

DEPARTMENT OF ENERGY, MINES AND RESOURCES

SURVEYS AND MAPPING BRANCH

A STUDY OF THE DISTRIBUTION OF
TOPOGRAPHICAL MAPS IN CANADA

MARCH 1977

A REPORT FROM

Woods, Gordon & Co.

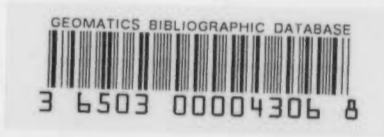
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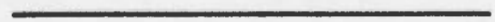
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Geomatics Information Centre
Centre d'information en géomatique

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March 31, 1977

Dr. J.M. Zarzycki
Director, Topographical Survey
Surveys and Mapping Branch
Department of Energy, Mines
and Resources
615 Booth St.
Room 716
Ottawa, Ontario
K1A 0E9

Dear Dr. Zarzycki:

We have completed our study of the distribution of topographical and special interest maps in Canada, including the identification and evaluation of the major distribution alternatives available to the Surveys and Mapping Branch. This report sets out our findings and conclusions and describes the likely impact of major alternatives on the Canada Map Office's operating costs and man year requirements.

We appreciate having had the opportunity to conduct this very important study for the Surveys and Mapping Branch and wish to express our thanks to you and others with whom we worked, for the cooperation and assistance afforded us.

We would be pleased to discuss any aspect of this report with you, at your convenience.

Yours very truly,

Woods, Gordon & Co.

MJM/CDW/FMM

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A. EXECUTIVE SUMMARY

A.1 TERMS OF REFERENCE

Woods, Gordon & Co. was retained by the Surveys and Mapping Branch of the Department of Energy, Mines and Resources to study the distribution of topographical and special interest maps in Canada.

This study is intended to identify distribution alternatives at the wholesale or retail level that would enable the involvement of Canada Map Office in the distribution process, along with operating costs and man-year requirements, to be reduced, while maintaining or increasing the effectiveness of the distribution system.

The main objectives of this study as outlined in our proposal of October 20, 1976 were:

- to identify and evaluate distribution options at the wholesaler and dealer levels and to assess the potential effectiveness of changes in the dealer organization.
- to identify the least cost method of distribution available to the Canada Map Office.
- to identify the conditions under which wholesalers or dealers would want to, or should, operate.
- to define the role of the Canada Map Office in the distribution process.

A.2 STUDY APPROACH

A detailed description of the study approach and coverage is provided in Section B of this report.

In Phase I of the field survey program, a variety of regional, national, wholesale and retail distribution alternatives were

EXHIBIT I

CMO DISTRIBUTION STUDY
INTERVIEW COVERAGE BY CATEGORY OF RESPONDENT

	<u>Number of Organizations</u>	<u>Number of Interviews</u>		
		<u>Total</u>	<u>Phase I</u>	<u>Phase II</u>
<u>Wholesale</u>				
● Map Publishers and/or Wholesalers	3	8	5	3
● Book Publishers and/or Wholesalers	5	7	5	2
● Sporting Goods Wholesalers	2	2	2	-
● Book and Periodical Distributors	5	6	5	1
● Other Wholesale	<u>2</u>	<u>4</u>	<u>2</u>	<u>2</u>
Total Wholesale	17	27	19	8
<u>Retail</u>				
● Department Stores	2	3	2	1
● Specialty Chains	5	6	5	1
● Specialty Independents	9	14	9	5
● Fulfillment Firms	3	5	2	3
● Chartered Banks	3	3	3	-
● Oil Companies	<u>2</u>	<u>4</u>	<u>4</u>	<u>-</u>
Total Retail	24	35	25	10
<u>Government</u>				
● Federal	3	5	4	1
● Provincial	<u>6</u>	<u>8</u>	<u>6</u>	<u>2</u>
Total Government	9	13	10	3
Total Contacts (excluding EMR/CMO Personnel)	50	75	54	21
<u>EMR/CMO Personnel</u>	<u>1</u>	<u>12</u>	<u>9</u>	<u>3</u>
Total Interviews	<u>51</u>	<u>87</u>	<u>63</u>	<u>24</u>

investigated, and organizations expressing interest in, and appearing capable of performing one or more aspects of the distribution function were identified.

In Phase II, in-depth interviews were held with a limited number of organizations to assess the distribution opportunity each represented for the Surveys and Mapping Branch.

In total, 87 interviews were held with 51 private firms, government organizations and individuals to assess alternative methods of distributing topographical and special interest maps in Canada. A breakdown of these interviews by category of respondent is provided in Exhibit I, opposite.

A.3 STUDY FINDINGS AND CONCLUSIONS

Based on the study program undertaken, we conclude that:

- the opportunity exists to substantially alter the role of the Canada Map Office in the distribution process, and to reduce the costs of operation and man-year requirements,
- distribution by a national organization is preferable to distribution by regional organizations,
- tentative interest in a complete takeover of the Bentley Avenue warehouse exists,
- in the event that physical distribution is performed by a firm specializing in mail order fulfillment, and not by a wholesale distributor, the Canada Map Office would have to play a more active role in the distribution process,
- distribution by a fulfillment specialist appears to be the least cost method, given certain assumptions as to fulfillment charges and wholesale margins. However, as fulfillment charges increase and wholesale margins decline, distribution by a wholesale distributor becomes more attractive.

These, and other, findings and conclusions are presented in this Section, with detailed findings and conclusions contained in Section C, of this report.

A.3.1 Distribution Options

Interest Expressed

Interest in distributing topographical and special interest maps was expressed by a variety of organization-types, including map publishers and/or wholesalers, book publishers and/or wholesalers, specialty independent retailers, and firms specializing in mail order fulfillment.

Distribution to Dealers

Physical distribution to dealers and educational institutions could be handled by wholesale distribution firms such as Prentice-Hall or Gage Educational Publishing, or by firms specializing in mail order fulfillment such as Harling Marketing Services or O.E. McIntyre.

While certain wholesale distribution firms would be capable of planning and executing public information programs, supervising the operation of the dealer network, and performing other tasks related to marketing and selling, such services are not normally provided by fulfillment firms.

