

Seabee

Bulletin

FROM PERSONAL PLANE DIVISION OF REPUBLIC AVIATION CORPORATION

DEALER BULLETIN No. 7

November 12, 1946

People who never say anything never have to eat their own words!

When I wrote you last week on the question of the price of the Seabee I reminded you that all sales of the Seabee are made subject to prices prevailing at the time of delivery but I told you that no price increase was contemplated during the balance of this year and that none was likely until all dealers had received their demonstrators.

That was the last word of top management. Everyone knew that we might have to raise the Seabee price next year but Mr. Marchev, himself, wanted no increase until every one of our dealers had a demonstrator.

Friday came our cost-accountants' monthly review of the Seabee program with particular reference to the cumulative effect on costs of our delay in receiving production tooling and of our having to make all the Seabees delivered to date from temporary tools or by hand operation.

Their report said that the delay in getting tooled for production has shot our costs up to prohibitive figures on the 103 Seabees we have delivered to October 31st. They say that if we make 90 more in November, 136 in December and 215 in January without waiting for production tools to be received and in actual operation that we can lose half a million dollars in cold cash.

They say we have made more than 82 important changes in engineering specifications since the first Seabee was built, all improving quality, performance or accessory equipment but all costing money.

They say that quantity production will eventually absorb all development and tooling costs but that the present list price will not carry the Seabee at a profit at today's prices for material and labor.

The reaction of our Directors and management has been swift and inevitable. The Seabee is too important to Republic, to the entire personal plane industry and, most of all, to you as a partner with Republic to risk the success of the overall program.

THE QUESTION OF DELIVERIES

The first order issued by the Board is to restrict output to the present three Seabees a day until more production tools are available. This order applies to November and December output. January production is authorized at 108 and February at 206. From there on the brakes are taken off as the complete manufacturing program on the Seabee comes into play.

THE QUESTION OF PRICE

In the matter of price, the Board reaffirms complete faith in Republic's ability to apply the principle of simplified design to complete tooling to produce maximum dollar value.

The accountants' analysis of costs indicate that Republic must receive \$1000 more than the net now obtained from Seabee sales. They recognize that any increase at this time will seem like an injustice to dealers who have not received even their first demonstrators but since all but a very few are in that category, the cost to Republic of deferring the necessary increase until every dealer is supplied would be ruinous.

At today's price for the Seabee of \$4995 including the Hartzell Controllable and Reversible Propeller and the Cross Country Panel, the Dealer makes \$750 on each of his first five sales, \$875 on his next five and \$1000 on all over ten. The Distributor has a gross of \$1250 or 25%.

Other companies introducing four passenger planes in the general price class of the Seabee have limited distribution to a small number of favored dealers and the top discount to them is only 15%.

Not only has Republic approved dealer franchises for 351 fixed base operators but by a vast campaign of advertising, sales promotion and actual field demonstration has put on their books 3846 retail orders, many of which have represented little effort or expense on the part of the dealer.

Now then, Republic needs help and it asks it from its dealers and distributors. In order to prevent a still greater price increase necessary if 25% of it went to sales discounts, Republic asks that for the present at least as long as may be necessary that both distributor and dealer ask no more for selling the Seabee than the liberal dollar profits now provided. This means that on the new delivered price of the Seabee of \$6000, the Distributor will bill the Dealer on his first five at \$6000 less \$750, on his second five less \$875 and less \$1000 on any sales above ten. The distributor's profit likewise remains at a top of \$1250.

PRICE INCREASE WHEN EFFECTIVE

Republic's new price for the Seabee of \$6000 including Hartzell Propeller, the Cross Country Instrument Panel and Hallicrafters CA-4 Two-way radio is effective on all deliveries made on and after November 15th.

SUGGESTED SALES PROCEDURE

Review your own reaction to Republic's price increase before discussing it with your customers or prospects. Ask yourself what you would do in Republic's place. You have made a great fight - you have developed one of the really new - really great planes of the postwar period. You have spent a fortune in three full years of perfecting it and bringing it to market. You have used every resource of a company famous for doing the impossible in both war and peacetime aviation.

You have proved its performance in thousands of test flights. From short fields and little ponds you have proved its amazing utility. You have sent it to the high mountain lakes of the Rockies, to the jungles of Central America, to the wilds of Canada and Alaska. No other new plane has done so much in so short a time with more universal success.

But it has cost you more than you expected. Delays in shops you could not control have cost you hundreds of thousands of dollars in overhead alone. Although everyone said you are offering \$10,000 in value and your only other amphibian competitor charges \$30,000, you tried to build the Seabee to sell for under \$4000 but you added radio and better instruments and a wonderful new propeller and your price went just under \$5000.

You sweat it out building the first hundred or more in one of the toughest periods American business has had to contend with. You still haven't got all your tools though they are costing you hundreds of thousands of dollars. You still can't hold suppliers to their quoted prices - they have the same troubles you do. Everyone says your Seabee is wonderful. Everyone wants it but your price doesn't add up. You're in a tough spot. What do you do? You put it up to your partners - your own dealers and distributors.

You say: "I'm still fighting and I'm going to go on fighting but I've got to raise the price of the Seabee. Later on I hope I can lower it. Later I hope I can pass on a bigger share of the profits to you but I need help now.

Isn't that what you would say if you were in Republic's place and isn't that what we've said to you?

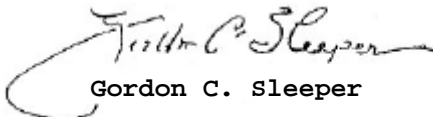
When you have thought this all out, if it rings true to you, then prove yourself the man and the salesman I know you to be. Go to your customers and to your prospects. Tell them the story as you understand it. If they think the Seabee is worth \$6000 they will pay it when you are ready to deliver. Let them take plenty of time to consider. Let them keep their orders good with you with the understanding that if they do not want the Seabee when you are ready to deliver you will cheerfully refund their money.

Some people are hotheaded. They may shout: "No, I won't take it. I won't pay a dime more." You can understand how they feel but if you are patient, if you point out some parallel in their own business, if you go over the features of the Seabee that made them want it in the first place, you won't lose many orders and your \$750 will soon be in the bank.

Finally, because being a sales manager isn't all beer and skittles, won't you write me a personal letter? Give me your ideas on how we can work this out together. I'm sure we're both pretty crazy about the Seabee and that we're both anxious to put it over in a big way.

Thanks for reading this long letter and for your support.

Sincerely yours,



Gordon C. Sleeper