ISSN: 0368-4504 (Print) (Online) Journal homepage: <http://www.tandfonline.com/loi/tjti19>

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Oscar S. Hall M.I.Mech.E.

To cite this article: Oscar S. Hall M.I.Mech.E. (1917) GERMAN WEAVING MILLS: THE DISTRIBUTION OF PRODUCTION, Journal of the Textile Institute Proceedings and Abstracts, 8:2, 139-145, DOI: [10.1080/00405001708630769](https://doi.org/10.1080/00405001708630769)

To link to this article: <http://dx.doi.org/10.1080/00405001708630769>

Published online: 25 Nov 2008.

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GERMAN WEAVING MILLS: THE DISTRIBUTION OF PRODUCTION.

By OSCAR S. HALL, M.I.Mech.E.

LET me first utter a warning. On all possible occasions, I repeat it: Let us be very careful not to unduly minimise and pull down the position attained by British trade and commerce; let us not disparage our achievements in the past, or our present position, in comparisons with other countries, as is too often the case, and too common—no doubt with good intentions—with many of our Press organs. If we speak ill or undeserving of our own trade and unduly belaud the commerce of our rivals, it will be no wonder, in the end, if our own customers believe us and act on the assumption. But, having said this, let me add that we must avoid the danger of going to extremes in the other direction. Let us recognise that we are not perfect; let us keep a receptive mind, be open to new methods, willing to take new departures, and capable of assimilating any good points in the organisations of our rivals.

There is more than one direction in which a business or trade can be successful. The methods and organisation of production may be old-fashioned and behind the times, but, still, a business may be eminently successful on account of its very efficient commercial organisation. It may be that the ill-effects of a deficient commercial system are neutralised by exceedingly efficient methods and organisation for production. The maximum of success is attained, of course, when the productive and commercial sides are efficiently evenly balanced.

In my opinion—speaking now of weaving mills only—the United Kingdom is predominant in its methods and organisation for production as against a superior commercial efficiency on the part of our German rivals. This is a general statement; there are exceptions in both countries. I could point out many exceptions in both directions in both countries.

The object to-night is to point out, in the hope of provoking useful discussion, the essential difference, in general, between the methods of the German manufacturer and the British manufacturer in the distribution or marketing of the manufactured article. Let us brush away for the purpose, on this occasion, all questions of quality and efficient or non-efficient productive capacity, which may of themselves form a subject for another paper at some future date. In short, it is only proposed to compare the relative advantages of two varying commercial systems as applied to the marketing of production and particularly in respect of the weaving industry, although my remarks are applicable to other industries. It may also be pointed out that the remarks apply to the whole range of woven articles, from the plainest, simplest goods up to the most complicated fabrics for both luxury and technical purposes.

To some of you it may appear strange that an engineer should venture to speak on this subject, and so I will at once give you an idea of the opportunities I have had of studying this phase. In 1880, I was sent to Germany to acquire a knowledge of the language, and

spent a year in one weaving mill making a great variety of goods; then a further period of six months was spent in another weaving mill, the largest in North Germany; and in the latter mill, especially, I was in close contact with its distributing staff—in fact, in this mill I had the run of the whole business from beginning to end, and, for years after I left, whenever I spent a few days in the neighbourhood, everything was placed like an open book before me, and I could observe and study anything I wished in the whole concern. For a period of thirty years after this—up to quite recent times—I was continually in Germany for shorter or longer periods, varying from two to four months, and I estimate that in this way I have spent about twelve years in Germany. I was actively engaged in selling weaving machinery, and was received in such a way and on such a footing that the whole inner and outer organisations of a great number of mills engaged in the manufacture of goods were open for study and examination and of a range which I should think no single individual ever had the good fortune and privilege to surpass. My occupation was something more than the ordinary selling of machinery; it covered the adoption of new ideas and the working out of same; and in the process, the mode in which the various manufacturers marketed their productions was unfolded to me, as it were, naturally. It is only left for me now to contemplate these principles and give you my idea as to their value compared with the average British methods. My judgment will be given, not dogmatically, but as a basis for discussion and thought amongst manufacturers in this country.

The main system for the home trade—there are exceptions—in this country, is to deal with wholesale houses, which, in their turn, are in touch with the shops retailing the goods. The main system in Germany is to go direct to the shops which retail the goods, by the aid of travellers and local agents. In this country, there are branches of the weaving industry which also go direct to the shops retailing the goods, but I think I am correct in saying that this applies to a small proportion only. In Germany, many manufacturers not only supply the retailers but also the wholesale houses, though of late years the wholesale houses, as competition became keener, boycotted, as far as lay in their power, those firms which dealt with retailers, and many firms withdrew from the retailer and confined their efforts to wholesale houses. But on the whole, from my information and knowledge, the greater majority eliminated the middleman and dealt direct. A fairly large number deal both with the retailer and wholesale houses.

