the term zone is most widely used by the auto makers to distinguish similar activities carried on at this level, this term will be adopted. The exception of this common usage is the divisions of Ford Motor Company. In this case they use the term "district".

The highest authority in the hierarchial arrangement of the wholesale establishments is the "region". The region is an area that consists of two or more zones. General Motors, Ford and American Motors all use the same term, region. Chrysler uses a slight variation by calling it a "regional area", but the activities and meanings are identical.<sup>1</sup>

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<sup>1</sup>Interviews with the representatives of each auto manufacturer discussed in this thesis provided information regarding their individual organizational structure.

To facilitate the description of the geographical-hierarchical arrangement of these business establishments, a number of maps have been prepared. The first series of maps to be introduced show the location of these business functions. By comparing the various maps, similarities existing between the several competitive companies can be appreciated. The corporations selected for study are General Motors Corporation, Ford Motor Company, Chrysler Corporation and American Motors Corporation. All of the divisions of these firms are presented with the exception of Cadillac Division of General Motors, although there will be references to this company too.<sup>1</sup> These four corporations represent the major portion of the United States' total automobile manufacturing production.

The information displayed on the maps for the most part has been furnished by the companies by means of written material, company files and personal interviews with their executives.<sup>2</sup>

The maps in the first series show the regional and zone boundaries. Also designated on the maps are the head-quarter cities. Figure 1 through 4 are of the Buick,

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<sup>1</sup>The Cadillac Division, General Motors Corporation, declined to discuss their distribution system with an outsider.

<sup>2</sup>The bibliography contains a listing of all personal interviews and letters received from executives of the four corporations.

Chevrolet, Oldsmobile and Pontiac Division of General Motors Corporation. To portray the Ford Motor Company, maps of the Ford Division and the Mercury-Lincoln Division will be used; Figures 5 and 6. One map, Figure 7 shows the Plymouth, Dodge and Chrysler Divisions of the Chrysler Corporation.<sup>1</sup> The Rambler Division of American Motors is also covered by a single map, Figure 8. Figure 9 shows the headquarter cities for the region and zone for each of the companies studied.

The second series of maps, Figures 10, 11 and 12 are aggregates of all manufacturers and show similarities that exist among them.

The last series of maps show certain information needed for a complete description of the zone, examples of which are discussed in Chapter III. These maps are Figures 13 through 21. Figure 21 shows the district headquarter cities in the Cincinnati Zone for the companies studied.

In summary, the automobile was readily accepted throughout the United States from its earliest beginning. Because of the dispersion of manufacturing operations in the northeastern manufacturing belt of the United States during its early days and the lack of capital, the industry had to depend upon an independently owned system of distribution during the first thirty years of its existence. The

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<sup>1</sup>Since production of the maps, the DeSoto Division of Chrysler Corporation has been discontinued.

ultimate aim of all manufacturers became the manufacturer-owned direct-dealer wholesale establishment. The present type of distribution system gives the manufacturer more control over independently owned retailing establishments. The low-priced high-volume producer was first in reaching this goal. By 1948 all of the auto manufacturers either had completely attained this goal or were approaching it. The one exception to this was Cadillac Division, General Motors Corporation. They too are aiming for a direct-dealer distribution system by the middle or late 1960s.



## CHAPTER II

### THE REGIONAL WHOLESALE ESTABLISHMENT

In the hierarchial arrangement of today's automobile wholesaling the highest authority is located in the regional headquarters.

The region has two primary functions. The first is promotion of the manufacturer's product, its programs and policies. In the second place, the regional headquarters is the site of the manufacturer's highest jurisdiction away from its central headquarters. The regional manager is empowered to make decisions that may affect policies.

The regional manager, as the highest power away from the manufacturer's headquarters, must be an able executive. He is supervised and advised by an assistant sales manager generally located in the manufacturer's central office. The regional manager receives from this authority the programs and policies that he is expected to place into action within that area of the United States for which he is responsible. The regional headquarters is the intermediary between the manufacturer and the customer.<sup>1</sup>

The region is composed of at least two zones. Often the region will have four to five zones under its supervision.

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<sup>1</sup>The manufacturer refers to the retail dealer as their customer. Because of franchise agreement between the dealer and the manufacturer, the manufacturer can only sell their product to their retailer.

The region concerns itself with all activities that take place within the zone.

The physical facilities of a regional wholesale establishment consists of office space in one of the modern office buildings within the regional headquarter city. Since visitors from the manufacturers divisional office, the direct-dealer organization, and other related fields of the auto industry are many, it is desirable that the office be convenient to local and long distant transportation. Also desirable are hotel accomodations which must be close by, as well as sufficient and easily accessible off-street parking.

The internal organization of the wholesale establishment will vary among the several companies from a regional manager and his personal secretary to a regional manager plus a complete staff of assistants. The size of a regional headquarters depends upon the volume a particular maker has. Oldsmobile's Detroit regional office consists of the regional manager, his secretary and the regional service manager.<sup>1</sup> Ford's regional office contains the

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<sup>1</sup>Interview with H. E. Crawford, Director of Sales, General Motors Corporation, Detroit, Mich., April 10, 1959.



regional manager, six assistants and the necessary clerical help.<sup>1</sup>

Ford and Chevrolet keep their regional wholesale business offices separate from their zone business offices. In the case of the smaller producers such as Buick, Oldsmobile and Pontiac, the regional offices occupy one small segment of a zone office, but this does not deter from the independence of the zone who shares the same facility.

As stated before the region acts as a buffer between the manufacturer's top executive and sales departments and the region's subordinate zone wholesale establishments and the customer. There are two assistant sales managers in each major company. Each is in charge of one-half of the regions in approximately one-half of the United States.

In the apportionment of the United States into regions manufacturers chose to follow the political boundaries. This can be noted on Maps 1 through 8. The regional lines correspond exactly with the existing state and/or county boundary in all instances. It can be seen that with only few exceptions no thought was given to physical or economic boundaries when the region's lines were determined.

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<sup>1</sup>Interview with Henry E. Edmunds, Manager, Research and Information Department, Ford Motor Company, Dearborn, Michigan, March 26, 1959.