As a result, use of a fulfillment firm for distribution purposes would require a greater number of marketing staff than would use of a wholesale distribution firm.

Mail Order Fulfillment

Without exception, the national and regional wholesalers with whom we met had little (if any) experience in mail order fulfillment on the scale required by the Canada Map Office.

In the absence of substantial investments in people and systems, it is unlikely that this aspect of distribution could be satisfactorily performed by such organizations.

Regional Distribution

Generally speaking, we do not believe that regional distribution is a viable alternative for the Canada Map Office.

EXHIBIT II

CMO DISTRIBUTION STUDY
COMPARISON OF MAJOR DISTRIBUTION ALTERNATIVES

<u>Alternative</u>	<u>Likely Man-Year Requirements (1)</u>				<u>ESTIMATED Contribution to Overhead and Operating Costs</u>		
	<u>Total</u>	<u>Admin.</u>	<u>Mkg.</u>	<u>Other</u>	<u>(2)</u>	<u>(3)</u>	<u>(4)</u>
A. Wholesale distribution firm performs all distribution activities	8	2	2	4	\$ 772.0	\$1,060.0	\$ 772.0
B. Wholesale distribution firm distributes to dealers and educational institutions, only. Mail order fulfillment sub-contracted by Canada Map Office.	10	2	3	5	\$1,274.0	\$1,490.0	\$1,114.0
C. Fulfillment firm performs all physical distribution activities; marketing undertaken by Canada Map Office.	12	2	5	5	\$1,350.0	\$1,350.0	\$ 750.0

Notes:

(1) Canada Map Office only (excludes sales outlet)

(2) Assumptions:

i) an average retail price of \$1.50 per map, an annual volume of 3 million maps, a fulfillment charge of 20 cents per map and a 35% wholesale margin.

ii) average cost per employee = \$25,000. (This figure was arrived at by dividing the estimated salary expense for the Canada Map Office (\$445,300) by the number of man-years allocated to the Canada Map Office (19.0). See Appendix Five for detailed calculations).

(3) All assumptions as in (2) above, except that wholesale margin declines to 20%.

(4) All assumptions as in (2) above, except that fulfillment charge rises to 50 cents per map.

A.3.2 Least Cost Distribution

A comparison of major distribution alternatives is presented in Exhibit II, opposite.

Estimated dollar contributions to overhead and operating costs are extremely sensitive to fulfillment charges and wholesale margins. Although use of a fulfillment firm to perform all distribution activities appears to be the least cost method of distribution (assuming a fulfillment cost of 20 cents per map), the rank ordering changes as the fulfillment cost increases (to 50 cents per map) and the wholesale margin declines (to 20%).

A.3.3 Man-Year Requirements

Reductions in man-year requirements will depend on the distribution alternative selected.

Based on likely man-year requirements outlined in Exhibit II, use of one national wholesaler to perform all distribution activities would likely result in the greatest savings in man-years in the Canada Map Office (approximately seven).

In the event the role of the Canada Map Office is limited to one of bulk storage and distribution, between 12 and 14 man-years should be eliminated in the Cost Recovery Unit.

A.3.4 Margins and Prices

The margins required by the wholesale distribution firms contacted ranged from 25% to 45%.

To provide satisfactory margins for a wholesale distribution firm, retail prices would likely have to be increased, or the per map revenue received by the Canada Map Office reduced.

A.3.5 Bentley Avenue Warehouse

Tentative interest in evaluating a takeover of the Bentley Avenue warehouse was expressed by a number of organizations contacted.

The number of man-years required to 'break bulk' and to fill orders for less than carton quantities represents a significant portion of the total man-years allocated to order processing and warehousing. In the event that the Surveys and Mapping Branch continues to operate a warehouse for topographical and special interest maps, substantial savings in operating costs and man-year requirements will only be achieved once these tasks are performed by outside organizations.

A.3.6 Investment in Inventory

Fulfillment firms such as Harling Marketing Services operate on a fee for service basis, reconciling monies received with fees earned monthly, or at some other interval. Generally speaking, such firms do not invest in inventory.

Investments in inventory would be made by wholesale distribution firms. Given the large volume of low volume map titles produced by the Surveys and Mapping Branch, however, consignment arrangements may be required.

A.3.7 Conditions of Operation

The conditions under which wholesale distribution firms would want to operate would depend on a thorough analysis of the operation of the Canada Map Office. Among the more likely are:

- consignment shipments of low volume maps
- guaranteed continuity of supply
- a minimum of six months notice of termination
- flexibility in setting retail selling prices
- subsidies for performing such tasks as free distribution.

A.4 RECOMMENDATIONS

To increase the effectiveness and reduce the costs of distribution system, the Surveys and Mapping Branch should:

- evaluate a complete takeover of the Bentley Avenue warehouse by an outside firm,
- eliminate sequential storage and distribution in less than carton quantities,
- strengthen the dealer network, particularly in major urban centres,
- deal with a limited number of outside organizations (preferably only one).
- develop a formal distribution agreement.

These, and other, recommendations are presented in this Section, with detailed recommendations contained in Sections D. and E. of this report.

Generally speaking, the distribution alternative that best provides for the requirements of the Surveys and Mapping Branch depends on a number of factors including the fulfillment charges and wholesale margins that are negotiated with potential distributors, and on the availability of marketing and other staff in the Canada Map Office. As a result, every effort has been made to lay out the major considerations involved in the selection process and to recommend the basis from which negotiations should proceed.

A.4.1 Warehousing

Bentley Avenue Warehouse - Takeover

A thorough cost/benefit analysis of a takeover of the Bentley Avenue warehouse should be undertaken by the Surveys and Mapping

Branch. Among the factors influencing the economic viability of such a move would be:

- the economies of combined distribution of aeronautical charts, the Canada Air Pilot, and topographical maps,
- the advantages of sharing space and costs with the Department of National Defense,
- the costs of handling and storing the Canada Map Office's entire inventory.

Bentley Avenue Warehouse - Operation

Assuming the Canada Map Office continues to maintain a warehouse, consideration should be given to eliminating sequential storage and to the warehousing and distribution of maps in carton quantities, only.

Since an examination of the efficiency or effectiveness of existing systems, methods or procedures has not been performed, work methods, work pace and activity definition should be examined, and potential improvements identified.