Broadly reviewed, it may be stated that the system in this country is to deal with the wholesale houses, and in Germany, to deal direct with the retailer. As stated, there are exceptions in both countries. The foregoing remarks refer to the home trade.

As regards exports, there are two systems in vogue in Germany, and sometimes these are combined. Some manufacturers deal only with export houses in their own country, whilst others have their own travellers for abroad, or appoint agents, and thus, we may say, export direct and through wholesale houses or agents abroad. It is essentially a German characteristic to have several methods to market goods and not to rely purely upon one system. It is, of course, known to me that there are firms in this country working on similar lines, but they are a small minority compared with Germany.

To go into a few details. Take the commercial organisation for

marketing of the large mill in which I was engaged for six months and continually visited. It is typical of the general German system. The firm had about sixteen travellers covering the whole of Germany. The majority of these visited the retail shops in towns and small villages. Two or three visited wholesale houses and export firms. In addition, in several large centres the firm had either its own warehouse or an arrangement with a firm possessing a warehouse and limiting its trade to the representation of a few firms. In many places it had special agents. Its ramifications extended to the Balkans. The warehouse for the delivery of goods had a staff of about thirty, quite apart from a large ordinary office staff; it dealt only with the forwarding of goods, leaving all the correspondence and invoicing to the general office. Every day a large number of single pieces of goods were sent away direct. It was customary for all the travellers and agents to assemble at Christmas, in the village where the mills were situated, and compare notes.

All over Germany, small firms with anything from twenty looms upwards have their own travellers or agents, or both, and deal direct with the retailer. Many deal directly with the large hotels in their particular branch. This is the general system, not the exception; and it was very interesting to be told by friendly manufacturers of their direct trade through special agents in this and other countries. I could name many firms in Manchester, Birmingham, London, &c., who were buying direct from German manufacturers. My firm continually had their cheques endorsed in our favour in payment for machinery supplied. On numberless occasions I have been consulted by German manufacturers with regard to non-payment of their accounts by firms in this country. It is undeniable that many of them gave credit recklessly. I have even gone specially to London to settle a dispute, between a German manufacturer and a large firm, involving large sums of money.

We may now usefully examine the two systems of direct and indirect trading, both as regards the home or inland trade and the export trade.

A firm adopting the direct trading system requires a larger and much more developed commercial staff than when dealing solely with wholesale houses. This means higher administrative expenses. The business becomes more detailed, more complicated, and a wider range of patterns and qualities is necessary. It is a departure from that principle of division of labour generally accepted as the most economical system but which, like every good principle, must not be pushed to its extreme, logical end if the best results are to be obtained. It is, of course, much easier for the manufacturer if he has only to deal with wholesale houses; the fewer the customers the easier, and he can devote most of his attention to the productive problem. But the fewer the customers the more dependent is the manufacturer; the fewer baskets his eggs are in, the more is he at the buyer's mercy. Often he must sell at a ruinous price if he is compelled to have orders. To my mind, the only merit of this system is the less trouble and the easier life coupled with the opportunity for the most economical production. There is, however, a vital advantage in a direct trade, vital for the industries of the country as a whole, and that is the advantage of having contact with the consumer and ascertaining his wants and wishes first-hand. This country has often been taunted with not supplying what its customers need. I venture to suggest that this is due to the extremes to which the system of middlemen has been

developed in this country. This particular phase would form a fitting subject for an evening's discussion. From a profit point of view, I venture to suggest the results would be more satisfactory with a certain proportion of direct trade. I have myself seen in Germany a difference of 50 per cent between the wholesale price and the direct price, the same manufacturer selling the same goods with this variation in price—truly a sufficient difference to cover the expense of extra commercial staff. This point of view could be detailed largely, but suffice it to say that the better prices obtained by a direct connection, apart from other advantages, are compensation for a great deal of trouble.

One of the most serious problems a manufacturer has to cope with, from a profit point of view, is that he has not only to calculate—in dealing with the middleman—on the fluctuation in demand, but he is never secure that he is not being exploited by the middleman. If he has several strings to his bow he is better able to cope with this phase.