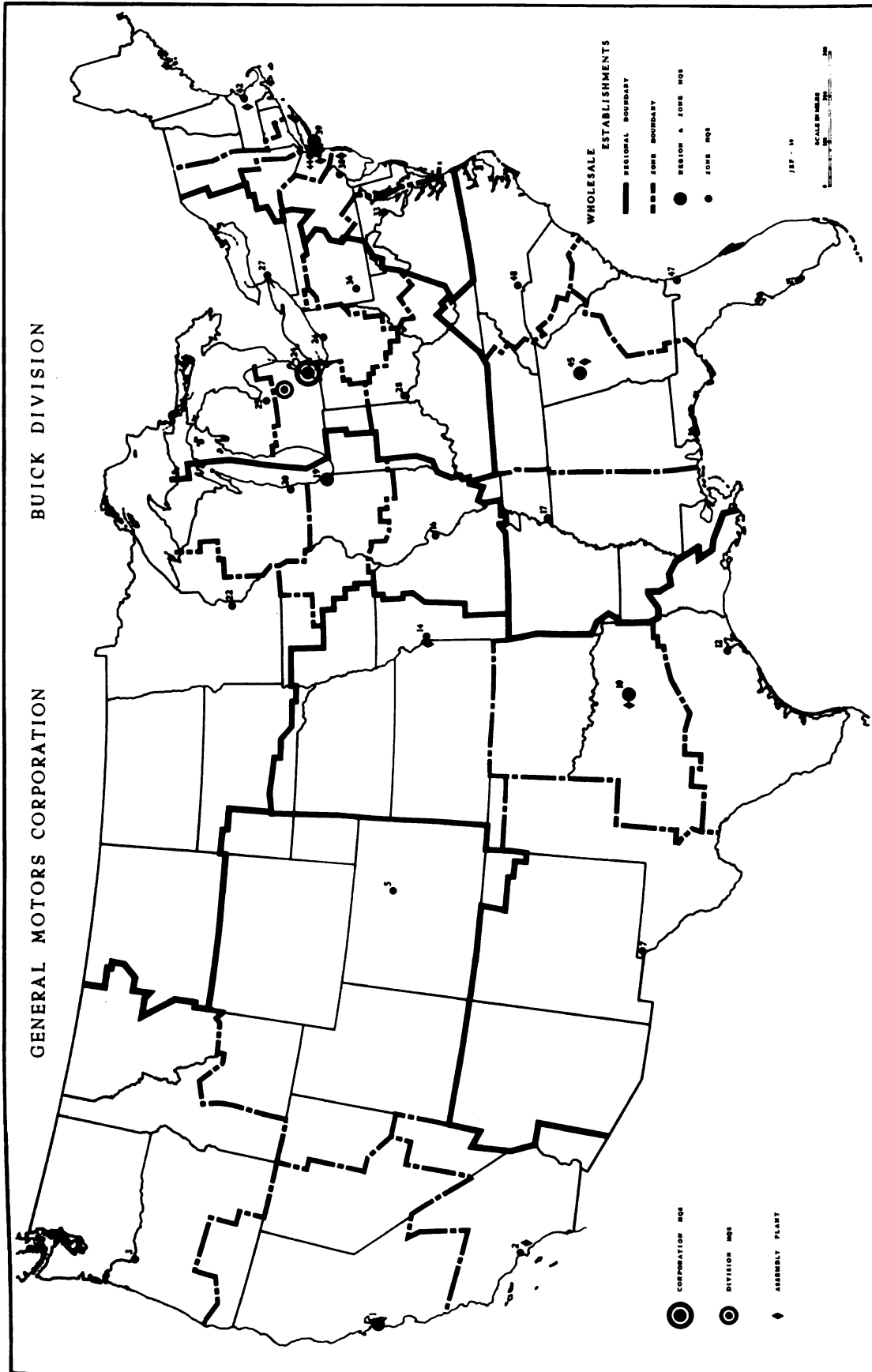


Fig. 1



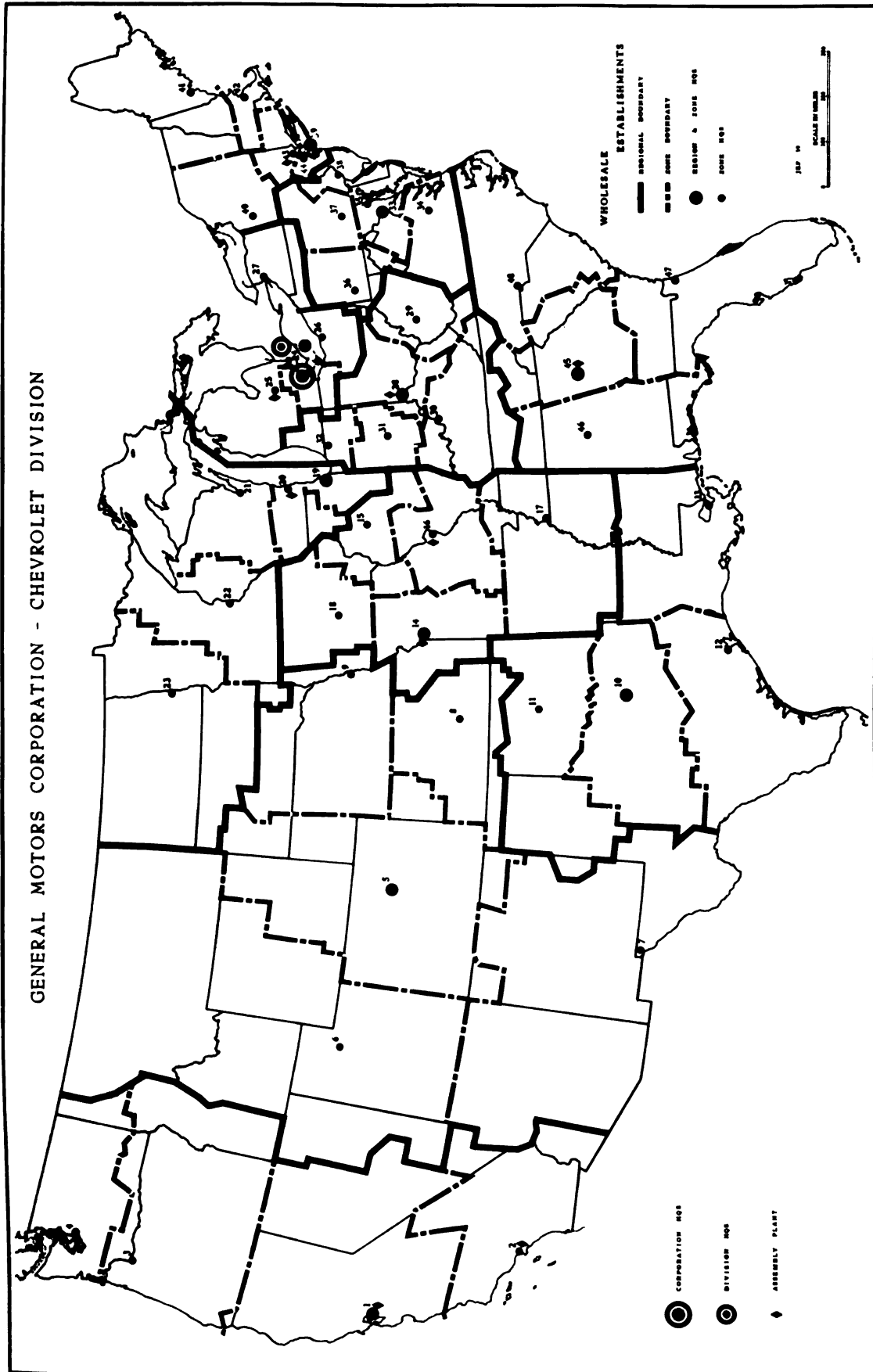


Fig. 2

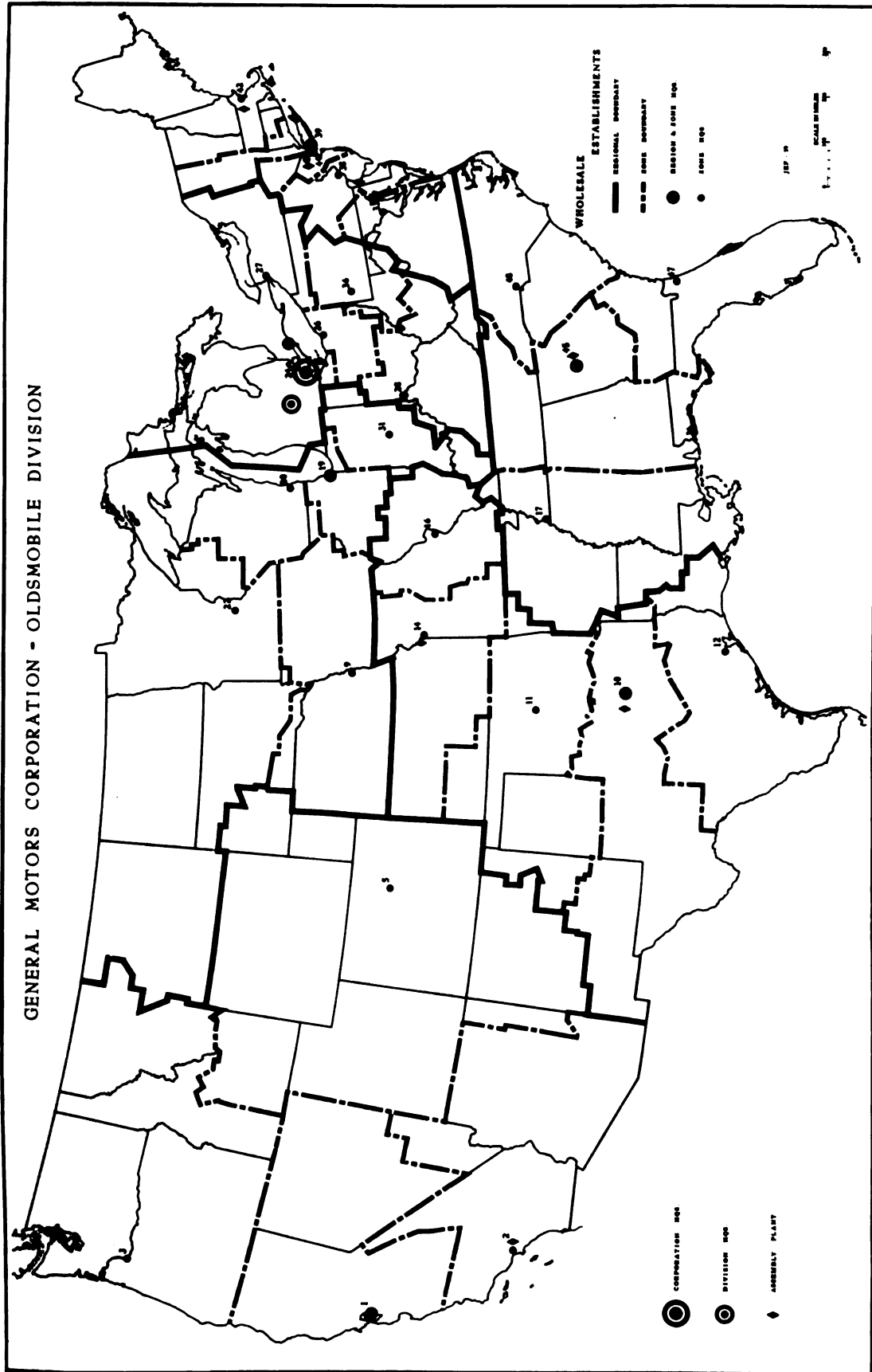


Fig. 3

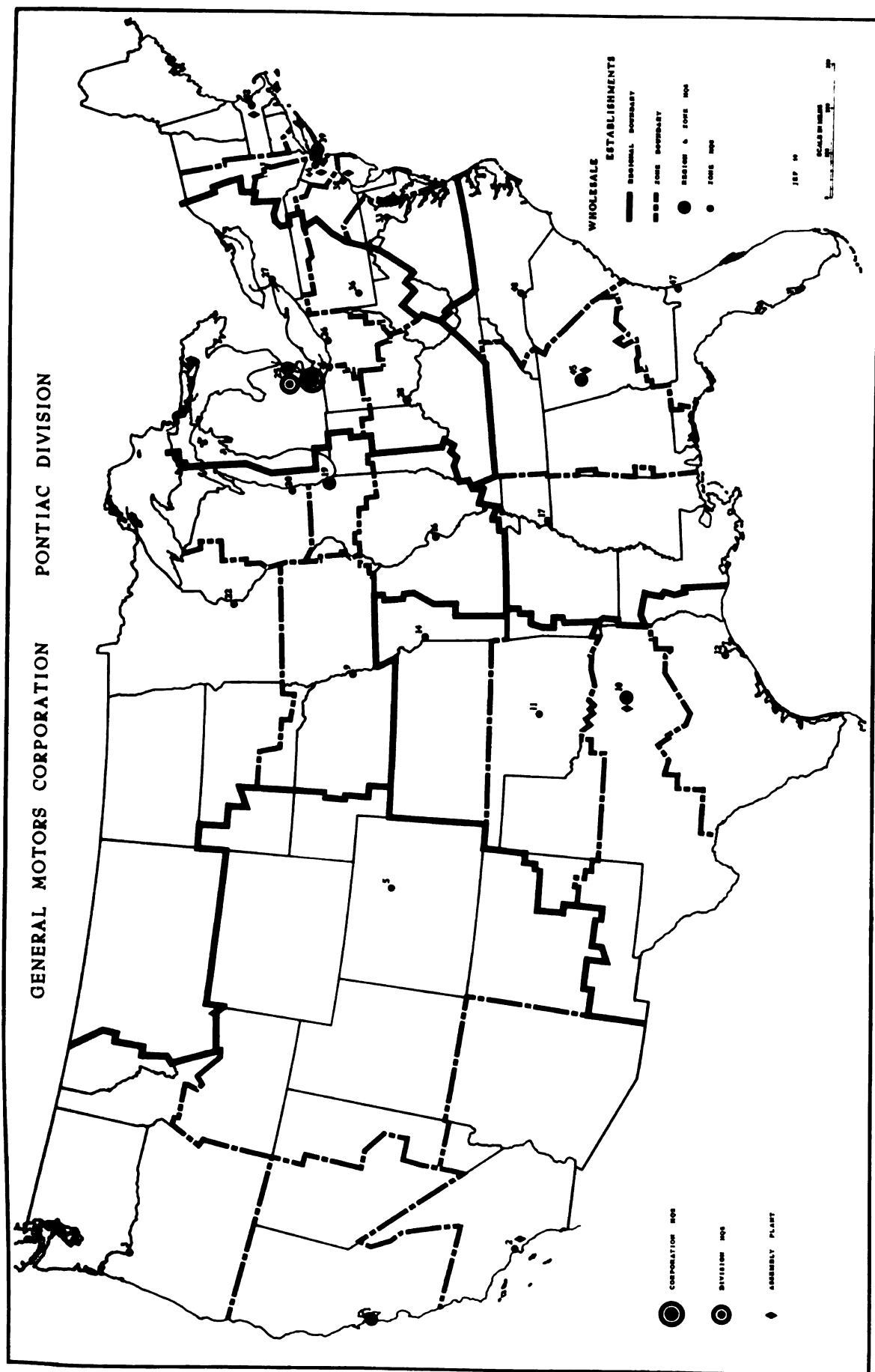


Fig. 4

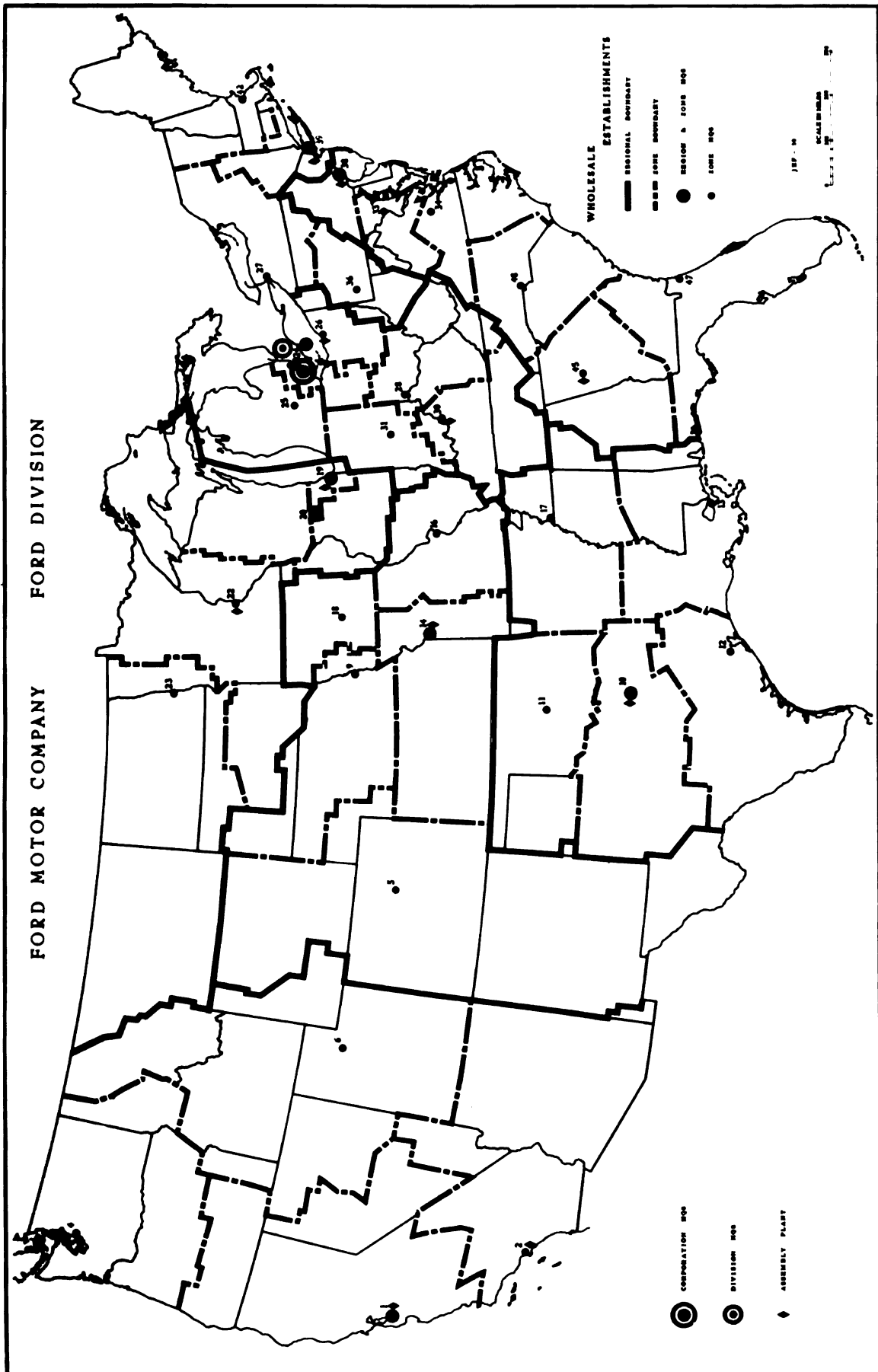


Fig. 5

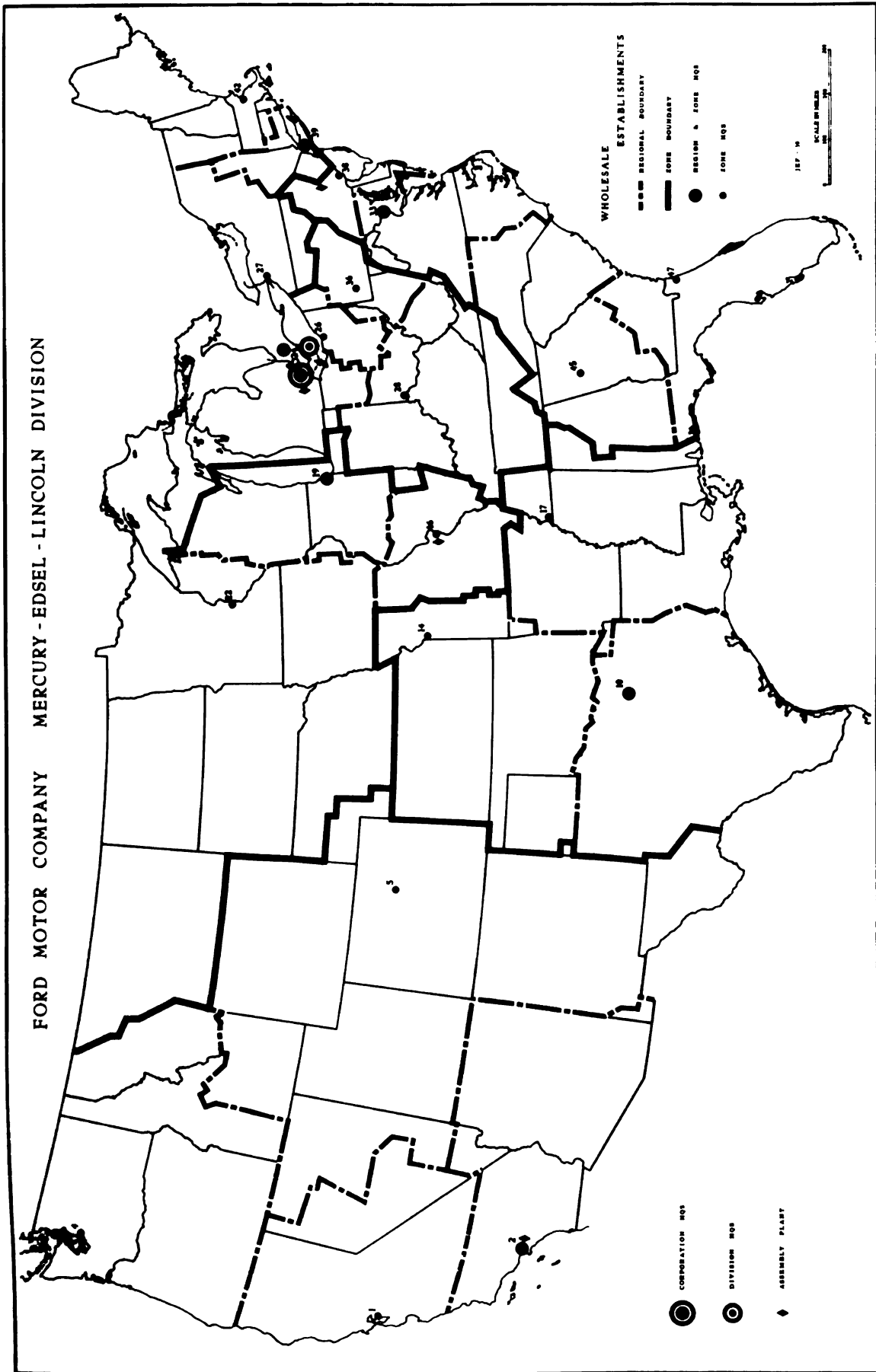


Fig. 6



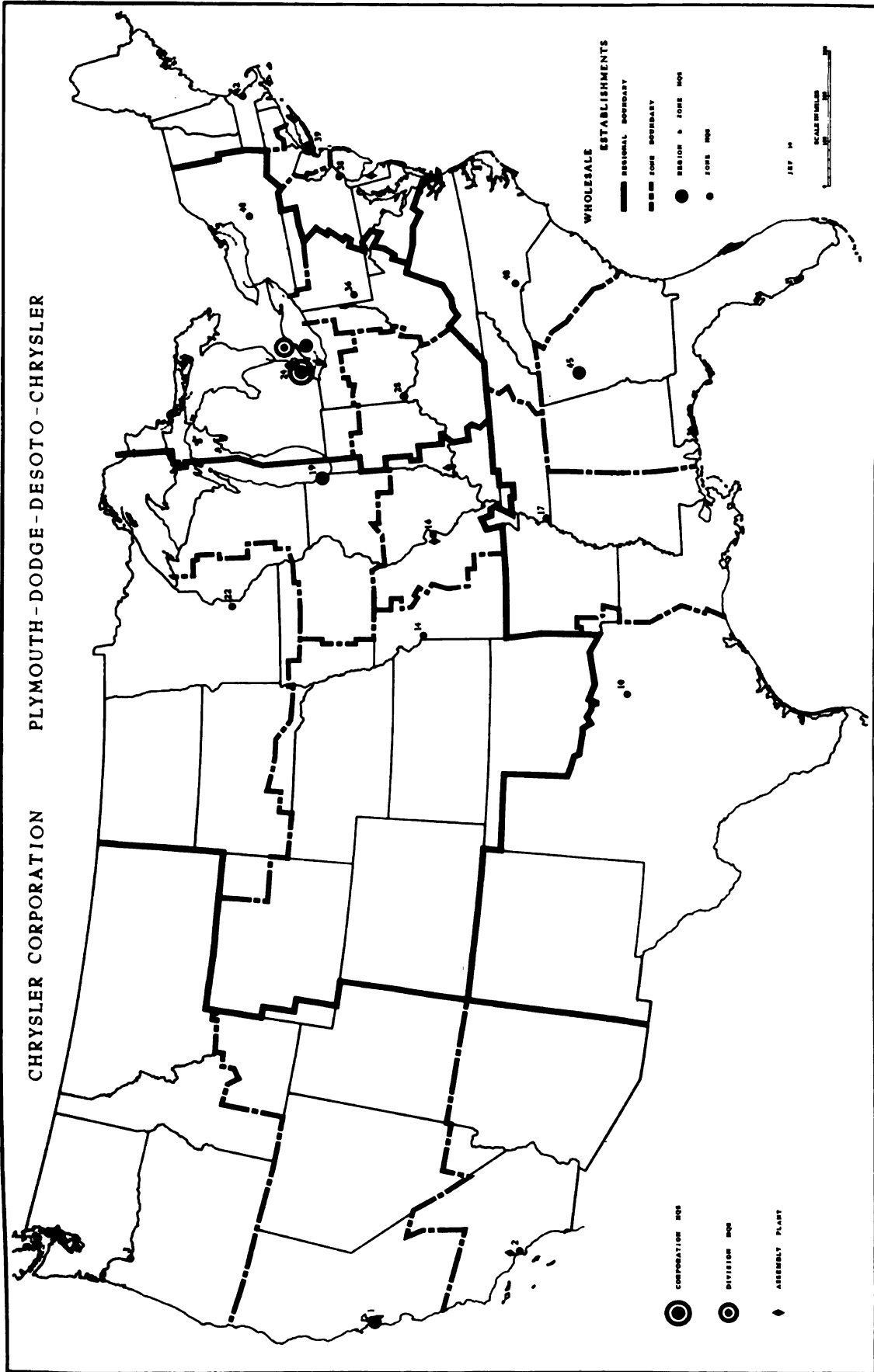


Fig. 7

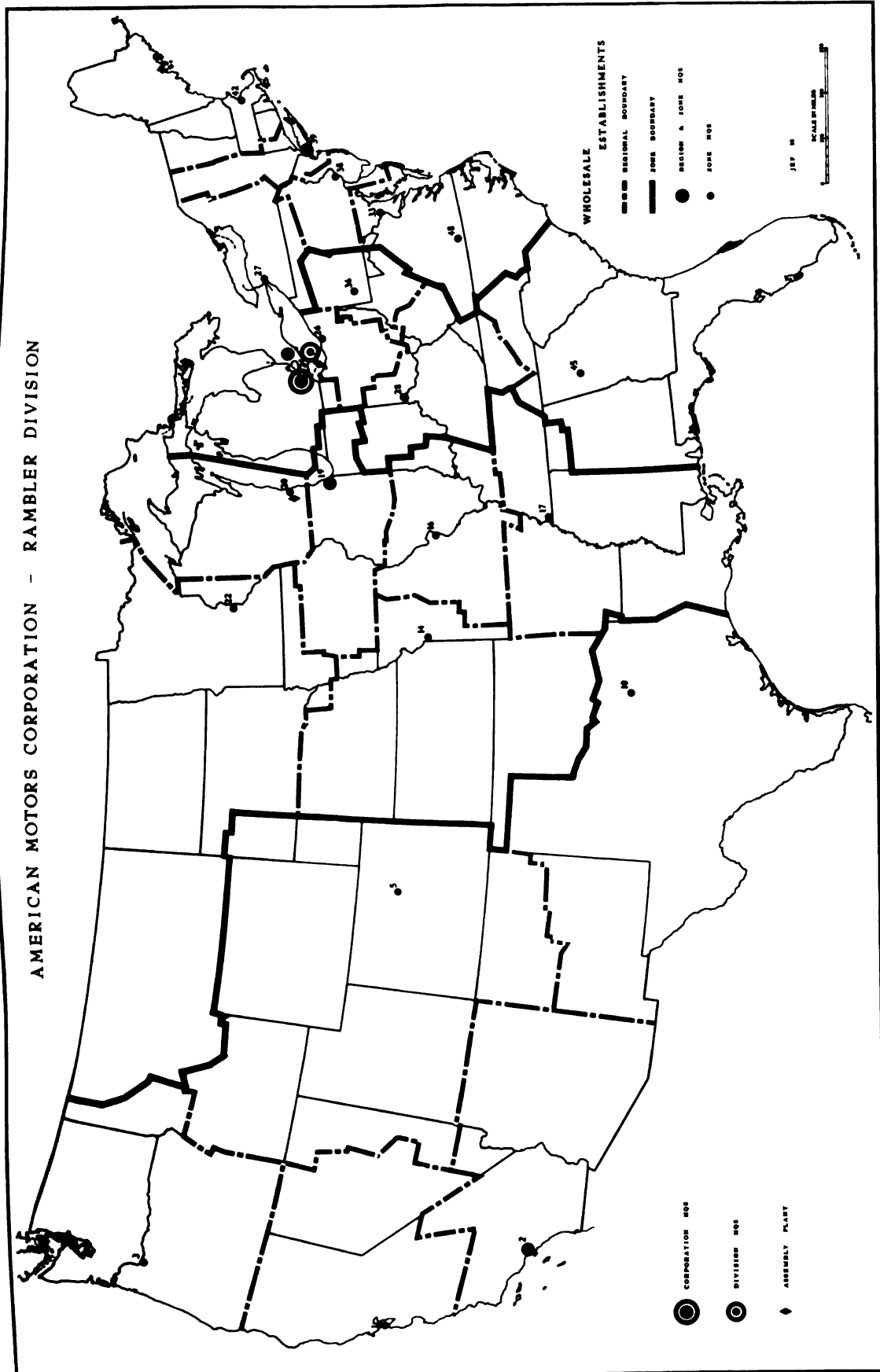


Fig. 8

ZONE - REGION  
HEADQUARTER CITIES  
OF THE  
U.S. AUTOMOBILE INDUSTRY

	HEADQUARTER CITIES	CHEV	FORD	OLDS	BUICK	PONTIAC	RAMBLER	LINCOLN-MERCURY	CHRYSLER CORP.
1	SAN FRANCISCO	RZ <sup>1</sup>	RZ <sup>2</sup>	RZ <sup>1</sup>	RZ	RZ	Z	Z <sup>1</sup>	Z
2	LOS ANGELES	Z	Z	Z	Z	Z	RZ	RZ	RZ
3	PORTLAND	Z	Z	Z	Z	Z	Z	Z	Z
4	SEATTLE	Z	Z	Z	Z	Z	Z	Z	Z
5	DENVER	RZ	Z	Z	Z	Z	Z	Z	Z
6	SALT LAKE	Z	Z	Z	Z	Z	Z	Z	Z
7	EL PASO	Z	Z	Z	Z	Z	Z	Z	Z
8	WICHITA	Z	Z	Z	Z	Z	Z	Z	Z
9	OMAHA	Z	Z	Z	Z	Z	Z	Z	Z
10	DALLAS	RZ	RZ	RZ	RZ	RZ	Z	RZ	Z
11	OKLAHOMA CITY	Z	Z	Z	Z	Z	Z	Z	Z
12	HOUSTON	Z	Z	Z	Z	Z	Z	Z	Z
13	NEW ORLEANS	Z	Z	Z	Z	Z	Z	Z	Z
14	KANSAS CITY	RZ	RZ	Z	Z	Z	Z	Z	Z
15	PEORIA	Z	Z <sup>3</sup>	Z	Z	Z	Z	Z	Z
16	ST. LOUIS	Z	Z	Z	Z	Z	Z	Z	Z
17	MEMPHIS	Z	Z	Z	Z	Z	Z	Z	Z
18	DES MOINES	Z	Z	Z	Z	Z	Z	Z	Z
19	CHICAGO	RZ	RZ	RZ	RZ	RZ	RZ	RZ	RZ
20	MILWAUKEE	Z	Z	Z	Z	Z	Z	Z	Z
21	GREEN BAY	Z	Z <sup>4</sup>	Z	Z	Z	Z	Z	Z
22	MINNEAPOLIS	Z	Z	Z	Z	Z	Z	Z	Z
23	FARGO	Z	Z	Z	Z	Z	Z	Z	Z
24	DETROIT	RZ	RZ	RZ	RZ	RZ	RZ	RZ	RZ
25	FLINT	Z	Z <sup>5</sup>	Z	Z <sup>6</sup>	RZ <sup>7</sup>	Z	Z	Z
26	CLEVELAND	Z	Z	Z	Z	Z	Z	Z	Z
27	BUFFALO	Z	Z	Z	Z	Z	Z	Z	Z
28	CINCINNATI	RZ	Z	Z	Z	Z	Z	Z	Z
29	CHARLESTON	Z	Z	Z	Z	Z	Z	Z	Z
30	LOUISVILLE	Z	Z	Z	Z	Z	Z	Z	Z
31	INDIANAPOLIS	Z	Z	Z	Z	Z	Z	Z	Z
32	SOUTH BEND	Z	Z	Z	Z	Z	Z	Z	Z
33	WASHINGTON	R	Z	Z	Z	Z	Z	RZ	Z
34	RICHMOND	Z	Z	Z	Z	Z	Z	Z	Z
35	BALTIMORE	Z	Z	Z	Z	Z	Z	Z	Z
36	PITTSBURGH	Z	Z	Z	Z	Z	Z	Z	Z
37	HARRISBURG	Z	Z	Z	Z	Z	Z	Z	Z
38	PHILADELPHIA	Z	RZ	Z	Z	Z	Z	Z	Z
39	NEW YORK	RZ	RZ	RZ	RZ	RZ	RZ	RZ	RZ
40	SYRACUSE	Z	Z	Z	Z	Z	Z	Z	Z
41	PORTLAND	Z	Z	Z	Z	Z	Z	Z	Z
42	BOSTON	Z	Z	Z	Z	Z	Z	Z	Z
43	TARRYTOWN	Z	Z	Z	Z	Z	Z	Z	Z
44	NEWARK	Z	Z	Z	Z	Z	Z	Z	Z
45	ATLANTA	RZ	Z	RZ	RZ	RZ	Z	Z	RZ
46	BIRMINGHAM	Z	Z	Z	Z	Z	Z	Z	Z
47	JACKSONVILLE	Z	Z	Z	Z	Z	Z	Z	Z
48	CHARLOTTE	Z	Z	Z	Z	Z	Z	Z	Z

<sup>1</sup> Oakland  
<sup>2</sup> San Jose  
<sup>3</sup> Davenport  
<sup>4</sup> Rockford

<sup>5</sup> Lansing  
<sup>6</sup> Saginaw  
<sup>7</sup> Pontiac

Z = ZONE  
R = REGION  
JEF 60

Fig. 9

Perhaps the most important reason for the establishment of regional and zone boundaries, oriented to political boundaries, is expense. The manufacturer felt that a detailed study would be costly and the resultant increase in product sales would not be sufficient to justify the expense incurred.<sup>1</sup>

The Rocky Mountains are an example of a physical feature which does not influence the dictation of boundary. It would be reasonable to think that the Rocky Mountains would be a sufficient barrier to divide that land east of it from the Pacific coast. However, in the case of most manufacturers, except Chrysler divisions and Chevrolet, see Maps 1 through 8, the territory on the eastern slope is considered part of the Pacific west. It is questionable whether Denver is oriented to San Francisco or to Chicago. The manufacturers for the most part chose to have San Francisco serve as the focal point for Denver and surrounding area. Denver is more dependent upon eastern distribution centers than those of the Pacific coast since their transportation links are connected with Chicago. This

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<sup>1</sup>Interview with F. A. Filie, Manager, Sales Reports and Analysis Mercury-Lincoln Division, Ford Motor Company, Dearborn, Mich., August 25, 1959. Several executives from other manufacturers expressed similar feelings concerning expense involved in a detailed study.

influence might tend to lessen in the years to come but presently Chicago still is its focal point.<sup>1</sup>