A.4.2 Role of the Canada Map Office

The Canada Map Office should deal with a limited number of outside organizations (preferably one national firm).

To minimize the cost of distribution and man-year requirements, free distribution, mail order fulfillment, and wholesale distribution to authorized dealers should be performed by outside organizations.

A.4.3 Major Distribution Activities

Dealer Sales

Regardless of the distribution alternative selected, emphasis should be placed on increasing the effectiveness of the dealer network. The Canada Map Office should:

- concentrate on effective coverage of major urban centres,
- enforce minimum annual volume requirements,
- establish criteria for selecting dealers and measuring their performance,
- require dealers to stock the majority of map titles within their areas of interest,
- develop an effective public information program,
- carry out regular dealer inspections,
- keep dealers informed of new map issues (or revisions) and of promotional campaigns,
- develop point-of-sale presentations designed to get maps out from under retail counters,
- replace outdated stocks of topographical maps at no charge.

Mail Orders

The facilities of some national organization (for example, the Canada Post Office) should be used to promote mail orders.

A.4.4 Man-Year Requirements

A thorough evaluation of staff requirements under each distribution alternative should be made.

Between two and five full time staff should be allocated for marketing activities.

A.4.5 Inventory

Outside organizations providing wholesale distribution or mail order fulfillment services should be required to stock all topographical maps within their areas of interest, in addition to special interest maps for which demand exists.

A.4.6 Distribution Agreements

A distribution agreement specifying the terms and conditions under which outside organizations and the Surveys and Mapping Branch would operate should be developed.

Among the subjects which should be included in such an agreement are:

- specification of the wholesaler's territory,
- responsibilities with respect to the map assortment (and quantities) to be stocked and distributed,
- purchase, payment, delivery and shipping terms,
- the duration of the agreement and the terms and conditions of termination,
- performance measures for both parties,
- financial disclosure,
- responsibilities for operation of the dealer network, mail order fulfillment and marketing,
- procedures for ordering stock, accounting for consignment shipments and other aspects of day-to-day operations.

A.4.7 Service Levels

Standard times for order filling should be established and enforced by the Surveys and Mapping Branch for each distribution activity. In addition, the Branch should ensure that the systems and procedures employed by a potential distributor would enable satisfactory service levels to be maintained.

Given assurances as to the necessary systems and procedures, we believe that physical distribution to dealers and mail order fulfillment could be performed by national wholesale distribution firms, or specialists in mail order fulfillment.

B. STUDY APPROACH AND COVERAGE

At the request of the Surveys and Mapping Branch of the Department of Energy, Mines and Resources, Woods, Gordon & Co. undertook a study to identify and evaluate major alternatives for the distribution of topographical and special interest maps in Canada.

We determined the need at the outset for a two-phased approach to the study. In Phase One, 63 interviews were held with personnel from the Surveys and Mapping Branch, existing dealers and large end-users, and a variety of organizations involved in wholesale or retail distribution to obtain an appreciation of the problems and opportunities confronting the Canada Map Office, and to identify organizations or individuals interested in distribution on a national or regional basis. At the conclusion of Phase One, a meeting was held with representatives of the Surveys and Mapping Branch to review our interim findings and to agree on the direction for the balance of the study.

Based on the results of our Phase One discussions, 21 organizations and individuals were selected for in-depth interviews in Phase Two. To a large extent, these interviews were concentrated on organizations expressing interest in one or more aspects of distribution, and considered capable of distributing maps on a national basis.

Excluding personnel from the Surveys and Mapping Branch and other federal government departments, a total of 75 interviews were conducted with 50 organizations or individuals. Of these, 22 contacts

EXHIBIT III

CMO DISTRIBUTION STUDY
INTERVIEW COVERAGE BY CATEGORY OF RESPONDENT

	<u>Number of Organizations</u>	<u>Number of Interviews</u>		
		<u>Total</u>	<u>Phase I</u>	<u>Phase II</u>
<u>Wholesale</u>				
● Map Publishers and/or Wholesalers	3	8	5	3
● Book Publishers and/or Wholesalers	5	7	5	2
● Sporting Goods Wholesalers	2	2	2	-
● Book and Periodical Distributors	5	6	5	1
● Other Wholesale	<u>2</u>	<u>4</u>	<u>2</u>	<u>2</u>
Total Wholesale	17	27	19	8
<u>Retail</u>				
● Department Stores	2	3	2	1
● Specialty Chains	5	6	5	1
● Specialty Independents	9	14	9	5
● Fulfillment Firms	3	5	2	3
● Chartered Banks	3	3	3	-
● Oil Companies	<u>2</u>	<u>4</u>	<u>4</u>	<u>-</u>
Total Retail	24	35	25	10
<u>Government</u>				
● Federal	3	5	4	1
● Provincial	<u>6</u>	<u>8</u>	<u>6</u>	<u>2</u>
Total Government	9	13	10	3
Total Contacts (excluding EMR/CMO Personnel)	50	75	54	21
<u>EMR/CMO Personnel</u>	<u>1</u>	<u>12</u>	<u>9</u>	<u>3</u>
Total Interviews	<u>51</u>	<u>87</u>	<u>63</u>	<u>24</u>

were in the form of in-depth, face to face interviews lasting from one to five hours, while 53 contacts were by telephone. A breakdown of interview coverage by category of respondent is provided in Exhibit III, opposite.

Information and data on distribution opportunities were obtained from the Canada Map Office and the Cost Recovery Unit of the Surveys and Mapping Branch and reviewed by Woods, Gordon & Co. For a number of distribution alternatives investigated, estimates of potential reductions in man-year requirements and in operating costs were made. However, a lack of current data, and of data pertaining to topographical maps only, prevented estimates for certain categories of operating expense.

The field survey program was designed to identify and assess the major distribution alternatives available to the Surveys and Mapping Branch. To achieve this objective, a number of regional and national organizations, private firms and government departments, and companies engaged in retail, wholesale and mail order fulfillment activities were selected and interviewed. In certain business categories (for example, book publishers and wholesalers, and mail order fulfillment firms), only a small portion of the organizations comprising the category were contacted. As a result, it is highly likely that a number of specific opportunities worthy of further investigation were not uncovered during the course of the study.

