

INDUSTRIAL DATA PROCESSING APPLICATIONS REPORT

Applications Sales Reports and Statistics
Type of Industry Metal Products Merchandising
Name of User Hubbell Metals, Inc.
St. Louis Mo.

Equipment Used IBM Punched Card Equipment

Synopsis

The variation between sales volume and gross profits may be greater than most in the metal products industry. For example, a sales analysis produced at the St. Louis headquarters of Hubbell Metals Inc. revealed that the firm had made more gross profit on one customer that bought \$9,000 of products during the past six months, than on one who had bought \$70,000. Consequently, Hubbell management must possess a great deal of detailed, up-to-date information covering all phases of the company's activities. Simultaneously, this expanding firm must efficiently guide its entire marketing program and retain close contacts with each of its 27 salesmen serving 22 states from eight regional service centers.

To meet these goals, Hubbell Metals makes use of a comprehensive IBM punched card equipment installation which handles some 60,000 to 70,000 orders a year. Information thus recorded provides the basic input for production of a series of periodic, multi-purpose reports which highlight the potential and profitability of each salesman, product item and customer.

Included among the reports now produced by Hubbell Metals is a bi-monthly credit report which enables the firm's credit manager to keep tabs on small manufacturers who often pay more slowly than larger firms, but are among Hubbell's most profitable customers. As a result, the company's collection rate is one of the best in the industry. Other regular punched card runs include accounts receivable, accounts payable, general ledger, freight accounting, tonnage reports and inventory dollar value reports. Yet, despite this activity, there has been little change in the number of the company's accounting department employees.

Although many an expanding firm has suddenly awakened to the fact that it had more customers, inventory and employes than it could effectively control, this has never been the case at Hubbell Metals St. Louis, Mo. Conscious of the company's growth, A. J. Higbee, Hubbell vice president and treasurer, spearheaded the use, in early 1957, of the first units of what has become a comprehensive IBM punched card equipment installation. Today, this installation routinely supplies company management with the information it must know to do an effective job -- exact profit figures on each stock item, customer, branch metal service center and individual salesmen. With this data, management can efficiently guide its entire marketing program and personally direct each sales representative.

Headquartered in St. Louis, Hubbell Metals, Inc., now handles considerably less than half of its business out of this city. It employs 315 people and operates eight other service centers -- in Kansas City, Indianapolis, Memphis, Louisville, Atlanta, Charlotte, N.C., Gadsden, Ala., and Wichita, Kansas -- and a processing center in Granite City, Ill. From these centers, 27 salesmen serve some 22 Midwestern and Southeastern states with a complete line of metals for industry -- steel, stainless steel, aluminum, brass, copper, magnesium, etc., in many shapes and forms. While the company does not fabricate, its service centers do cut metal on first step processing to the size and shape its customers find most convenient.

Hubbell Metals is, in effect, a supermarket to industry, stocking some 7,500 metal items. Its total annual volume averages about \$17 million.

Data Processing at Hubbell Metals

The ultimate value of a metal products salesman is not the number of orders he generates, the number of tons he sells, or even the dollar value of these tons. It is the gross profit his firm realizes from his orders.

While this is true in any industry, the variation between sales volume and gross profit may be greater than average in the metal products industry. For example, one sales analysis showed that Hubbell Metals made more gross profit on a customer that bought \$9,000 worth of products in a six-month period than one that bought \$70,000.

The controls over marketing efforts and salesmen's activities required to maximize gross profits were previously fairly easy for Hubbell Metals to implement. Most business was then transacted out of the St. Louis headquarters office and service center. Management had constant, personal contact with sales representatives and a continuing knowledge of customers and what they had bought. Carefully applied rule-of-thumb methods were adequate to evaluate item, customer and salesmen's performance.

Today, when most company business is handled out of widely dispersed branch centers, management has come to rely on the IBM punched card equipment installation as a means of retaining the same tight performance controls that existed before. Through the many detailed reports it produces, management is able to retain a full measure of personal contact with service centers and individual salesmen, plus exact knowledge of customer and item performance. This is despite the fact that Hubbell Metals now handles from 60,000 to 70,000 orders a year, averaging about 2-1/2 line-items.

The company's punched card equipment installation presently includes the following IBM units: two 026 keypunches; 077 collator; 083 sorter; 407 accounting machine; 514 reproducing punch. The data processing manager and the assistant manager who direct the installation are assisted by two keypunch operators and a billing clerk.



IBM PUNCHED CARD
EQUIPMENT INSTALLATION
provides Hubbell Metals
management with
controls over
company activities
in 22 states.