The similarity of boundaries of those manufacturers related to one another by corporation union is immediately observed when viewing the maps. Surprisingly all of the manufacturers whether related or unrelated have selected similar areas to denote regions. A fair guess would be that one manufacturer selected the boundaries and the others noting their apparent success have copied theirs.<sup>2</sup>

Upon reviewing the maps, Figures 1 through 8, it is seen how the auto makers divide the United States into regions. The two largest automobile makers, the Ford Division of the Ford Motor Company and Chevrolet of General Motors Corporation divide the country into seven and ten regions respectively. In recent years Chevrolet has out-produced their chief competitor, Ford. This could be the result of a better organized system of wholesale establishments. Perhaps the most significant result of this difference is Chevrolet's almost continuous lead over Ford.

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<sup>1</sup>J. Russell Smith and M. Ogden Phillips, Industrial and Commercial Geography, (New York, Henry Holt and Company, 1947) pp 795-815.

<sup>2</sup>From interviews with executives of several manufacturers and their apparent lack of knowledge on how boundaries were actually determined.

Historically, these companies have chosen cities as regional headquarters throughout the United States which were strongholds for the entire automobile industry. It was from these points of strength that they have organized their activities and extended them outward into the regional hinterlands. Maps, Figures 2 and 5, show the regional headquarters for each of the manufacturers. Notice the duplication of regional headquarter cities. Because Ford has a large assembly operation in San Jose, California, it was chosen rather than San Francisco. The only real variation in the selection of a regional headquarters, is Ford's choice of Philadelphia instead of Atlanta to direct their southeastern wholesale establishments.

Oldsmobile, Buick and Pontiac annually produce about the same number of automobiles. The regional wholesale organizations are also similar. It is easily ascertained that these three makers are related by viewing the maps. Pontiac has its regional office in Pontiac, Michigan rather than Detroit. Other than this exception they have duplicated the regional headquarters in all cities. There are only slight differences in territories for which each region is responsible. To help describe the regions in more detail see Figure 9, which shows the manufacturers and their regional cities.

The four divisions of the Chrysler Corporation have divided the United States into five regions. Presently

they all use the same boundaries regardless of the division of their product volume. A description of these boundaries can be found on the map, Figure 7.

The last of the manufacturers to be described is the Rambler Division of American Motors Corporation. Since it is the newest volume manufacturer, they have conservatively developed their regional wholesale establishment.<sup>1</sup> American Motors has divided the United States into a much different pattern than their competitors. With just four regions it is doubtful whether this partitioning was done with much aforethought. They have followed their competitors example in choosing the largest and most important city in each region as the headquarters with no apparent thought to its geographical location in relation to the remainder of the territory involved.

The automobile manufacturer, in placing regional headquarters of operation, seldom orients them geographically to their sub-ordinate zones. They have placed the regional headquarters in a particular city within the region which has the largest automotive market.