Limitations imposed on the work by time and budget prevented an 'exhaustive' study of the various categories of distributor surveyed and of regional markets. However, as a result of the study approach outlined above, we are confident that the major distribution alternatives available to the Surveys and Mapping Branch (and consistent with the study's terms of reference) have been identified and the impact of each alternative on the Canada Map Office's costs of operation and man-year requirements correctly described.

C. MAJOR DISTRIBUTION ALTERNATIVESC.1 INTRODUCTION

In total, interviews were conducted with 50 private firms, government organizations and individuals to assess the alternative methods of distribution available to the Canada Map Office. Throughout, the focus was on the ability of various categories of organization (for example, fulfillment firms, federal or provincial government departments, national or regional wholesalers) to provide for three major aspects of distribution, namely:

- wholesale distribution to dealers and educational accounts
- mail order fulfillment
- free distribution (including automatic distribution to depositories).

Preliminary interest in providing wholesale distribution to authorized dealers and educational institutions, and in mail and telephone order fulfillment was expressed by a number of organizations interviewed. Although final expressions of interest will depend on a thorough review and assessment of the current operation of the Canada Map Office and on the terms and conditions imposed on distribution activities by the Surveys and Mapping Branch, we believe that opportunities exist to substantially alter the role of the Canada Map Office in the distribution process.

Highlights of interviews with the organizations contacted, along with Woods, Gordon & Co.'s assessment of the distribution opportunity each represents are presented on the pages which follow, with a detailed listing of organizations, their locations and key points from call reports provided in Appendix One to this report.

EXHIBIT IV

CMO DISTRIBUTION STUDY
 ASSESSMENT OF DISTRIBUTION OPPORTUNITIES REPRESENTED BY
 NATIONAL AND REGIONAL WHOLESALERS CONTACTED

<u>Category of Respondent</u>	<u>Organization Contacted</u>	<u>Assessment of Distribution</u>	<u>Assessment of Distribution Opportunity</u>
<u>National</u>			
● Map Publishers and/or Wholesalers	- Rolph-McNally Limited	MEDIUM	MEDIUM
	- Creative Map Sales Limited	LOW	LOW
● Book Publishers and/or Wholesalers	- Prentice-Hall of Canada Ltd.	HIGH	HIGH
	- Gage Educational Publishing Limited	MEDIUM	MEDIUM
● Book and Periodical Distributors	- Coast to Coast Distributing Co.	NIL	NIL
	- Capital Distributing Company	NIL	NIL
● Other	- Dick Shaw	LOW	LOW
	- The U.S./Canadian Map Service Bureau Ltd.	MEDIUM	MEDIUM
<u>Regional</u>			
● Map Publishers and/or Wholesalers	- Perly's Maps	NIL	NIL
● Book Publishers and/or Wholesalers	- The Cooperative Book Centre	LOW	LOW
	- Seymour Books	NIL	NIL
	- Robert Blaney	NIL	NIL
● Sporting Goods Wholesalers	- L & H Wholesalers and Distributors	NIL	NIL
	- Imperial Distributors	NIL	NIL
● Book and Periodical Distributors	- Vancouver Magazine Services	NIL	NIL
	- National News	NIL	NIL
	- Metro Toronto News	NIL	NIL

C.2 NATIONAL AND REGIONAL WHOLESALERS

Interviews were conducted with 17 national or regional wholesalers of books, periodicals, sporting goods and maps. Of those contacted, one firm (Prentice-Hall of Canada) was rated a HIGH distribution opportunity, three were rated MEDIUM opportunities (Gage Educational Publishing, Rolph-McNally Limited and the U.S./Canadian Map Service Bureau), and three were rated LOW distribution opportunities for the Surveys and Mapping Branch. In total, 10 firms expressed no interest in wholesale distribution or in mail and telephone order fulfillment and were assigned NIL distribution opportunity ratings.

C.2.1 General Findings

National organizations such as Prentice-Hall and Gage Educational Publishing, experienced in the warehousing and distribution of broad product lines, the design and implementation of consumer-oriented marketing programs, and in direct sales and the operation of dealer networks would be capable of providing wholesale distribution to authorized dealers and to major commercial, educational and governmental accounts.

Without exception, however, the national and regional wholesalers with whom we met had little (if any) experience in mail order fulfillment on the scale required by the Canada Map Office. By virtue of the large volume of orders currently received by the Canada Map Office (in excess of 30,000 annually), it is unlikely that this aspect of distribution could be satisfactorily performed without substantial investments in people and systems.

Generally speaking, we do not believe that regional distribution is a viable alternative for the Canada Map Office. Notwithstanding the lack of interest displayed by the organizations interviewed, distribution on a regional level would demand considerably more control and involvement in support activities such as marketing by the Canada Map Office than would distribution on a national level. Furthermore, regional distribution could lead to an unacceptable level of stock duplication and to delays in filling orders for maps not stocked by a regional firm.

C.2.2 National Wholesalers Contacted

Prentice-Hall of Canada (HIGH)

Interest in wholesale distribution and in mail and telephone order fulfillment was expressed by representatives of Prentice-Hall with whom we met.

Although the Company has no experience in map distribution, Prentice-Hall currently employs 30 sales representatives to call on educational organizations, five salesmen to call on retail establishments such as Coles and Classic Books and two salesmen (soon to be increased to six) to promote the Company's products to major commercial accounts and libraries.

According to the President and Vice-President with whom map distribution was discussed, sufficient warehouse space would be available in the Company's Toronto location to house a complete stock of

topographical and special interest maps, and automated accounting and inventory control systems would be capable of handling the more than 18,000 map titles presently in print.

Gage Educational Publishing (MEDIUM)

Preliminary interest in wholesale distribution and in mail and telephone order fulfillment was expressed by the Managing Editor of Gage Educational Publishing.

At the present time, the Company publishes and distributes educational texts throughout Canada. Although marketing efforts are concentrated on teachers and educational organizations, a sales force of approximately 30 individuals is employed to call on elementary and high schools and community colleges, in addition to retail bookstores, department stores, and libraries.