In 1911, I read a paper at Belfast before this Institute on "The Education of Coming Leaders in the Textile Industry," and I stated:—

Although there is a great knowledge in this country of the languages of our customers, combined with technical knowledge of the articles they require, it is a field as yet comparatively little exploited, and the attention of those responsible for our coming leaders in the textile industry cannot be too strongly drawn to it. If I were asked to crystallise what I have in my mind as to this combined asset, I would say: You leaders of industry will never enjoy the full benefits of your efforts unless you are closely in touch not only with the middleman but with the customer. As long as this contact is not in existence, so long will you be the prey of many unscrupulous middlemen, bleeding you, all in their power, without necessity. This is specially applicable to the textile industries. I may not elaborate; my time is too short. I speak from experience and knowledge. It is the explanation of why the cotton manufacturers of Lancashire, particularly the smaller ones, are individually a most intelligent commercial class, but collectively—well, just the reverse.

These words I spoke in 1911; to-night I have elaborated, and can elaborate a little, to show their meaning.

As a general rule, middlemen mostly buy to cover orders already received. If there should be an increased demand in a particular market, or a shortage of supply, the middleman detects it the first. He is able to get better prices, and with his earlier knowledge approaches his suppliers on the old basis. The extra benefit and profit go into the middleman's pocket. It is a well-known fact that many middlemen send out quotations, receive the order, and are quite able to place the same with their suppliers at the quoted price and make a reasonable profit, but, knowing how easy it is to manipulate the seller, ever ready to snap up orders—often too keenly so—he begins to bargain and haggle and make bids. This is especially so with the foreign element, and the German element has been a great sinner. The tender on which the middleman's quotation was based, and on the basis of which he has obtained the order, he also uses as a basis to approach other manufacturers if the particular manufacturer is not susceptible to his demand for a lower price to grant him an abnormal profit. Every manufacturer is fighting for himself; he comes across one who is not very busily engaged and works his will if the original quoter does not succumb to his threat to go elsewhere. It is only when everybody is busy that the manufacturer has his innings. The middleman has his innings most of the time, with occasionally an extra innings thrown in. My observations lead me to the conclusion that the

variations in prices are more frequent and extreme in dealings with middlemen than in dealings direct. With very few customers, the manufacturer is at a disadvantage. There is, as a rule, no organisation amongst manufacturers to keep prices stable, and that is one of the reasons why I said that manufacturers were, collectively, just the reverse of intelligent. A direct trade is also more stable; there is not the same chance of losing a customer; direct customers are more conservative than the middleman; and if a direct customer is lost it is only a small loss, as a rule, compared with the loss of a wholesale customer. A direct trade keeps one better up to date; new ideas are obtained at the fountain head. I do not say that the middleman should be eliminated; he is very useful; but by some means the manufacturer must keep in touch with the consumer as well as the middleman if he is to ensure receiving his due proportion of profit and the advantage of new ideas emanating from the consumer. Finance, of course, often plays a great part in connection with the middleman. It may be that our banks have not been generous enough in the past, but organisation amongst manufacturers and an education on a broader basis could work wonders.

Just by the way, I may say in regard to knowledge of foreign languages, which is so important, we have been belittled a great deal in comparisons with the Germans by people with little knowledge of the real circumstances. It is certain that Germans learn more foreign languages than we do, but not to the extent we have been led to believe. Taking my own experience, I do not think that 5 per cent of our customers in Germany were able to speak English and not more than $2\frac{1}{2}$ per cent corresponded in English. And manufacturers such as we dealt with form an educated class.

In connection with this paper, it is interesting to note what was said last week by the President of the Associated Chambers of Commerce of the United Kingdom, Sir Algernon F. Firth. I read it after the foregoing had been jotted down. He is a keen commercial man, the head of large concerns and much travelled. He is reported as having said—

It was upon our industries that the future welfare of the country would primarily depend. The drawback of the past had been the separation between the manufacturing and selling sides of our business organisation. Traders had relied too much upon the merchant, and in many cases, he feared, upon the cosmopolitan merchant who did not care whether he sold British or foreign goods. American and German firms did their own merchanting to a far greater extent than ourselves, and if they were not big enough to act alone they combined. Traders here must learn to act together; they must not spend so much time in watching one another and competing on the same lines, but must extend their horizon and look for opportunities constantly offering as new developments occurred.

These words contain just what I wished to convey to you this evening. There is, indeed, lacking in this country a real partnership between manufacturers and sellers. The manufacturers need to absorb some of the selling element and the merchants need to absorb some of the manufacturing element. I will not venture to make any concrete suggestions at this stage; perhaps the discussion may clear up many points of interest.