Figure 9 helps to describe the Maps, Figure 1 through 8. The chart shows the duplication of regional headquarters cities by all the manufacturers. In each case the

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<sup>1</sup>Interview with R. Abernathy, Executive Vice-President, American Motors Corporation, April 20, 1959, Detroit, Mich.



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regional headquarter city is a market and distribution center for a considerable territory.

Figure 10 shows that the manufacturers have chosen the same cities as their regional headquarters. To what degree are the same geographic areas assigned to these regional headquarters? The six most popular cities were chosen for comparison. Detroit, New York City and Chicago are used by all manufacturers as regional centers in the east and middle west. On the Pacific coast San Francisco is used by six companies. In the Southwest, six manufacturers use Dallas and in the Southeast five use Atlanta. Using these cities to make area comparisons, it will be discovered that half of the United States is common to all manufacturers.

The regional headquarter cities are the six most important market or economic centers in the United States. It must also be remembered that the selection of these six cities goes back to the late 1920s.

If the areas in black on Figure 10 were put together they would cover more than one-half of the land area of the United States. The population of these same areas would total 107 million or 60% of the country's population.<sup>1</sup> This

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<sup>1</sup>Editor & Publisher Market Guide 1961, ed. Robert U. Brown (New York, N.Y.: Editor & Publisher 1961) pp 1-564.

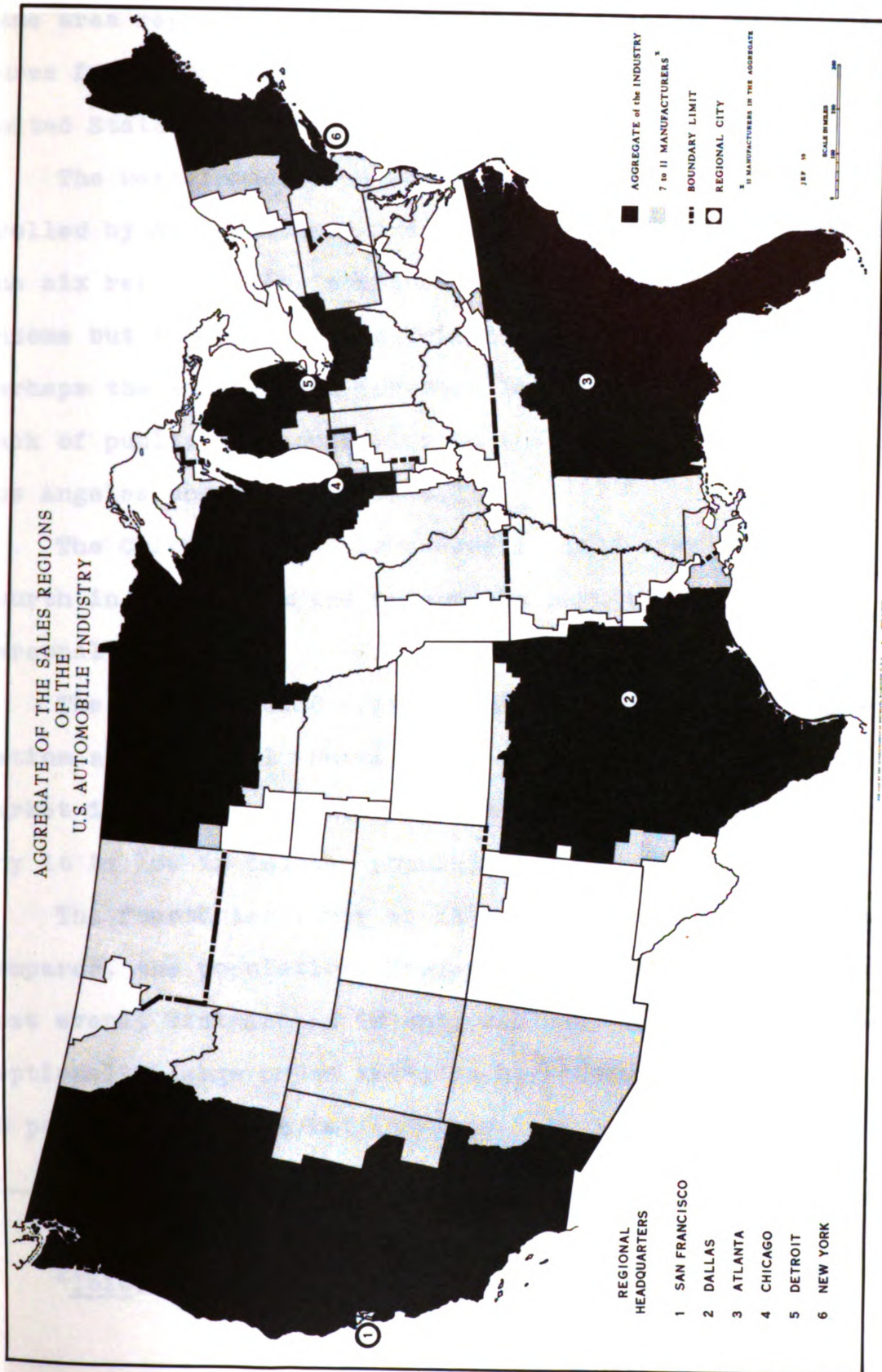


Fig. 10

same area represents 56% of the United States' total expenditures for automobiles.<sup>1</sup> The area also has 63% of the total United States' personal income.<sup>2</sup>

The westernmost area which is colored black is controlled by San Francisco and has the greatest land area of the six regions. It is second in population and personal income but is first in the United States automobile market. Perhaps the explanation for this larger auto market is the lack of public transportation in the large urban centers of Los Angeles and San Francisco.

The Chicago region is second in land area. It is fourth in population and automobile market and third in personal income.

The third in land area is Dallas. This area's population and personal income is in sixth place. Its auto market is fifth. The lack of urban development explains why it is low in income, population and market.

The fourth territory is Atlanta. Of the six regions compared, the population, market and income is probably the most evenly distributed in this region. There are no exceptionally large urban areas to be found. It ranks third in population and market and fourth in personal income.

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<sup>1</sup>Ibid.

<sup>2</sup>Ibid.

The Detroit region is fifth in areal extent. The area represented consists primarily of Cleveland, Toledo and Detroit. Its population and income is fifth and market is sixth.

The smallest territory is that focused upon New York. It has the largest population and personal income. The higher developed system of public transportation undoubtedly causes the auto market to be second.

While the area common to all manufacturers is considerable, the difference is also vast. On the map, Figure 11, the maximum limits that a particular regional headquarters covers is shown. The outreaching boundaries are caused by those several manufacturers which have fewer regional headquarters. A specific example is the San Francisco - Los Angeles region. The maximum limits on the Canadian border are caused by Chrysler and on the south by Rambler. Going back to maps, Figures 7 and 8, of the individual manufacturers it will be noted the exact territories that comprise this westernmost region.

The maximum limits of the territory assigned to Chicago are surprising. From this city the largest portion of the United States is controlled as far as automobile wholesaling is concerned. Rambler has its borders extending the farthest west and south.

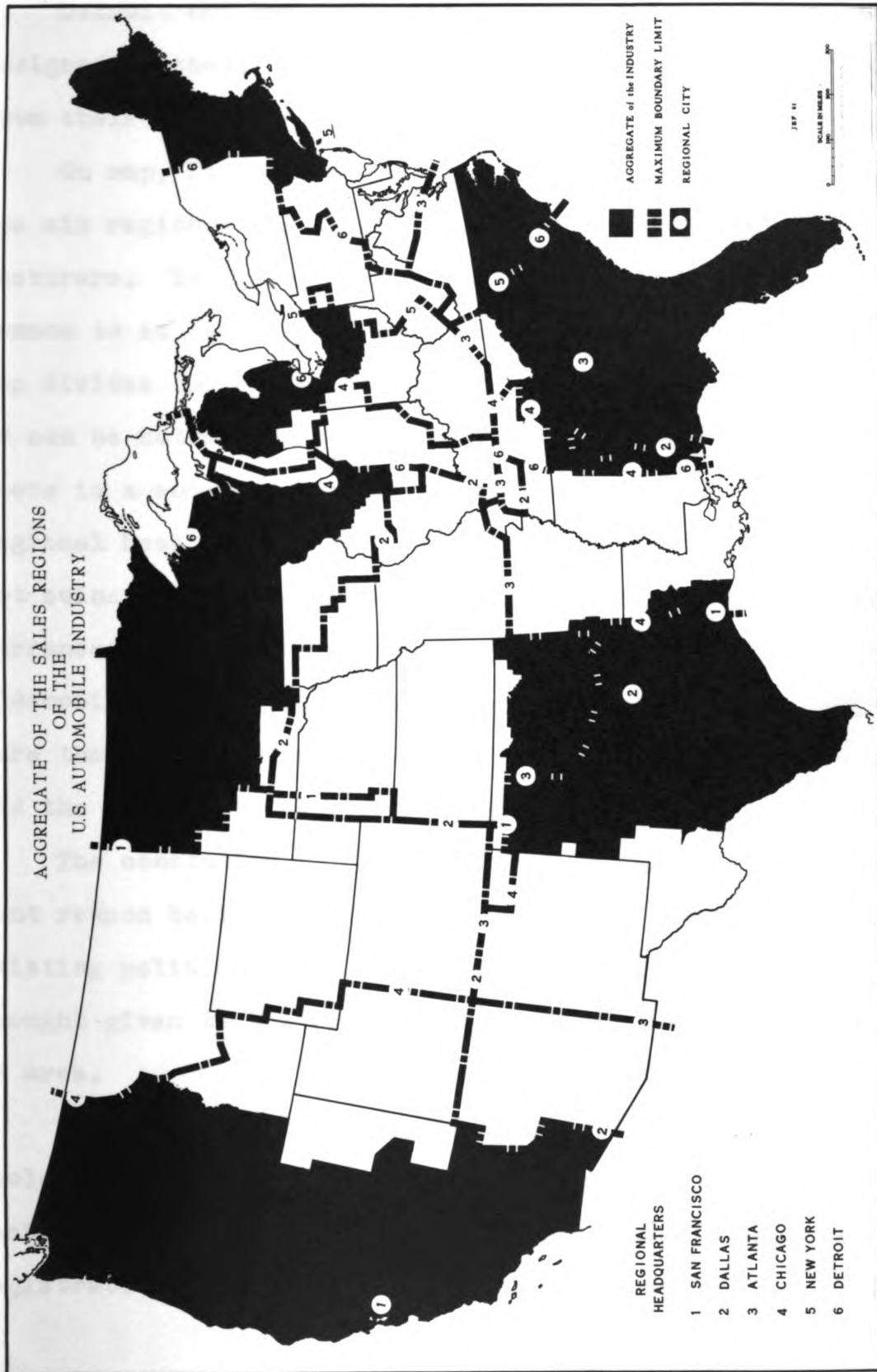


Fig. 11

Detroit and New York City have the least territories assigned to them. However, they control the greatest market from their vantage points.

On map, Figure 10, the black areas are those around the six regional headquarters which are common to all manufacturers. The gray pattern is that territory which is common to at least one-half of the manufacturers. This map divides the United States into six separate regions. It can be noticed on the maps, Figures 1 through 8, that there is a considerable amount of land area assigned to regional headquarters of different companies which does not coincide. Corporation ties influence much of the concurrence in territory where it occurs. For example, Buick, Oldsmobile and Pontiac boundaries are very similar. Compare them to the Lincoln-Mercury or the Chrysler divisions and the similarity ceases to exist.

The conclusion may be reached that there is no significant reason behind the plotting of regional boundaries. Existing political boundaries are followed with little thought given to the physical or economical geography of an area.

Perhaps a given manufacturer could strengthen his wholesale organization and market penetration if known facts such as population, income and the annual new car registration were more carefully analyzed before the actual

plotting of boundaries. To know precisely what exists within a given territory an actual field survey would have to be made. Such surveys should be conducted by people who are familiar with the auto industry but who are also academically trained and qualified.

The manufacturers have made almost no changes in their regional boundaries since the 1930s. They have failed to take advantage of the opportunity to base their territorial organization upon up-to-date information, which could be made available by a thorough study of their regional territories.

## CHAPTER III

### THE ZONE WHOLESALE ESTABLISHMENT

The evolution of the automobile manufacturer's distribution practices were discussed in Chapter I and the regional wholesale establishments in Chapter II. In this chapter the zone wholesale business office will be described. It is this level of wholesaling where the programs and policies are placed into action or reality.

The lowest order in the hierarchy of the automobile industry's wholesale offices is the zone. Its districts have no offices as mentioned in Chapter II, the zone is controlled by a regional wholesale establishment and represents the closest tie between the retail organization and the manufacturer. The degree of success that a manufacturer enjoys is often attributed to the efforts in the zones.

There are several important reasons for the existence of this type of wholesaler. First, the zone arranges for the product delivery to the dealers. This is done in such manner as to reduce delivery time to a minimum. Second, the zone provides the necessary related services both in business management and product to keep the dealers in a favorable position best to serve the customer. Third, the zone provides the division's central office with detailed information regarding business and product conditions and



acceptance as it is found in the United States. Lastly and most importantly the manufacturer controls the dealer or retail organizations through the zone offices.

The zone wholesale establishment had its most important development during the period from 1925 through 1935. As mentioned in Chapter I, Ford and Studebaker originated the wholesale business offices as early as 1918.

The early market was limited to the larger populated centers of the United States as a result of the mechanical inability of the product and the lack of roads on which to operate the cars. As the product and roads advanced technically new car sales increased too.

The manufacturer first established the zones' headquarters in those cities where the product was sold in the largest number. Little regard was given to the territories assigned to these zones. Not until the late 1930s was there much attention given to the location of these headquarters. Historically the location was determined by selecting the economic or market center of a certain territory. Because of the expense involved few manufacturers changed the original site.<sup>1</sup>

The zone wholesale office is concerned with all phases of business whether it is the distribution of the product,

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<sup>1</sup>Interviews with executives of four auto makers expressed their individual companies views as to why the zone wholesale establishment existed.

acceptance of the product by the public or the reaction of the dealers and their customers.

The zone wholesale office must provide to the region and central office the reaction of the retail organization and the general public which greet the policies and programs of the company. Reaction is very difficult to measure except by the relative success or failure of the specific program in question. It is the duty of people at the zone level to interpret reaction and forward this information to the higher authority for review and comment. Often comments will affect the future of a product and the development of sales promotion programs or of policies to be set forth on service problems.

The zone organization within the headquarter city consists of a group of department heads, secretaries and other clerical help. The exact size of a zone depends upon the volume of sales of a particular make of automobile. The Ford Division of Ford Motor Company will be used as an example of a zone office. The zone manager is the chief executive and has two assistants. One of his assistants supervises the activities of the district managers, those men who are in constant contact with the direct-dealer organization. The other assistant directs the departments of the zone such as service, business

management, truck and fleet,<sup>1</sup> distribution, office services and parts and accessories.<sup>2</sup>

A slightly different example of zone organization is afforded by Buick, which is a smaller manufacturer in total volume. Buick maintains similar type zone offices with the exception of the truck and fleet, office services, and parts and accessories departments which they do not have. Buick's zone manager has only one assistant and less personnel with which to operate the smaller organization.<sup>3</sup>

Examination of Figures 1 through 9 will show where the automobile manufacturers have located their zone headquarter cities. It will also indicate that the headquarter city is generally in the largest single market within the zone. This does not mean that the headquarter city is geographically centered or that it is situated to give the best service to the majority of its retail dealers.