Warehousing space and systems and procedures designed to control the broad map assortment do not appear to represent problems for the Company. We were informed that Gage operates a computerized inventory control system for approximately 20,000 stock keeping units and maintains a 60,000 square foot warehouse in Toronto.

Rolph-McNally Limited (MEDIUM)

Rolph-McNally Limited is jointly owned by Rolph-Clark-Stone (Canada) and Rand McNally (United States). Specializing in the preparation, production and distribution of road and travel maps and atlases, Rolph-McNally's basic map assortment presently consists of fifteen city and five provincial maps, in addition to a map of Canada.

Although maps and atlases are distributed to service stations owned or franchised by major oil companies with whom supply contracts exist, the majority of the Company's sales volume is derived from bulk sales of "customized" maps to various organizations for use in promotional campaigns. We were informed that orders for 100,000 or more copies of one map are not uncommon.

At the present time, Rolph-McNally is relatively weak in the retail, over-the-counter market. With no direct sales force to solicit retail business, the Company has relied on wholesalers such as Les Messageries Dynamique (Montreal), Thomas Allen and Son (Toronto), and Pentamus (Toronto) for representation in retail markets. We were informed that alternative ways of increasing the strength of the retail distribution network are currently being evaluated, including the use of the field sales force (some thirty in number) created by the merger of Rolph-Clark-Stone and Ronalds Federated to sell to bookstores, sporting goods stores, and other outlets capable of merchandising maps.

Rolph-McNally expressed a definite interest in becoming a national wholesaler of topographical and special interest maps. According to the Company's General Manager with whom we met, the volume potential inherent in certain maps produced by the Surveys and Mapping Branch would enable the Company to profitably stock and distribute the more than 18,000 titles in print. Although Rolph-McNally has had no experience in telephone or mail order fulfillment, the Company expressed a willingness to consider the provision of such a service.

U.S./Canadian Map Service Bureau Ltd. (MEDIUM)

For the past year and a half, the U.S./Canadian Map Service Bureau Ltd. has distributed topographical and special interest maps of both Canada and the United States throughout the United States.

At the present time, the majority of the Company's business is transacted via mail. We were informed that approximately 100,000 mail orders are received annually and that an average order consists of four maps. Maps are promoted via catalogues (one for the Eastern half of the continent, and one for the Western) which are sold to private companies, public libraries, and various book and sporting goods stores. Private individuals can purchase catalogues directly from the Company at a cost of \$5.95 each. As we understand it, thirty percent of the individuals purchasing catalogues purchase both at a cost of \$11.90.

The U.S./Canadian Map Service Bureau is very interested in increasing the volume of Canadian maps distributed each year. Although no plans exist to develop a dealer network for maps, the Company believes the combination of widespread catalogue distribution and prompt delivery of customer orders can provide effective coverage of the American market. It is expected that catalogues will be distributed to retail outlets by independent wholesalers in the near future.

We were informed that a large stock of maps should be maintained in the United States to minimize delays in obtaining stock from the Canada Map Office. To ensure that adequate stocks are carried, the U.S./Canadian Map Service Bureau would require a 'goods on consignment'

arrangement. Although exclusive distribution was not considered a prerequisite, it was felt that the Surveys and Mapping Branch should undertake to inform potential purchasers in the United States of the existence of the U.S./Canadian Map Service Bureau (through press releases), and should insure that some mention is made of map availability in advertising designed to attract United States tourists to Canada.

Creative Map Sales Limited (LOW)

Creative Map Sales Limited, a wholly owned subsidiary of an American firm, competes with Rolph-McNally in the promotional market for road maps and atlases.

Creative Map Sales has very limited experience in multi-product warehousing and distribution and no experience in mail or telephone order fulfillment. As we understand it, the Company has distribution contracts with two major oil companies, Gulf and BP. However, Pentamus, a wholesale distribution firm located on the same premises, appears to be responsible for the majority of the Company's physical distribution activities.

We do not believe Creative Map Sales offers a satisfactory alternative to the Canada Map Office by virtue of its small scale of operation. When first approached by Woods, Gordon & Co., a general manager and one salesman were employed to market and promote the Company's products. Recently, however, the general manager has resigned leaving the Canadian operation with no apparent management.

Mr. Dick Shaw (LOW)

Interest in performing all aspects of the distribution function was expressed by Mr. Dick Shaw. As we understand it, Mr. Shaw would plan to establish a wholesale distribution centre in Ottawa, and between ten and fifteen retail outlets in major urban centres throughout the country. These outlets would be connected with the central facility via Telex or some other device, thereby ensuring the prompt delivery of dealer orders.

Although Mr. Shaw is familiar with topographical maps and, to some extent, with the problems and opportunities that confront wholesalers and dealers, we do not believe that his thinking has progressed to the point where a real alternative to established channels of distribution has been presented.

C.2.3 Regional Wholesalers Contacted

As previously noted, wholesale distribution and mail and telephone order fulfillment on a regional level is not considered a viable alternative for the Surveys and Mapping Branch.

Generally speaking, book publishers and/or wholesalers, sporting goods wholesalers, and book and periodical distributors expressed little (if any) interest in this business opportunity and were rated NIL distribution opportunities for the Canada Map Office. In the majority of cases, wholesale distribution and mail and telephone order fulfillment were not considered compatible with existing business operations.

Limited interest in map distribution was expressed by the Executive Director of the "Periodical Distributors of Canada", an industry association representing the 38 regional book and periodical distributors that service Canada. However, we were informed by companies such as Vancouver Magazine Services (Vancouver), National News (Ottawa) and Metro Toronto News (Toronto) that business operations are oriented to the distribution of high volume books and periodicals to retail bookstores and newstands, and that low volume items (such as the majority of the topographical and special interest maps produced by the Surveys and Mapping Branch) would be of little interest to member firms.

Coast to Coast Distributing Co. (Toronto) and Capital Distributing Company (Toronto) are national wholesale firms linking publishers (such as Maclean-Hunter) with periodical distributors (such as National News). Although preliminary interest was expressed by the President of Coast to Coast Distributing when first approached by Woods, Gordon & Co., a subsequent interview revealed that low volume, topographical maps would not lend themselves to distribution through book and periodical distributors, organizations on which all marketing and sales efforts are concentrated.