Reports and Statistics

By punching sales information into cards and through appropriate processing, Hubbell Metals disposes of a series of valuable, multi-purpose reports. Typical reports may include the following marketing information:

- If a particular salesman is selling the company's entire line to customers whose demand would otherwise be limited? Or, is he overemphasizing one particular item, not realizing the potential of other, higher profit items?
- What the profit is on an order for a given quantity of a particular product sold through one service center, compared with the same product and quantity sold through another branch location. As a result, company management can inform service center executives and salesmen that particular items in given quantities will make the most profit for the firm when sold from their locations and urge that they be vigorously emphasized. This information is promptly acted upon, as more than half of the salesmen are paid a commission based on a percentage of the gross profit on their orders.

HUBBELL METALS INC.

The equipment's data handling capabilities also permit Hubbell Metals to compare its own performance with the national average and to submit figures to association surveys. These were often burdensome to compile in the past, and they were not always accurate.

Credit is, of course, an important part of selling. Hubbell sells to many small manufacturers who buy less and often pay slower than larger firms. Although many times mills will not sell directly to these concerns, they are among the company's most profitable customers -- if close tabs can be kept on their credit status.

HUBBELL METALS INC.

CHANGED IBM	EFFECTIVE DATE	SALESMAN NO.	CUSTOMER CODE NO.

BRANCH FILE

CUSTOMER NAME AND ADDRESS

HUBBELL METALS INC.

CHANGED IBM	EFFECTIVE DATE	SALESMAN NO.	CUSTOMER CODE NO.

ST. LOUIS FILE

CUSTOMER NAME AND ADDRESS

DUN RATE _____ DATE _____ SALES TAX EXEMPTION NO. _____

DUN REPORT _____ DATE _____ CREDIT MAXIMUM _____

INTERCHANGE REPORT _____ DATE _____ SPECIAL INSTRUCTIONS _____

REFERENCE REPORT _____ DATE _____

- INSTRUCTIONS -

1. MARK OUT OLD SALESMAN NO.
2. ENTER NEW SALESMAN NO. & EFFECTIVE DATE.
3. MAIL CARDS TO: ST. LOUIS ATT: SALES DEPT.
4. OUR RECORDS WILL BE CHANGED AND YOUR CARDS RETURNED.

SALESMAN & CUSTOMER CODE FILE CARDS outline customers' credit status and provide data for production of frequent credit reports.

Previously, lacking automated data processing capabilities, Hubbell Metals could only produce monthly credit reports, and they already were 15 days old the day they were completed. Today, the credit manager receives bi-monthly reports, up to date as of two to three days before they are issued. These tools enable him to handle his job efficiently, and the company's collection rate is one of the best in the industry. This efficiency of credit naturally bears directly on the efficiency of sales.

Results and Future Plans

ADP's benefits are today being extended to satisfy a growing number of Hubbell Metals' requirements beyond the central selling function. For example, when the firm some time ago sought a long term loan from an insurance company, extremely detailed data on Hubbell Metals, the industry, its customers, and so forth, was required. Punched card equipment permitted the compilation of many pages of complex information quickly, accurately and without any excessive pressure.

The information thus produced was in some cases submitted on print out sheets. It was wholly factual, containing neither estimates nor assumptions, and thus won the approbation of the insurance people. This procedure, management feels, unquestionably helped the loan's clearance.

The installation also handles accounts receivable, accounts payable, general ledger, freight accounting, tonnage reports, inventory dollar value reports (quarterly), and even production of price sheet stencils. Despite the company's growth since the equipment was first installed in 1957, the number of accounting department employes has remained fairly static.

ADP is also helping to avert one of the greatest dangers that faces any management; i.e., that it will lose permanent contact with its employes as the firm grows. This is particularly true of sales management, as each salesman is very much of an individual. Each sells differently and reacts differently to various situations and stimuli.

Today, even when visiting a service center, management has in hand a brief page of figures which highlight the effective operation of that center and its salesmen. Typically, they might include the number of accounts serviced by the center, the number of these that brought in more than \$1,000 gross profit in the last six months, the gross profit on all new accounts, and a list of the center's 25 "best" accounts.

This information and the many periodic sales reports provide Hubbell Metals with more detailed and accurate knowledge of the activities and potential of any center and its salesmen than was previously possible. The company's data processing capabilities will be further implemented in the future by the installation of an IBM 1440 computer system. Thus equipped, Hubbell Metals anticipates being able to improve further salesmen guidance and control.