Chevrolet and Ford are likely to locate the headquarters centrally in their territory of responsibility and thus serve all four mythical corners fairly. Examples

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<sup>1</sup>Fleet is a term common to the automobile industry meaning the purchase of two or more cars or trucks by the same consumer. Such companies as Hertz Rent-A-Car and Avis Rent-A-Car are fleet accounts.

<sup>2</sup>Interview with Henry E. Edmunds, Manager, Research and Information Department, Ford Motor Company, Dearborn, Michigan, March 26, 1959.

<sup>3</sup>Letter from Chris J. Edmonds, Public Relations, Buick Motor Division, Flint, Michigan, August 12, 1959.

of this can be noted on the Chevrolet map, Figure 4. It will be observed that in the southeast Number 46, Birmingham and Number 47, Jacksonville; in the southwest, Number 10, Dallas; in the midwest, Number 14, Kansas City and Number 16, St. Louis, are all important market centers and also almost equally centered in their specific area of responsibility. In the more heavily populated northeast, the larger cities such as New York City, Philadelphia and Boston are used. Here, because of the tremendous market and great number of retailers, it could be said that the zone offices are located with accessibility and dealer control foremost in mind.

Ford Motor Company, as seen on Figures 5 and 9, operates twelve fewer zones than its chief competitor, Chevrolet. Ford with its 35 zones has fewer geographically centered zone cities than Chevrolet. An interesting fact comes immediately to mind that Chevrolet continually outsells Ford in the United States. Can Chevrolet's prolonged leadership be directly attributed to a more highly developed system of wholesale establishments?

The other manufacturers vary in the total number of zone wholesale establishments. Oldsmobile is next to Ford with 28 zones. The divisions of Chrysler limit their wholesale offices to 18. All of the manufacturers have made some effort to geographically center the zone headquarters but in most cases it would appear that the maker preferred the

largest single market city rather than a smaller but more centrally located one to serve the majority of dealers.

In nearly all instances, the facilities for the zone office are above average and are found in modern buildings. They are also conveniently located to the various medias of transportation within the city and with those connecting the city to the remainder of the zone. Adequate off-street parking is necessary for the numerous visitors from the retail organizations, regional and home offices and the many others who have business with the wholesale establishment.

Not all of the zone offices are found in the central business districts. In recent years many of the companies have placed them in the outlying sections of the zone city. Chevrolet Division of General Motors combines its zone operation with a General Motors Parts Depot or Chevrolet Assembly Plant if such a facility is available. Ford and Lincoln-Mercury of the Ford Motor Company frequently use the same facilities and also locate in either a parts depot or assembly operation.

Chrysler Car Divisions and Rambler, as well as Buick, Oldsmobile and Pontiac of General Motors generally follow the same pattern in locating their wholesale offices away from the manufacturing operations of their firms. It is not unusual to find Buick, Oldsmobile and Pontiac as well as Chrysler's Divisions located in the same building. Not only do the several competitive manufacturers tend to

locate in the same cities but they also tend to establish themselves in the same facility.

Examining Figure 9, it will be seen that the manufacturers and their subordinate divisions have tended to locate in the same cities. Some of the larger auto makers such as Chevrolet and the Ford Division have situated in more and smaller cities than the others, but even here there is a definite pattern.

Figure 12 was designed to show the land areas that the manufacturers assign to zones. This map was patterned after Figure 10. The area in black represents that land area which coincides with all manufacturers located in a specific zone. Figure 9 indicates that of the twenty four zone headquarters shown on Figure 12 fourteen are used by all manufacturers. In five cities at least seven of the manufacturers are present and in three cities there are six manufacturers. To complete the map, the immediate metropolitan area of Houston and Jacksonville is shown in black since only five manufacturers are to be found here.

Figure 12 shows that the composite area in black covers only a little more than twenty five percent of the total land area of the United States. This same area, however, has approximately forty four percent of the total population of the United States. Of greater importance is the

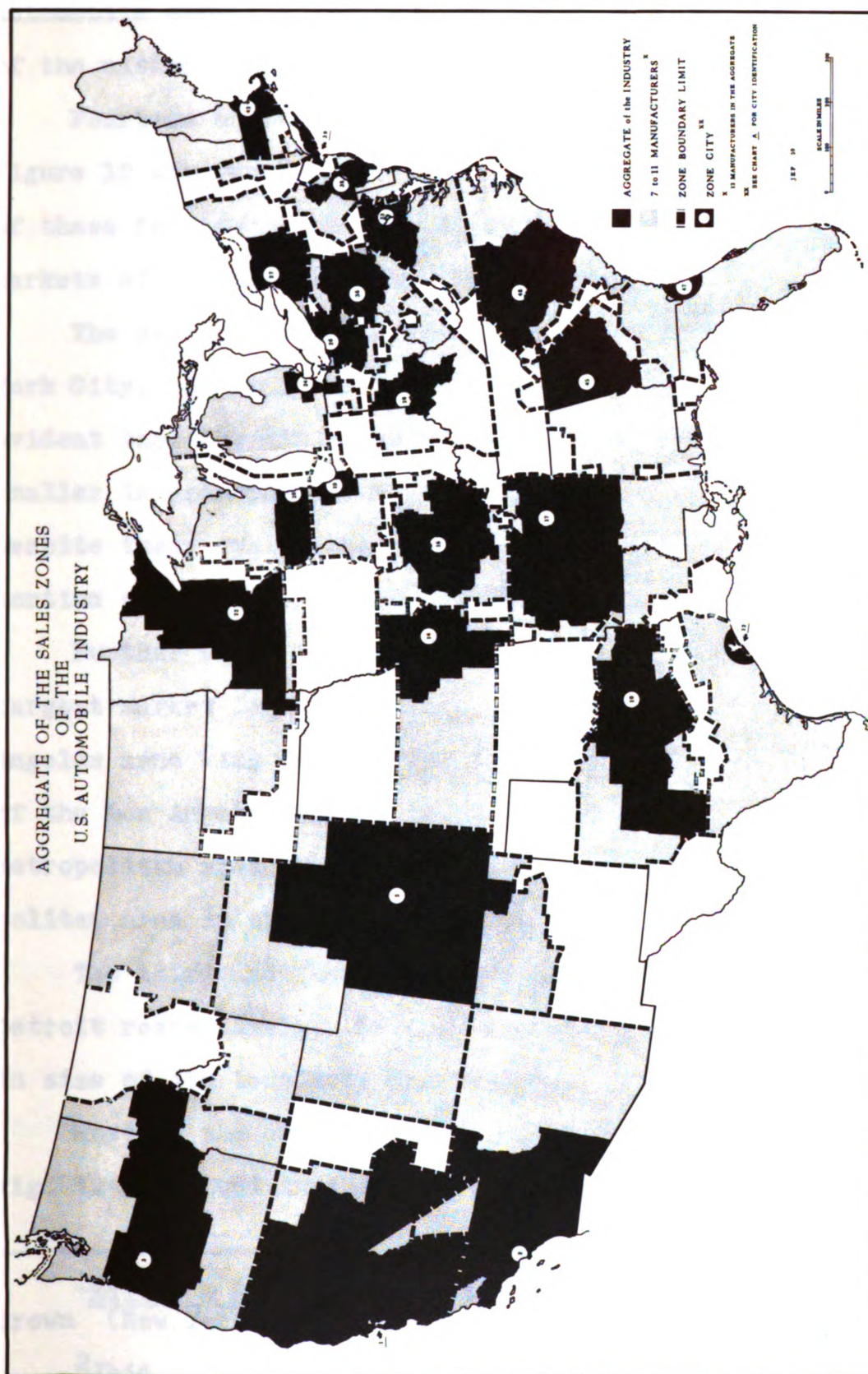


Fig. 12

automobile market it represents, which is fifty two percent of the nation's total.<sup>1</sup>

Fourteen of the twenty four zone headquarters shown on Figure 12 are represented by all of the manufacturers. Nine of these fourteen zones are in the top ten automobile markets of the United States.<sup>2</sup>

The smallest area in black again, is metropolitan New York City. It is also the largest automobile market. It is evident that the six zones adjacent to the New York zone are smaller in area than many of the others shown on this map. Despite their small area these zones represent a substantial portion of the total United States market.

Further west, the zones are larger in area. The second largest market is Los Angeles. Compare the size of the Los Angeles zone with that of the New York zone. The majority of the Los Angeles market is restricted to the built-up metropolitan area whereas in the New York zone the metropolitan area is the whole zone.

The third and fourth largest markets are Chicago and Detroit respectively. Chicago resembles the New York zone in size of its territory and market.

Most of the areas in black, 15 out of 20, on the map in Fig. 12 are found in the manufacturing belt of the United States.

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<sup>1</sup>Editor & Publisher Market Guide 1961, ed. Robert U. Brown (New York, N.Y.: Editor & Publisher 1961) pp. 1-564

<sup>2</sup>Ibid.



This belt, for the most part, lies in the northeastern part of the country.

The areas in gray on Figure 12 represent that land which is used by at least one-half of the manufacturers. These areas are oriented economically to the black areas.

From the map we find that fifty percent of the manufacturers have zone headquarter cities in common. It might be concluded that the zone's land units are similar to one another. However, if we were to duplicate Figure 11 on a zone level we would soon discover that the manufacturers do not use the same boundaries. This is also true of manufacturers in the same corporation.

Dodge, Mercury and Oldsmobile's Cincinnati Wholesale Establishments were selected for comparison because they are in the same price class and theoretically are of equal desirability by the medium-price-class buyer.

Cincinnati is located on the Ohio River near the southwestern tip of Ohio. It is important as a major distribution center for the area immediately north and more important for the area south, southwest and southeast as far as the Gulf States. The Cincinnati metropolitan area is composed of several Kentucky cities, Newport, Covington, Belleview and Fort Thomas, the Ohio cities of Norwood, Cleves and Milford and the Indiana cities of

Lawrenceburg and Aurora. These cities represent a population of over one million.<sup>1</sup>

Cincinnati is a leading transportation center of the United States. It is served by seven railroads each of which has major terminal facilities. It is a leading river port with freight coming from the lower and upper regions of the Ohio River via the Mississippi, Tennessee and Kanawha Rivers. As a port, it is a transfer point to and from various means of transport. Its role as a trucking terminal is also important. It is served in air travel by three trunk carriers and two feeder type airlines. It also has a terminal which handles great volumes of trans-continental bus travel via the north and south routes.

Cincinnati is also an economic and distribution center for the mid-section of the United States. It has important banking facilities including a Federal Reserve Branch. Proctor and Gamble, Kroger and Avco Manufacturing have headquarters in Cincinnati. While General Electric's headquarters are elsewhere, it has the distinction of being the city's largest employer. It has many diversified industries among which are found soap and its associated household and beauty products, large machine tools, assembly of cars, car parts manufactured by Ford and General Motors, the production of steel, several electrical firms and brewing and distilling.

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<sup>1</sup>Ibid.

Cincinnati is a cultural center and has been outstanding for over a century. Its two excellent universities hold prominent places in education, medicine and music.

Cincinnati has become increasingly popular as a convention city for the United States because of the number of large and fine hotels and excellent convention and exhibit facilities.

These aforementioned reasons combined explain why the automobile manufacturers have selected it as a zone wholesale establishment's headquarters. Chevrolet also selected Cincinnati as a regional headquarters.

Notice on Figures 1 through 8 the different areas which the eleven manufacturers have assigned to the Cincinnati zone. It is interesting that each manufacturer has taken a different view of what territory should be assigned to this zone.

Since the three manufacturers, Oldsmobile, Mercury and Dodge have different ideas about the territory for the Cincinnati zone, a brief description of the geography of the outlying territory of the zone will be given. From this headquarter city, portions of Kentucky, Indiana, Ohio, West Virginia, Tennessee, Virginia and Illinois are controlled.

The region encompassed varies from areas which are highly developed economically and culturally to some of the most undeveloped, illiterate, and poverty stricken to be found in the United States.

The economic and cultural resources and prospects are diversified. Some of the people in the land area of the zone have incomes per capita as high as any region in the United States, and others incomes of the lowest found in the United States. Cultural aspects range from excellent schools and well-educated people to areas where the inhabitants have had little or absolutely no formal education or schools to attend.

The area in the Cincinnati hinterland is made up of great extremes. These contrasts are reflected in information on several maps prepared to describe the geography of the Cincinnati Wholesale Establishments of the Middle Ohio Valley.

Figure 13 was designed to describe the total territory of the three manufacturers. As shown on the map, a special type symbol is used to indicate the difference in the territory assigned by each maker to their Cincinnati wholesale establishment.

Mercury assigned almost twice the land area to their Cincinnati zone as Oldsmobile and Dodge did. The city of Cincinnati is nearly in the geographical center of Mercury's and Dodge's land area. It is apparent that as far as Oldsmobile is concerned, Cincinnati is not located with regard to its area of responsibility. There is a reason in the case of this wholesale business office. In 1956

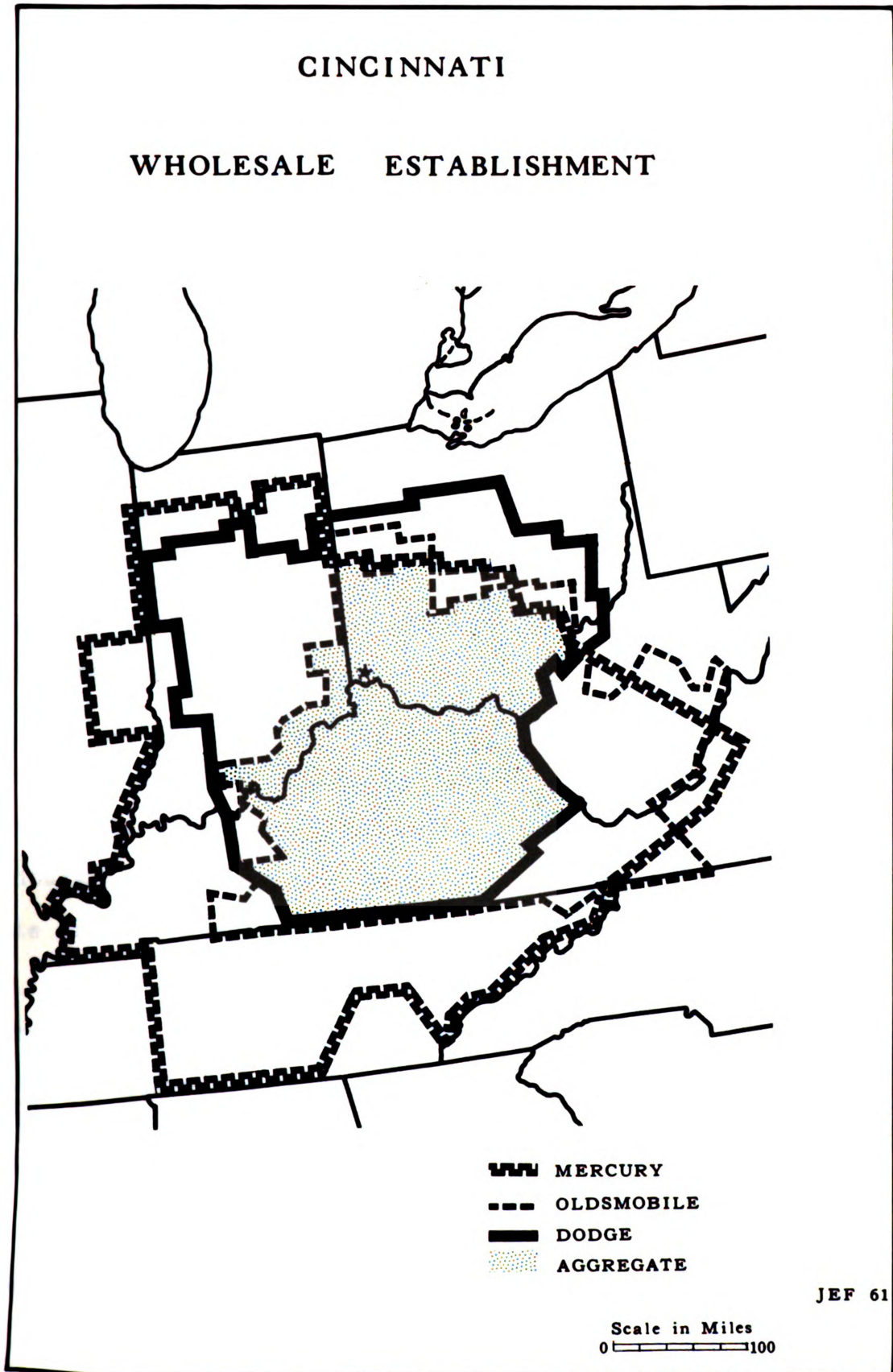


Fig. 13

Oldsmobile's volume had increased sufficiently to require a new zone wholesale establishment with headquarters in Indianapolis. As a result this new zone took much of the Cincinnati's territory including Indianapolis. From the standpoint of service and accessibility, the Oldsmobile headquarters is the most remote and it is difficult to render equal service to all areas of their zone.