EXHIBIT V

CMO DISTRIBUTION STUDY
ASSESSMENT OF DISTRIBUTION OPPORTUNITIES REPRESENTED BY
FULFILLMENT FIRMS CONTACTED

<u>Category of Respondent</u>	<u>Organization Contacted</u>	<u>Assessment of Distribution Opportunity</u>
● Fulfillment Firms	- Harling Marketing Services	HIGH
	- O.E. McIntyre Ltd.	HIGH
	- Herbert A. Watts	NIL

C.3 FULFILLMENT FIRMS

Interviews were conducted with three direct marketing firms providing mail order fulfillment services. Of these, two firms were rated HIGH distribution opportunities (Harling Marketing Services and O.E. McIntyre) while one, Herbert A. Watts, was rated a NIL distribution opportunity for the Canada Map Office.

C.3.1 General Findings

Although direct marketing firms were initially contacted to assess alternative methods of handling mail and telephone orders, we believe that use of firms such as Harling Marketing Services (Montreal) or O.E. McIntyre (Montreal) represents an interesting alternative for the Canada Map Office in all categories of distribution.

Typically, direct marketing firms operate on a fee for service or consignment basis, reconciling monies received with fees earned monthly or at some other interval. Although involvement by Canada Map Office personnel in marketing and promotional activities, and in the operation of the dealer network would be much greater than were wholesale distribution performed by a national wholesaler, use of a direct marketing firm would result in greater control over the distribution process and, depending on assumptions as to fulfillment charges and wholesale margins, in a greater dollar contribution to the Canada Map Office's overhead and costs of operation (see Section D.2.3).

EXHIBIT VI

CMO DISTRIBUTION STUDY
 FULFILLMENT COSTS* FOR VARIOUS AVERAGE
 ORDER SIZES AND ANNUAL VOLUMES
 (Unit - cents per map)

		Annual Volume of Maps Distributed		
		('000)		
		<u>500.</u>	<u>1,000.</u>	<u>2,000.+</u>
	1	.96	.93	.91
	2	.51	.48	.49
	3	.36	.33	.31
	4	.31	.28	.29
	5	.26	.23	.21
Average	6	.23	.20	.18
Order	7	.22	.19	.17
Size	8	.20	.17	.15
	9	.19	.16	.14
	10	.17	.14	.12

BREAKDOWN OF COST COMPONENTS

Warehouse Storage Space

- \$5.00 per square foot (calculations assume a 5,000 square foot warehouse)

Plant Services (includes fulfillment)

- 1 to 3 maps = \$.30 per order
- 4 to 6 maps = \$.40 per order
- 6 to 10 maps = \$.50 per order

Mail Order Office Accounting

- Maximum .60 per order (including banking, tax reconciliation, typing labels, miscellaneous office services)

Sundry Warehouse Services

- \$300. per month (includes receiving, placing in stock, maintenance of inventory records)

Source: Harling Marketing Services

* Excluding costs of wrapping materials, postage or freight.

C.3.2 Detailed FindingsHarling Marketing Services

Harling Marketing Services is one of a large number of direct marketing and fulfillment firms operating in Canada. At the present time, the Company maintains two warehouses in Montreal and one in Markham, Ontario.

The use of a direct marketing firm to handle mail and telephone order fulfillment, distribution to dealers, educational institutions, and commercial organizations, and free distribution was discussed with the President of Harling Marketing Services with whom we met. On the basis of these preliminary discussions, definite interest in all aspects of topographical and special interest map distribution was expressed.

Exhibit VI presents a schedule of fulfillment costs for various annual volumes and average order sizes, based on cost information provided by Harling Marketing Services. As the data show, the per unit cost of fulfillment (excluding wrapping materials, postage, and freight) would decrease from 95 cents (assuming an average order size of one and an annual volume of 500,000 maps) to 12 cents (assuming an annual volume of 2,000,000 maps and an average order size of ten).

We were informed that up to 5,000 square feet could be made available for map storage and fulfillment activities in one of the Company's Montreal warehouses, and that additional space in a nearby facility could be rented, if required. Although not discussed in any detail, Harling Marketing Services expressed interest in evaluating a takeover of the day-to-day operation of the Bentley Avenue warehouse.

At the present time, Harling's inventory control and accounting systems are manually operated. With 18,000 stock keeping units to control, use of automated techniques should be explored with the Company.

O.E. McIntyre (HIGH)

Preliminary interest in fulfillment was expressed by the President of O.E. McIntyre with whom we met.

O.E. McIntyre acts as the distribution arm for the Book of the Month Club in Canada. In this capacity, approximately 1,400,000 books are distributed each year to club members across Canada. To handle the large inventory and volume of orders received, inventory control and accounting systems have been computerized. As we understand it, sufficient capacity exists to handle the 18,000 titles stocked in the Bentley Avenue warehouse.

At the present time, the Company maintains a 100,000 square foot warehouse in Montreal. Although some space would be available for map storage in this facility, requirements in the order of five to ten thousand square feet would necessitate the rental of additional space.

Prior to providing detailed cost information, a thorough investigation of the Canada Map Office's present operation would be required. However, we were informed that per unit fulfillment costs could range upwards to fifty cents and beyond.

EXHIBIT VII

CMO DISTRIBUTION STUDY
ASSESSMENT OF DISTRIBUTION OPPORTUNITIES REPRESENTED BY
FEDERAL AND PROVINCIAL GOVERNMENT DEPARTMENTS CONTACTED

<u>Category of Respondent</u>	<u>Organization Contacted</u>	<u>Assessment of Distribution Opportunity</u>
● Federal Government	- Canada Post Office	LOW
	- DSS Publishing Centre	NIL
	- Royal Canadian Mounted Police	NIL
● Provincial Government	- Maritime Resource Management Services	LOW
	- Alberta Department of Energy and Natural Resources (D)	LOW
	- Ontario Provincial Police	NIL
	- Ontario Government Bookstore	NIL
	- Ontario Ministry of Natural Resources (D)	NIL
	- Ontario Ministry of Transportation and Communication (D)	NIL

C.4 FEDERAL AND PROVINCIAL GOVERNMENT DEPARTMENTS

Interviews were conducted with nine federal and provincial government departments. Of these, three were rated LOW distribution opportunities (Canada Post Office, Maritime Resource Management Services, Alberta Department of Energy and Natural Resources), while six organizations expressed no interest in any aspect of map distribution and were assigned NIL distribution opportunity ratings for the Surveys and Mapping Branch.