In conclusion, there is just one matter I should like to refer to. At the commencement of this paper it was stated that Germany had a superior commercial efficiency. In my opinion this is due, no doubt,

to a better education. Now, why is it that Germans are better educated, in general, and as a whole, than the English? There is no doubt whatever in my mind that this is the case. And the reason is a very simple one. The reason is due to a very subtle, very effective form of compulsion. I do not remember ever having seen it stated by any of our public men or educationists, and its very simplicity makes me the more surprised at this. The general run of Germans do not readily apply themselves to education any more than the general run of Englishmen. The simple reason is this: You know that Germany has conscription. By acquiring a certain standard of education, secondary or higher, a German can have his term of compulsory service in the army reduced by one year. This is a great incentive to parents to keep their sons longer at school—until this standard, this particular examination, has been passed. I have known many young Germans try two, and even three, times to pass until they succeeded. You have the whole secret here in a nutshell. And, remember, when certain young men have acquired a certain degree of education they imbibe a longing to search for more, a liking to dive still further into its secrets—for education's sake, for knowledge alone. And we know that in this world's affairs knowledge is power.

INTRODUCTION AND DISCUSSION.

At a Lancashire Section Meeting, at the Institute, on the evening of the 27th March, Mr. T. Fletcher Robinson (Chairman), in asking Mr. Hall to contribute the foregoing paper, said Mr. Hall's experience in relation to the subject in question was unique.

In inviting discussion, the CHAIRMAN said his own view was that Germany and Austria had been compelled to devise different methods of direct and indirect trading, whereas England, with the pick of the trade of the world in her possession, had had no incentive to change of methods. Adaptation for small quantities and large quantities together, involved waste somewhere. It was probable that in this country there would be greater collaboration in the future with regard to production. We should have to meet the real needs of the case so far as markets were concerned.

Mr. H. P. GREG said individual competition was more needed than ever. The tendency should not be for individuals to lean against other people. They needed to look to themselves rather than to other people to help. As to the channels of trading in this country, he thought they had been swaying backward and forward. At one time, wholesale houses were inclined to undertake manufacturing on their own account; then they turned against it, finding it more profitable to do so. At present, the tendency of the wholesale houses was towards manufacturing. Were the German wholesale houses as numerous, as well stocked, and as efficient as in this country? The question of credit was important, but, on the whole, he believed the soundest trade was done on short rather than long credit. He was not convinced that direct trade with the retailer brought any closer contact of the manufacturer and consumer.

Mr. F. G. GOODBEHERE said that, with reference to textile machinery, they had found it absolutely necessary to go to the user. It could not be done by the merchants, because they were not familiar with all the advantages that could be offered. Practically the whole of the large makers did the same thing, and competition was just as keen at Petrograd and Milan as here. He was interested in Mr. Hall's reference to education. Whilst Germany got educational advantages from their military system, however, they also got a great many disadvantages, particularly in the matter of skill in workmanship when the young men returned from their period of service.

Mr. H. T. HILDAGE said that if they were content with merely declaiming against lack of education, they would not get very far. The firm he had the honour to be connected with had endeavoured to tackle the problem for themselves in the way of training and educating employees—educating the apprentices in the principles of salesmanship, and training and educating foremen and managers for their own departments. The small manufacturer could not do this in his own works, but by membership of an organisation like the Textile Institute, a great deal might be done by co-operation of firms interested. He would like to suggest concentration of effort upon education of the people in the textile industry.

A vote of thanks was heartily accorded the Lecturer, and,

Mr. HALL, in reply, said he firmly believed there was scope for change in some directions so far as merchanting was concerned. The manufacturer had been too much influenced by the merchant element.

Books, Authors, and Publishers.

The Finishing of Jute and Linen Fabrics. By THOMAS WOODHOUSE. (Emmott & Co. Ltd., Manchester. 326 pages, 8s. 6d. nett.)—This volume provides a valuable addition to technical literature, since it deals with a branch of the textile industries but sparsely considered heretofore. The work mainly consists of a series of articles which appeared from 1907 to 1915 in the *Textile Manufacturer*, from the pen of Mr. Woodhouse, a well-known and competent writer on textile subjects. To these articles the author has added the more important innovations in finishing which were made during the above period, and also replaced or altered a number of the original drawings, so as to bring the work up to date. The different processes in jute and linen finishing, as a rule, are treated in a thorough manner, the author keeping close to, and dealing with the practical aspects of his subject in such a way that the expert and student alike may benefit from his labours. From the standpoint of those who are exclusively engaged in the linen trade, or in the making-up and finishing end of the same business, the book may seem to lose a certain degree of value owing to the amount of space devoted to certain jute fabrics, e.g., over 80 pages are occupied by Bag and Sack Finishing, as compared with 60 pages given to the