Figures 14, 15 and 16 show population, income and total sales of new cars by counties in this Middle Ohio Valley region.

On the map, Figure 14, it can be observed that the population of the Middle Ohio Valley is concentrated in the area north of the Ohio River.

On the map, Figure 15, the pattern of income in the Middle Ohio Valley resembles that of population. Especially obvious is the lack of income in the interior of Kentucky, away from the urban areas. This is also noticeable in Tennessee.

A similar pattern exists between income and population within the Ashland-Huntington-Charleston industrial complex. The population and income of the area to the south, east, and west of this manufacturing center are also much alike.

The area immediately north of the Ohio River shows income by counties to be considerably higher than that of the area south of the Ohio.

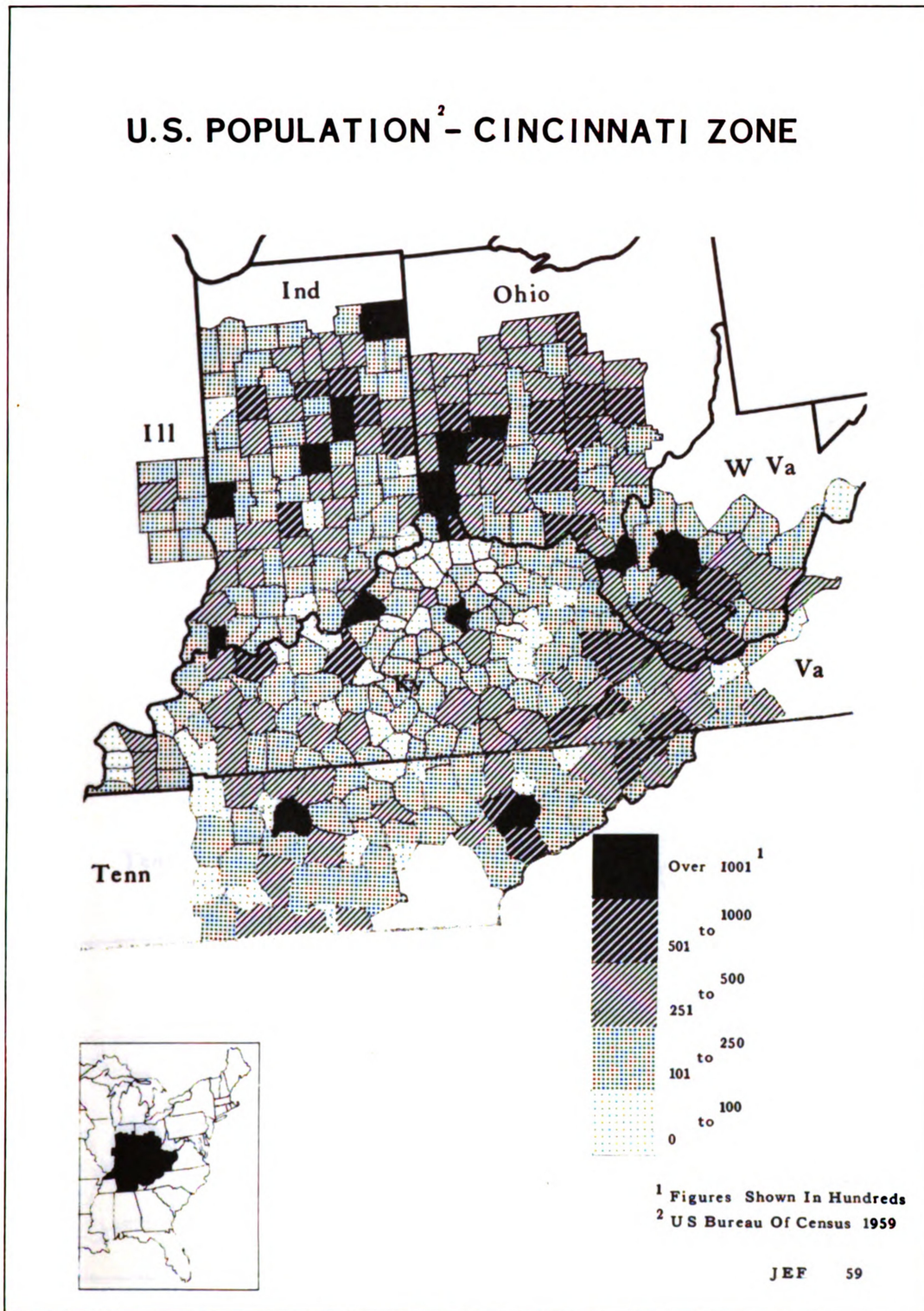
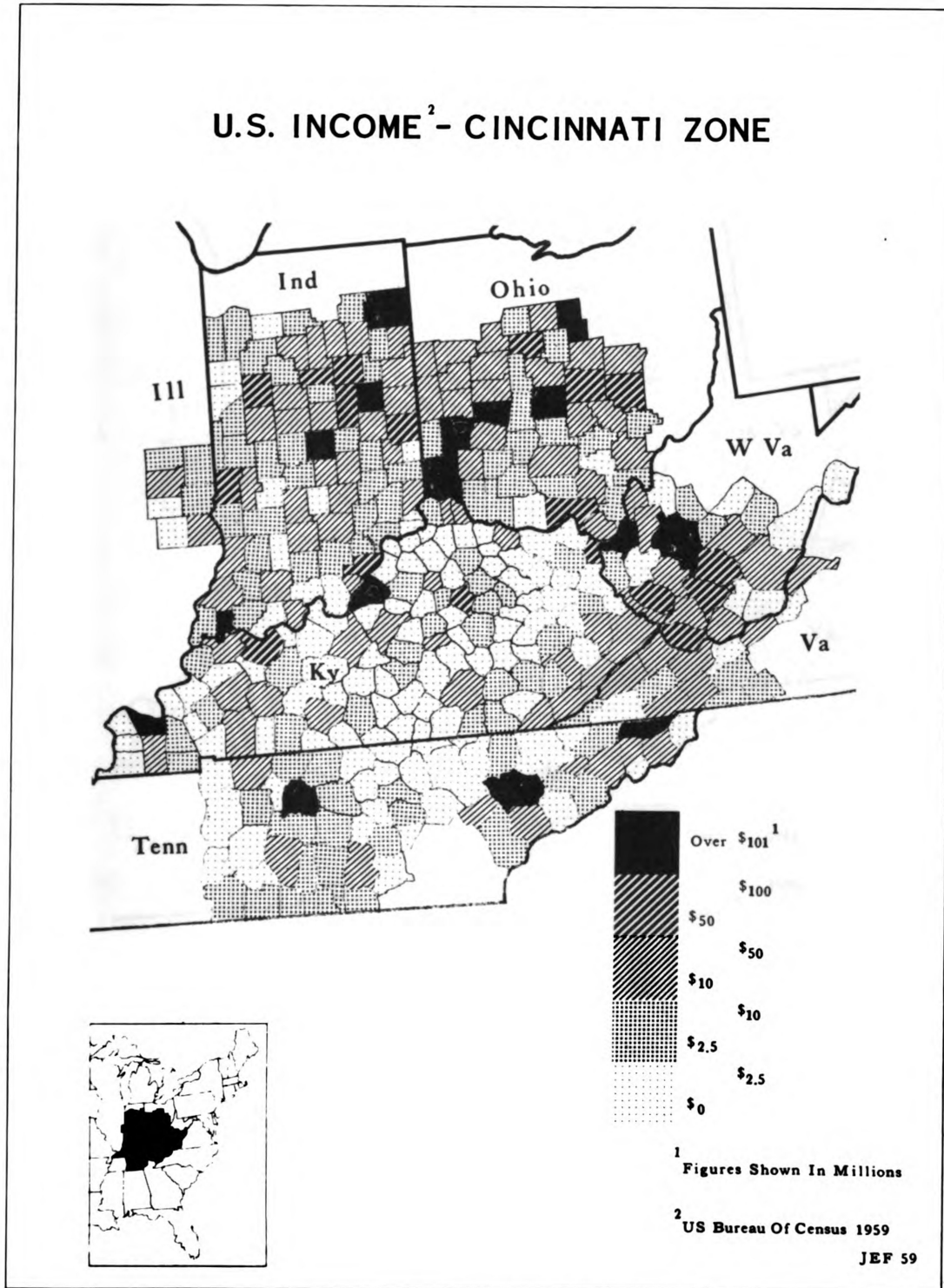


Fig. 14





**Fig. 15**



## NEW CAR SALES<sup>1</sup> - CINCINNATI ZONE

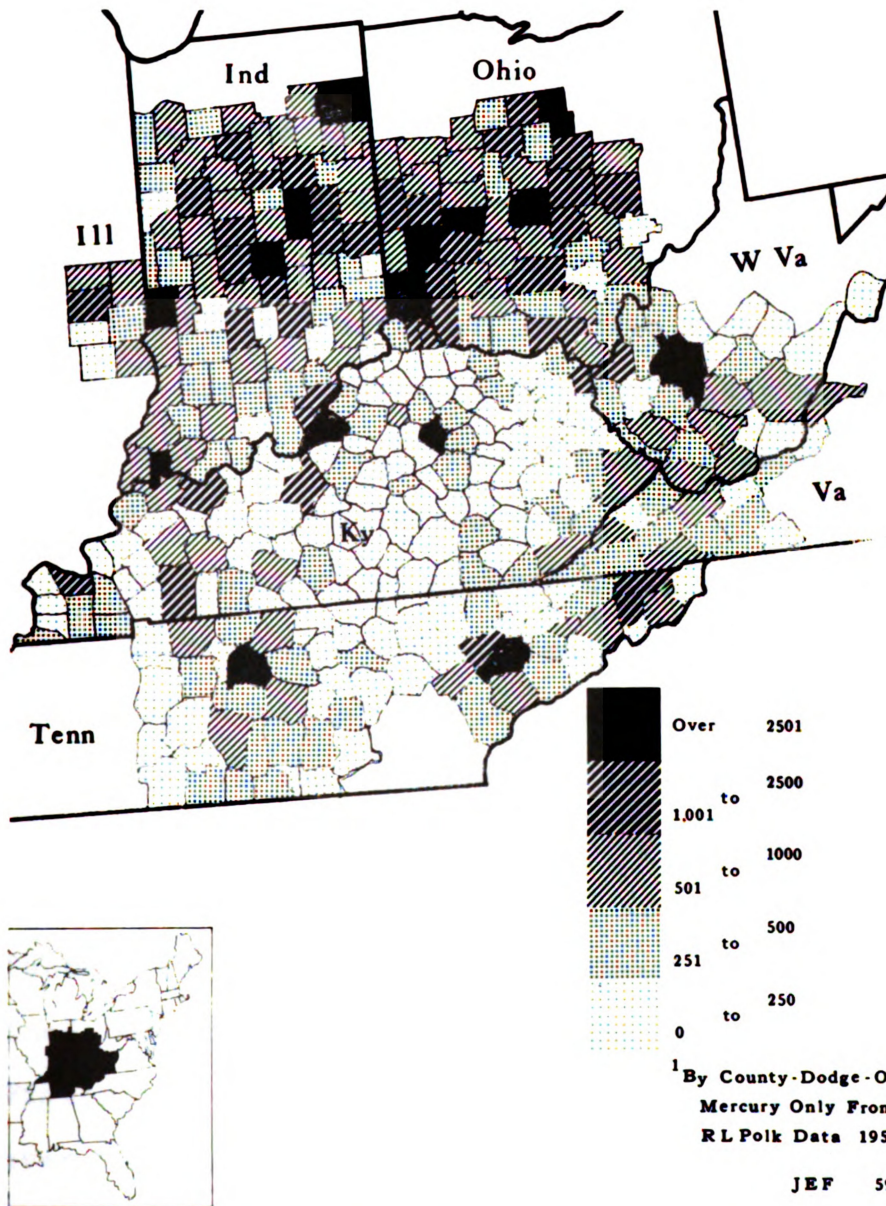


Fig. 16

The over all picture portrayed on Figure 15, shows low income throughout Kentucky, Tennessee, and Virginia with the exception of the several large cities of Louisville, Nashville, Knoxville, and Paducah.