C.4.1 General Findings

With few exceptions, we do not believe that government organizations represent viable distribution alternatives for the Surveys and Mapping Branch. As previously noted, distribution by regional organizations (such as the Alberta Department of Energy and Natural Resources) could present operational problems such as stock duplication and delays in order filling, while federal government departments (such as the Canada Post Office) must contend with Treasury Board regulations in much the same way as the Surveys and Mapping Branch.

C.4.2 Detailed Findings

Maritime Resource Management Services (LOW)

At the present time, the Maritime Resource Management Services (MRMS) wholesales maps to dealers and other organizations (public and private) throughout New Brunswick, Nova Scotia, and Prince Edward Island.

Generally speaking, the representatives of MRMS with whom we met were enthusiastic about map distribution. In spite of a number of operational problems related to map distribution and to dealings with the Canada Map Office, MRMS expressed a definite interest in continuing in the capacity of regional wholesaler. A number of problems or concerns discussed with this organization are outlined below.

Communication

We understand that MRMS receives no advance notice of new issues or revisions to existing maps, a fact which has resulted in delays in customer orders placed through MRMS. It was pointed out that such delays could be avoided, and the credibility of the organization increased, were stock provided to MRMS in advance of public notification.

We were informed that dealers in the Maritime provinces have not been formally notified of MRMS's status as a regional wholesaler.

Although all mail orders originating in the Maritime provinces and received by the Canada Map Office were to be forwarded to Moncton for filling, it appears that this has seldom, if ever, happened and that no effort has been made to educate the public, or other purchasers, to the existence of MRMS.

Discount Structure

MRMS receives 10 percent of the retail value of all maps sold to dealers, or sold 'over-the-counter' at the Moncton warehouse or to other organizations or individuals. We were informed that the organization would be seeking an increase in this discount arrangement (to about 30%), but that failure to receive such a rate would not necessarily result in a termination of the existing arrangement.

Training and Control

According to representatives of MRMS with whom we met, no information or training has been provided by the Canada Map Office on the effective operation of a wholesale distribution network. Similarly, no criteria on which to assess the performance of MRMS were established by the Canada Map Office. As a result, activities such as marketing and dealer supervision tend to be conducted on an 'ad hoc' basis, if at all. No criteria on which to assess dealer performance, or to base decisions on dealer openings or closings have been provided.

With no experience in wholesale distribution or in mail and telephone order fulfillment, the potential effectiveness of MRMS is very much in doubt. Furthermore, the existence of a regional wholesaler would result in a duplication of effort (and cost) were the Surveys and Mapping Branch to opt for distribution on a national level. As a result, we recommend that serious consideration be given to relieving MRMS of responsibilities for wholesale distribution, and to conferring dealer status on the organization.

Canada Post Office (LOW)

The Canada Post Office owns and operates over 6,000 outlets across the country. In addition, approximately 2,000 sub-post offices are operated on a contractual basis by private business.

We were informed that the Post Office will be endeavoring to increase the use made of its distribution network by other federal government departments in the future, and that the distribution of maps on both a wholesale and a retail basis would be of interest. However, we believe that a number of problems or constraints discussed with the Manager of Retail Development with whom we met would severely undermine the potential effectiveness of this distribution alternative. Among the more important of these are:

A Lack of Inventory Holding Space

We were informed that the seven regional warehouses maintained by the Post Office are currently being operated at capacity.

Treasury Board Regulations

To circumvent Treasury Board regulations governing man-years, the Post Office would likely require a transfer of man-years from the Surveys and Mapping Branch. In addition, changes in retail and wholesale prices, and in discount rates would likely be subject to regulation by the Treasury Board.

Investment in Inventory

We were informed that the Post Office would be unlikely to purchase stock outright and would require a consignment arrangement.

Retail Selling

The Post Office would be reluctant to take on a program that added to workloads during peak periods. As a result, the use of map vending machines or other alternatives that worked to minimize staff involvement in the distribution process would be explored.

Mail and Telephone Orders

The Post Office has had only limited experience in a mail and telephone order fulfillment, and lacks the resources necessary to develop such a capability in the short-term. We were informed that three to four years would be required to establish such an operation (once the necessary approvals had been obtained), and that this aspect of the business would likely be contracted out to a direct mail firm in the interim.

Regardless of the use made of Post Office facilities for wholesale distribution and 'over-the-counter' sales, we believe that Post Office outlets could be extremely useful in promoting the mail order aspect of map distribution.

Alberta Department of
Energy and Natural Resources (LOW)

We were informed that the Alberta Department of Energy and Natural Resources would consider supplying private dealers within Alberta on a wholesale basis, in addition to their own outlets in Calgary, Edmonton, and Lethbridge at a price per map equal to that paid to the Canada Map Office.

At the present time, the Department has very limited experience in wholesale distribution or in mail order fulfillment. With no vested interest in the distribution process, it is unlikely that topographical maps would be actively promoted or that adequate attention would be given to the operation of an effective dealer network. As a result, extensive involvement by the Canada Map Office in the distribution process would be required to insure effective coverage of the province.

Royal Canadian Mounted Police (NIL)

No interest in map retailing was expressed by the Royal Canadian Mounted Police.

We were informed that the distribution of materials to units across the country is handled by the Department of Supply and Services. According to the representative of the Mounted Police with whom we discussed distribution opportunities, activities which added to the administrative workloads of their units would not be undertaken, and the walk-in traffic that would be generated by such a venture would not be favourably regarded.

Generally speaking, retail selling is not an activity with which Mounted Police units are familiar, a fact which would reduce the potential effectiveness of this channel of distribution and require a greater involvement by personnel from the Canada Map Office than could otherwise be the case.