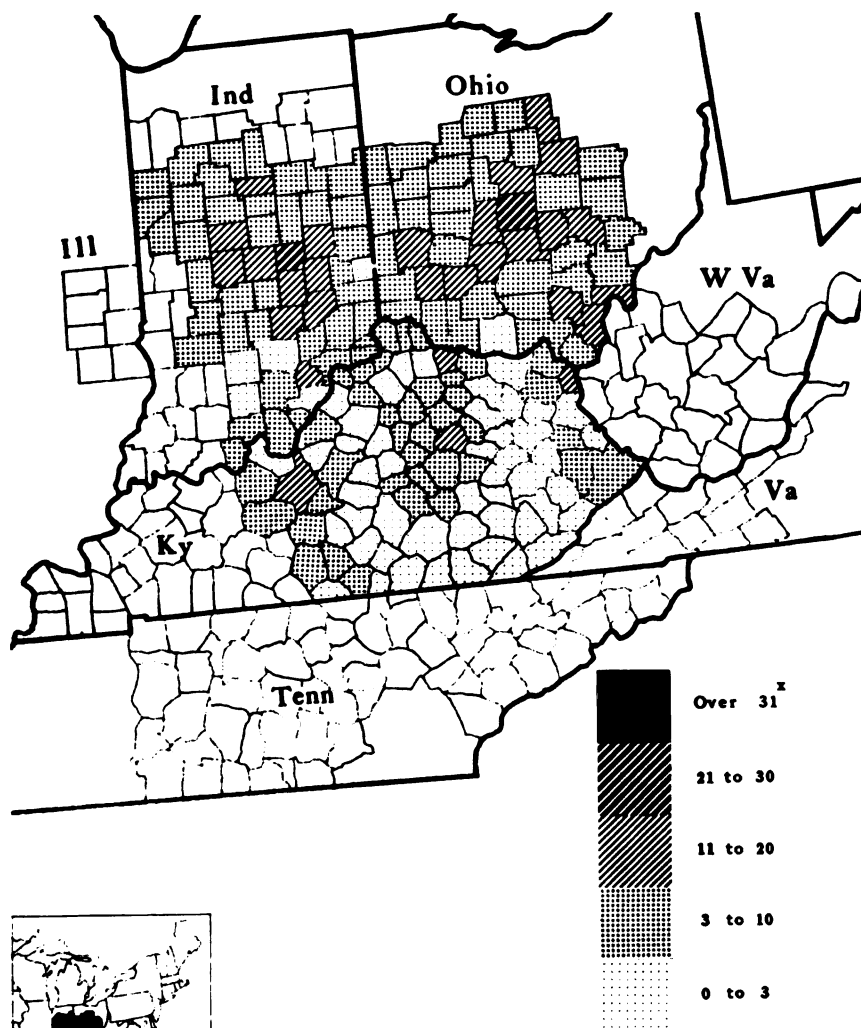
The counties where the majority of new cars were sold in 1958 are shown on Figure 16. There is an obvious relationship between both car sale and population and income.

It is to be expected fewer car sales are found away from the industrial or urban centers of the Ohio River Valley. The inhabitants north of the Ohio River in the combined areas of the Agricultural Interior and the American Manufacturing Belt of Indiana and Ohio have a larger income potential for the purchase of new cars.

Maps 17, 18 and 19 show the 1958 sales of new Dodges, Mercurys and Oldsmobiles. These three maps will show similar inter-relationship to maps, Figures 14, 15 and 16. Likes and dislikes of the customer for the individual maker's product, the merchandising ability of the retail organization of a specific manufacturer are additional important factors in explaining why one manufacturer outsells the combined totals of the other two auto makers.

On Figure 19, Oldsmobile outsells both Dodge and Mercury even though it has been seen on Figure 13 that Oldsmobile's Cincinnati zone has a smaller territory to influence than does Mercury and Dodge. Sales in relationship to the population, income and total available market

# NEW CAR SALES - DODGE FOR THE CINCINNATI ZONE<sup>xx</sup>

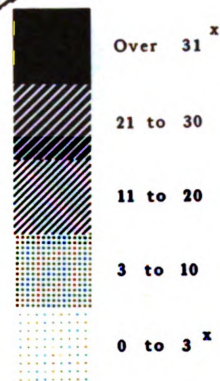
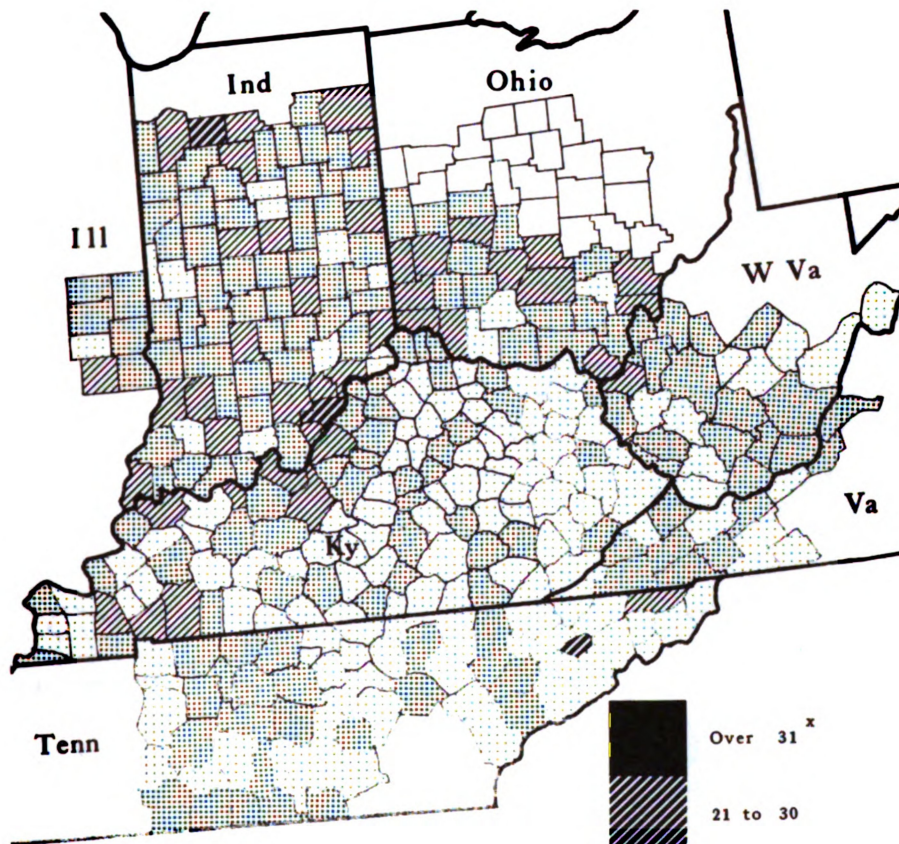


<sup>x</sup> Per Ten Thousand  
Of Population  
<sup>xx</sup> R.L. Polk 1959 Data

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Fig. 17

# NEW CAR SALES - MERCURY FOR THE CINCINNATI ZONE<sup>xx</sup>



<sup>x</sup> Per Ten Thousand  
Of Population  
<sup>xx</sup> R L Polk 1959 Data

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Fig. 18

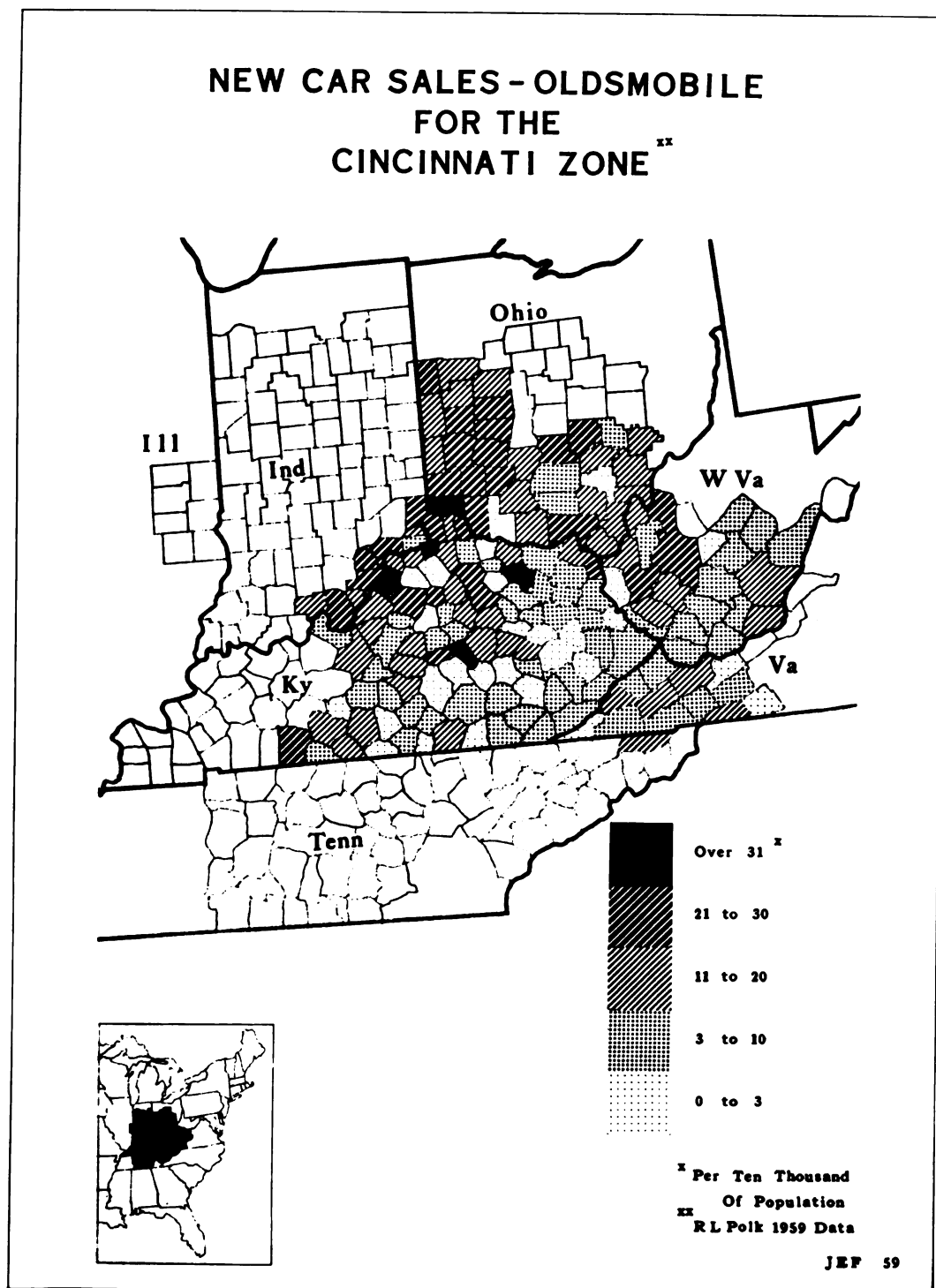


Fig. 19



again show that the product is purchased where the most people are found and the most income available. The lack of market in Kentucky, Tennessee and parts of West Virginia and Virginia is marked.

More detailed information concerning the zone office organization and how it is maintained to serve the retailer and to promote the sales of new cars will now be outlined briefly. The zone is divided into two or more districts to achieve the desired goal. Generally the zone will have from four to nine districts. The exact number of districts is dependent upon the volume of new car sales and the geographic area of responsibility.

The manufacturer is represented by a district manager in each district. These representatives normally operate from their homes within the district. The location of a district manager's headquarter city is subject to change. Although there is a preferred city within the district that is best for service to the dealers it is by no means the absolute location. Often the availability of living quarters will determine where the district manager will be located.

As in the case of zones, district headquarters are seldom centrally located within the district. Usually the largest populated city will be chosen. The shape and size of districts are seldom similar to one another. The district, historically, has followed the same general boundaries since

the beginning. It is not unheard of for one district manager to travel through another district manager's territory to reach one or more of his dealer points. It appears that some thought was originally given to the alignment of zones and their districts, but the task of making realignments from time to time seems so tremendous that very little is ever done.

At least one manufacturer, the Ford Division, bases their district managers in the zone's headquarter city. These districts are then divided into pie shape wedges using the zone headquarter city as the center. This is more easily done by Ford than other makers because of its large volume. In the case of Oldsmobile or Buick it would necessitate more overnight traveling since their zones take in more territory. It does allow the zone to distribute the work load more evenly among their districts which is a point in favor of the Ford method. As is often the case of the other makers the district managers in the large metropolitan areas, New York, Chicago and Detroit, will call only upon the city dealer. In some instances this type of district will provide the manufacturer with more volume than certain midwestern and southern zones. The efficiency that can be expected from these large volume districts is questionable.

The district headquarter cities for the several manufacturers are duplicated just as the region and zone have

been. On Figure 20, the district headquarter cities for Oldsmobile, Mercury and Dodge appear as found in the Cincinnati zone.

What are the duties of the district manager? The district manager is the direct tie between the wholesale establishment and the retail organization. He must act as the official representative in matters pertaining to public relations and customer relations both for his retailer and the retailer's customer. He must be able to answer or find the answer to all questions concerning the product and to seek help from his supervisors in solving the dealer's problem when the need arises. The district manager is expected to advise and even manage the direct-dealer's business. He must be able to stimulate and lead the dealer's sales management and sales force. The district manager is expected to analyze a financial statement and suggest corrections for all unsuitable conditions. He must be able to produce and deliver on a moments notice the many things for which the dealers ask.

The manufacturer expects the district manager to sell his product to his dealer organization and to provide the maker with a fair share of the market as far as his price class is concerned. This is to be accomplished in a business like manner by direct or indirect leadership for the district's retail organization. The district manager in



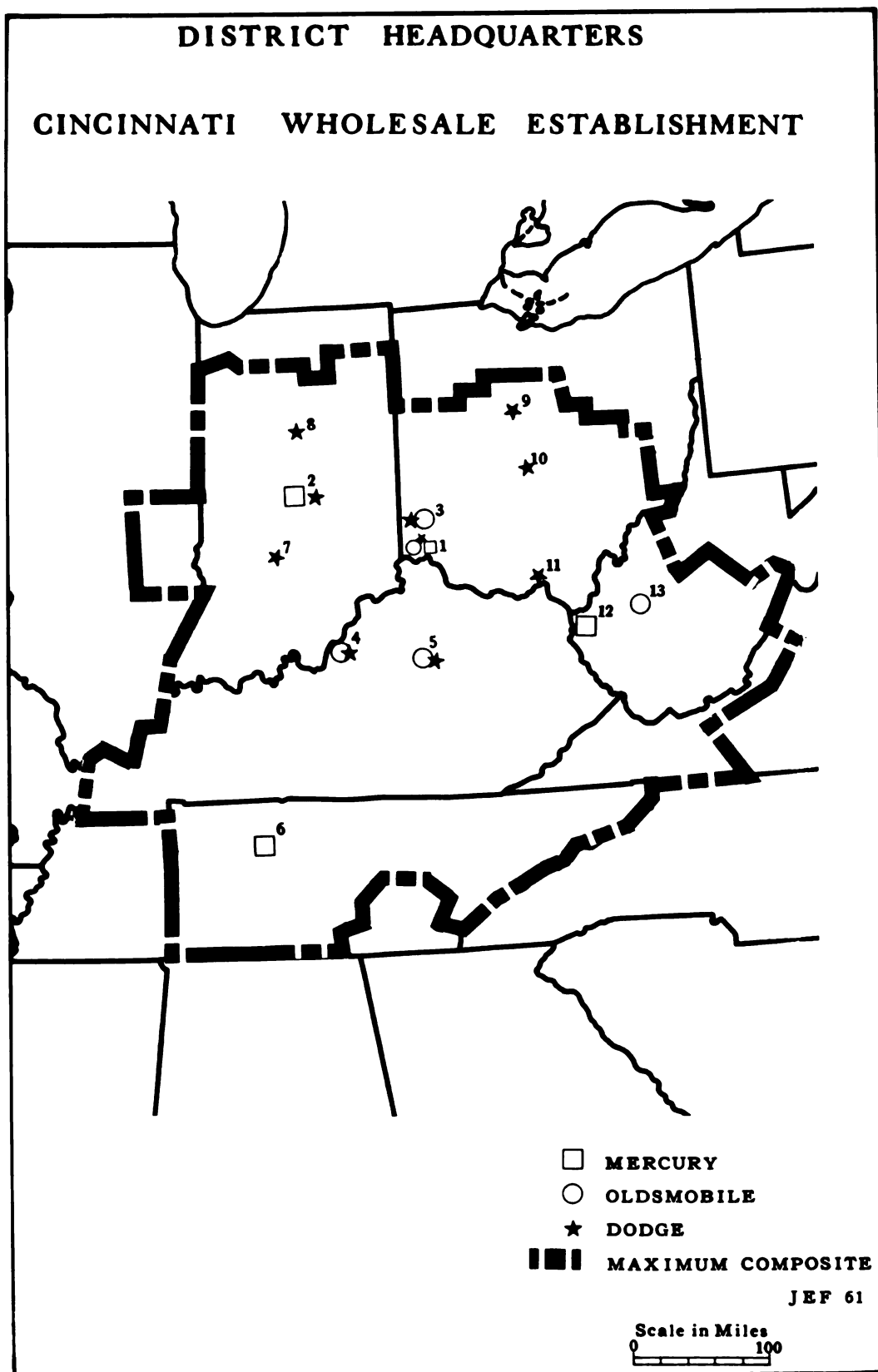


Fig. 20

**DISTRICT HEADQUARTERS  
CINCINNATI WHOLESALE ESTABLISHMENT**

	HEADQUARTER CITY	DODGE	MERCURY	OLDS
1	CINCINNATI	D	D <sup>1</sup>	D
2	INDIANAPOLIS	D	D <sup>2</sup>	
3	DAYTON	D		D
4	LOUISVILLE	D		D
5	LEXINGTON	D		D
6	NASHVILLE		D	
7	BLOOMINGTON	D		
8	KOKOMO	D		
9	MARIAN	D		
10	COLUMBUS	D		
11	PORTSMOUTH	D		
12	HUNTINGTON		D	
13	CHARLESTON			D

**D - District**

**1 - Four Districts Headquartered in Cincinnati**

**2 - Two Districts Headquartered in Indianapolis**

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**Fig. 21**

his district is the number one executive representing his company and is expected to act accordingly.

Figures 20 and 21 tell exactly where these three makers have situated their district managers. As indicated on the map, Mercury's Cincinnati zone takes in more territory than either Dodge or Oldsmobile. On Figure 21 Mercury has eight district managers with four living in Cincinnati.<sup>1</sup> Of the remaining four, two are in Indianapolis, one in Nashville and one in Huntington, West Virginia.

Dodge on the other hand has apportioned the zone into ten districts. It would appear from Figure 20 that the district headquarters are so located geographically so that the representatives have less traveling to do than either the Mercury or Oldsmobile district managers.<sup>2</sup>

Oldsmobile has five districts in the Cincinnati zone. Knowledge of the exact boundaries of each district shows that two of the district headquarters are located for best service to the majority of the dealer organization. These

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<sup>1</sup>Interview with F. A. Filie, Manager, Sales Reports and Analysis, Mercury-Lincoln Division, Ford Motor Company, Dearborn, Michigan, August 25, 1959.

<sup>2</sup>Interview with D. M. Craik, Manager, Marketing, Chrysler Corporation, Centerline, Michigan, August 24, 1959.

two districts are Cincinnati and Charleston. Oldsmobile with five districts outsells Mercury and Dodge combined.<sup>1</sup>

From Figures 20 and 21 it is indicated that the district managers of Mercury are in their assigned territories overnight more often than the district managers of Dodge and Oldsmobile. In the case of Dodge it is doubtful if their men are away from their headquarter cities overnight. Oldsmobile district managers in Louisville, Lexington, and Charleston spend two to three nights per week in the district.

Again referring to Figures 20 and 21 it could be assumed that Dodge has districts organized with fewer dealers than either Oldsmobile or Mercury. Dodge has 22 to 26 dealers,<sup>2</sup> per district, while Mercury has 35 to 44 dealers,<sup>3</sup> and Oldsmobile 26 to 39 dealers.<sup>4</sup> Generally, those districts which have large metropolitan cities assigned will have fewer dealers.

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<sup>1</sup>The writer is acquainted with the organization of the Oldsmobile's Cincinnati zone. He served as the Assistant Office Manager-Car Distributor and later as a District Manager in this zone.

<sup>2</sup>Interview with D. M. Craik, Manager, Marketing, Chrysler Corporation, Centerline, Michigan, August 24, 1959.

<sup>3</sup>Interview with F. A. Filie, Manager, Sales Reports and Analysis, Mercury-Lincoln Division, Ford Motor Co., Dearborn, Michigan, August 25, 1959.

<sup>4</sup>Source of Oldsmobile's research information is from the writers personal files.

Are the manufacturers more interested in serving the majority of the dealers or the dealers with the greatest percent of the sales volume? Manufacturers often refer to the eighty percent dealers. Generally this refers to a minority of dealers who provide the factories with eighty percent of its total volume. Today the manufacturer concentrates most of its effort on perpetuating this minority group who provide the bulk of the business.

## CHAPTER IV

### THE WHOLESALE ESTABLISHMENT IN RETROSPECT

In Chapter II the regional wholesale business establishment was described. It is the highest authority away from the manufacturer's headquarter but its role is rather limited. The region overcomes its lack of centralized personnel directly assigned to it by having authority to have its job accomplished through its subordinates within the zone wholesale organization - region to zone to district.

Examination of Figures 1 through 8 shows the difference among the manufacturers in the way they partition the United States into sales regions. Political boundaries are used almost exclusively in this partitioning. Also, note on Figure 9 the duplication of regional headquarter cities by the majority of the manufacturers. The maps also indicate this. Here the duplication ends because the territory assigned by the various makers to their regions is entirely different.

It is doubtful that a redefinition of the land arrangement at the regional level would appreciably increase the sales of the product or improve accessibility to the regional headquarters. Because of the nature of its responsibilities the region headquarters serve strictly in a supervisory capacity among all makers.

Chapter III described the zone wholesale establishment with the aid of Figures 1 through 8. The manufacturers' programs are put into action at the zone level. This is accomplished by the zone's personnel, particularly by the district managers.

While the duplication of zone headquarter cities by the manufacturers has been noted, the division of territory of the United States into zone wholesale establishments is also different for each maker. The only similarity is use of county and state political boundaries for zone boundaries.

As evidence of the different opinions how best to divide the United States, examination of Figures 1 through 8 and 10, 11, and 12 show the differences in land arrangement used by the manufacturers. It is especially obvious on the last two maps which show in more detail the Cincinnati wholesale establishments of Mercury, Dodge and Oldsmobile. On these maps the only notable similarity is the use of Cincinnati as the headquarters city of the three areas.

Figures 20 and 21 indicate that the manufacturers are apt to headquarter their district managers in cities where competitor district managers are found. Once again the land area assigned to the individual district is completely dissimilar.

It is possible that the manufacturer or the parent corporation could be benefited tremendously if a detailed study were made of the United States and a more efficient territorial pattern were devised for the zone wholesale establishments. From the interviews granted by top executives of several corporations and their divisions it is evident that such study has been contemplated and in some cases a weak effort has been made to get research leading to that end started. In only one case, the Chrysler Corporation, is a study actually in progress. In discussion with Chrysler officials it was discovered that the people assigned to the study had never served in the field as either a zone department head or as a Chrysler district manager. The success of this particular study is yet to be measured.

From interviews with the same executives it could be concluded that the management of their various corporations are reluctant to start such research as they are doubtful of the benefits compared to the expense to be incurred.

In the three previous chapters it would appear that the manufacturers have copied each other's wholesale system in principle and express the same concept of wholesaling, however different they may appear to be in detail. With this in mind it could reasonably be assumed that if management saw the difference existing in the present zone



territories among the different makers of cars in contrast to the almost unanimous duplication of headquarter cities and personnel structures something would be done to profit from the study of these differences which represent management experience in the industry as a whole. Each manufacturer is trying to find an optimum location to best handle a particular portion of the United States.

Is it possible to redivide the United States into more efficient market areas? Ideally the zone headquarters should be established in an optimum location within a land unit where it will provide the most effective supervision and service to the majority of the retail dealers. Theoretically the zone headquarters should be so located that maximum effectiveness may be achieved in relation to the zone business office and distribution patterns.

The manufacturers recognize that they have a problem in the division of the United States for an effective operation. In the interviews with the several executives a willing audience was found concerning how best to accomplish a redefinition of the wholesaling territories. The expense, time, and misgiving concerning the probable results were the major obstacles in the case of approval for such research.

Men with recent field experience in the industry should be selected to conduct such study. An effective effort in

research can be conducted only in the field and not from behind a desk in the manufacturer's headquarters. It was found that when attempts were made to start research men chosen were often those with a marketing background who had no knowledge of the wholesale establishment, to say nothing of the duties and problems of the district and zone managers or of the retailers. In other cases candidates for these jobs were men who had been displaced and were biding their time till retirement. Of lesser importance to such study but still a factor is the ability of the research personnel to portray the information by graphic methods, such as maps, in order best to describe what the circumstances are in a specific territory.

The time needed for such a study is difficult to estimate. Since the forces which make such a study necessary are dynamic and continuing, with the constant changes in population, income, industrial growth and other associated economic and cultural factors, such research needs to be done on a continuing basis. Using the personnel of the industry itself from its permanent sales organization and a small but specialized research staff would be ideal for a continuing study.

Los Angeles is an example of an area where such a continuing study would be beneficial because it is undergoing continual change to a greater extent than most other

territories. From a continuing study within the organization of any car maker it could be determined exactly where in a given territory a product enjoys its best acceptance. Also, those areas of the city with the most income could be pinpointed. With available information, the manufacturer could discover which dealers were responsible for the most sales and the market area in which they achieve their greatest success. Areas where the product had poor acceptance could be determined and the manufacturer could learn whether it was the dealer's fault or possibly the poor location of the dealer-point.

A manufacturer could also keep up to date on the economic and cultural changes taking place within a community or those cities with multiple dealer-points. Is the area deteriorating to the point where urban renewal is necessary or contemplated? If such a plan exists how will it affect the existing market and dealer points? Is a dealership change of location desirable? After an urban renewal program has been placed into effect will the pending plans for the area require a dealer point in the near or distant future? These are all point elements of which a manufacturer should be currently aware. Such information is available, but must be assembled so that appropriate personnel may adapt these facts to fit their particular needs.

The manufacturer often forgets that when dividing the zone into districts the work loads or volume potential should be foremost in mind for the district managers. The majority of the manufacturers divide their zones into equal parts by dealer and not district manager work loads.

Along this same line the makers often place too much emphasis on those dealers that sell sixty percent or better of their product's volume. Upon checking upon these dealers it was ascertained they can be found in small cities, poor income areas, as well as the larger cities. In brief, the sales productivity of a particular dealer does not necessarily mean that a large market potential exists. Do manufacturers mistakenly place too much dependence upon these sixty percent volume dealers?

Using Los Angeles as an example again, has the metropolitan area been divided into the best possible district alignments? To achieve the best results, the district should be divided to provide maximum supervision of dealers. In many similar areas of multiple-point dealer cities, where more than one district is present, the work loads are at present unevenly divided.

Several of the manufacturer's executives interviewed admitted that work loads of their district managers were often unequal. In the case of one manufacturer who had recently realigned several districts, exception was taken

to this statement. They contended that their metropolitan district managers had fewer dealers than did their country district managers. Upon closer examination it was discovered by the manufacturer's representative that in nearly all instances, the city district manager had between three and seven less dealers than the country district manager. More important was the fact that in each case the metropolitan district had a sales volume from two to eight times that of the country district. To go into the differences even further it was discovered that in many cases it took the metropolitan district manager the same length of time to travel between his city dealers as it did for the country district manager to visit his dealers. As expected, it took the metropolitan district manager a much longer time to handle a problem or program with his dealer who might sell five cars a day as compared to the country dealer who sells one or two per week.

These points had not been seriously considered by this particular manufacturer. In the case of the men who were interviewed, one had been away from the wholesale establishment for eight years and had been a district manager for slightly over one year. The other individual was responsible for the recent alignment of districts within a specific zone but had never served in a wholesale organization.

The automobile manufacturers are understandably reluctant to spend the money outside of their own organization to get research started. This reluctance perhaps stems from the feeling that their experience with market analysis has been relatively unsuccessful. This has happened because almost all personnel selected to make such a study were unqualified. The maker also feels that thus far he has been relatively successful without making such a study. Lastly he feels that someone else will make the study and perhaps he will be able to adapt it for his own needs.

Several manufacturers pointed to their recent studies concerning the relocation of existing dealer points and in some cases the actual closing of such points. When questioned about the facts which went into their particular studies it was discovered that absolutely no field study had been made. The facts that were available came from rather hurriedly prepared reports from the zone manager or his assistants in the wholesale establishments. On examination of several such reports it was doubtful whether sufficient time had been spent in gathering the facts. There was even evidence of some personal feeling entering into the study rather than objective statements of fact. Yet with these reports or studies this particular automobile manufacturer was willing to spend and did spend several

million dollars on this program, and is continuing to spend additional amounts.

It would appear that in the case of this manufacturer who had and is currently designating millions of dollars towards the realignment of the dealer organization that all would have been considerably ahead if they had given their divisions the authority to set up a department with experienced men to make a thorough study of the existing situation within their own organization, and prepare from known facts and their own field experience, a master plan for the future.

It is inconceivable that large corporations have been so reluctant to devote the necessary time, effort and funds to achieve a better organized wholesale business establishment. All manufacturers currently place all emphasis on the franchise dealer organization as it is known today. It would then appear that to retain and enjoy more success with this type of product distribution the most important step is optimum location by the alignment of the wholesale establishment to best serve the retailer.

It is thought that the automobile manufacturers will find that their continued success depends upon the efforts of their wholesale business establishments. They are bound to find it necessary to allot funds and personnel to make studies of the complex urban oriented development

taking place within the United States. Makers will also find more success in their study if they depend upon personnel drawn from their own wholesale establishments. Of equal importance is the fact that these experienced wholesale personnel from the field should have among them some personnel with academic background which will complement the other requirements. This combination will help such personnel to describe and analyze better the phenomena discovered during field research.

Little doubt exists that now and in the immediate future the auto market is changing. Evidence of this is the trend that has taken place in the last three or four years. There has been at least one car halt production and one or two others have a doubtful future. No automobile manufacturer is exempt from loss of its product's desirability. A well organized and supervised retail group can survive despite changes in the marketing situation. Key to stability in a changing product acceptance to a marginal relationship is a redefinition of the zone and district wholesale territories to secure optimum location and maximum supervision of retail-dealer organization.

The evolution of the wholesaling system in the automobile industry has been described. Its present devotion to the wholly-owned company wholesaler has been explained. Difference in the territorial arrangement among the big



eight has been geographically patterned on maps. Examination of the resulting pattern of the wholesaling of automobiles shows a great difference in territories and a striking similarity in location of centers. It is the belief of the author that individual companies will enjoy competitive advantage in direct proportion to the wise exercise of judgment in matching up the sales territories of their zones and districts with the changing market potential around their major centers. A relatively small amount of research on such matters based upon existing personnel, academic and industrial, within the automobile companies own organization at the zone and district level will prevent a sizeable amount of loss in potential sales.

The maps presenting and comparing the wholesaling patterns of the automobile industry in this thesis are convincing proof of the effectiveness of geographical analysis in providing a means of accomplishing their purpose.

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