EXHIBIT VIII

CMO DISTRIBUTION STUDY
 ASSESSMENT OF DISTRIBUTION OPPORTUNITIES REPRESENTED BY
RETAIL ORGANIZATIONS CONTACTED

<u>Category of Respondent</u>	<u>Organization Contacted</u>	<u>Assessment of Distribution Opportunity</u>
● Department	- Simpson-Sears	NIL
	- Hudson Bay	NIL
● Specialty Chains	- Collegiate Sports Ltd.	NIL
	- W.H. Smith	NIL
	- Coles	NIL
	- Grand & Toy	NIL
	- Canadian Tire Corporation	NIL
● Specialty Independents	- Carter Mapping (D)	LOW
	- Renouf Publishing Company Limited (D)	LOW
	- E & T Books (D)	LOW
	- Dominion Map Limited (D)	LOW
	- Caron Bookseller (D)	LOW
	- Claude Turcotte Sports (D)	LOW
	- Circam (D)	LOW
	- North Star Media (D)	LOW
- Open Air Books & Maps	NIL	
● Chartered Banks	- Royal Bank	NIL
	- Toronto-Dominion Bank	NIL
	- Canadian Imperial Bank of Commerce	NIL
● Major Oil Companies	- Imperial Oil	NIL
	- Shell Oil	NIL

(D) Dealer.

C.5 RETAIL ORGANIZATIONS

In total, interviews were conducted with 19 retail organizations. Of these, five existing dealers expressed real interest in wholesale distribution and mail order fulfillment (Carter Mapping, Renouf Publishing, E & T Books, Caron Bookseller, Circam) while two others expressed more limited interest (Dominion Map Limited, Claude Turcotte Sports). All were rated LOW distribution opportunities for the Canada Map Office. The balance of the retailers contacted (12 organizations) expressed no interest in any aspect of map distribution.

C.5.1 Department Stores (NIL)

No interest in wholesale distribution was expressed by either Simpsons-Sears or Hudson's Bay, and little interest was expressed in retail distribution. Under no circumstances would such companies be willing to 'break bulk' in central or regional warehouses and distribute maps to their own branches.

Generally speaking, major department store organizations are interested in high volume products with mass market appeal. With few exceptions, topographical and special interest maps were not perceived to be such products.

The Group Merchandise Manager for Hudson's Bay with whom we met was not enthusiastic about the sale of topographical and special interest maps. In the event that maps were carried, however, we were informed the Company would require a fifty percent margin, between two and one half and four stock turns each year, sales per square foot of \$150, and stock balancing (the exchange of slow moving stock for

fresh merchandise on a regular basis). In addition, emphasis would be placed on a complete merchandising package including attractively packaged maps, pre-priced stock, well designed point-of-sale fixtures that conformed to Hudson's Bay standards, and supplier service (regular store visits by representatives of the Canada Map Office or the designated wholesaler for the purpose of replenishing stock).

In total, the Hudson's Bay Company operates 220 outlets in Northern Canada. We were informed that these outlets carry little other than basic food and clothing, and would not represent a good opportunity for the Canada Map Office.

C.5.2 Specialty Chains (NIL)

Although interest in retailing a limited selection of topographical and special interest maps was expressed by specialty chains such as Grand & Toy, Coles, W.H. Smith and Collegiate Sports, no interest in wholesale distribution (either internally or to outside firms) or mail order fulfillment was expressed.

C.5.3 Specialty Independents (NIL to LOW)

Generally speaking, specialty independents such as Carter Mapping, Renouf Publishing, and E & T Books were enthusiastic about wholesale distribution and mail order fulfillment within their areas of interest. Although certain scientific or technical products are provided at wholesale prices to private corporations, public libraries, and

specialty bookstores by organizations such as Renouf Publishing, the specialty independents contacted employed no salesmen, and had no experience in the operation of retail distribution networks. Without exception, such firms tend to be one location establishments that rely on walk-in trade and, to a very limited extent, on mail and telephone orders for their survival.

Several firms interviewed have used catalogues to support their sales efforts (Circam Tech Ltee. claimed a circulation in excess of 20,000 for their catalogue). In general, however, a lack of experience in retail merchandising techniques (point-of-sale materials, display, consumer advertising) would inhibit the development of effective public information or promotional programs.

C.5.4 Chartered Banks (NIL)

Chartered banks are restricted by the Bank Act from retailing maps or any other products for profit. Notwithstanding such restrictions, little interest was expressed by any of the three banks contacted in wholesaling or retailing maps.

C.5.5 Major Oil Companies (NIL)

Major oil companies such as Imperial Oil Limited and Shell Canada have no interest in wholesaling or retailing topographical or special interest maps.

Although the majority of service stations offer road maps for sale, these products are typically supplied by companies such as Rolph-McNally Limited or Creative Map Sales Limited under the terms of agreements negotiated at the head office level.

D. EVALUATING MAJOR
DISTRIBUTION ALTERNATIVES

D.1 MAJOR CONSIDERATIONS

Throughout the field survey program, it was assumed that the Canada Map Office would continue to operate a central warehouse in Ottawa, jointly with the Department of National Defense.

Notwithstanding this assumption, operation of the Bentley Avenue warehouse by an outside organization (or, alternatively, the closing of the Ottawa warehouse) could eliminate the need for a warehouse maintained by the Surveys and Mapping Branch. Although the terms and conditions under which such a 'takeover' would occur were not discussed in any detail with prospective distributors, we were informed by several organizations that such an opportunity would be evaluated should preliminary interest be expressed by the Surveys and Mapping Branch.

In the event that an outside organization would be willing to perform the complete warehousing and distribution function, a thorough cost/benefit analysis should be undertaken by the Surveys and Mapping Branch prior to a final decision being made. Although such action would likely result in additional savings in man-years, consideration should be given to a number of factors which would influence the economic viability of such a move, namely:

- the economies of combined distribution of aeronautical charts, the Canada Air Pilot, and topographical maps
- the advantages of sharing both warehouse and office space (and certain costs) with the Department of National Defense

EXHIBIT IX

CMO DISTRIBUTION STUDY
PAID VOLUMES OF TOPOGRAPHICAL
AND SPECIAL INTEREST MAPS AND NUMBER OF PAID
CIVILIAN ORDERS FOR THE YEAR 1975-76

<u>Shipped to:</u>	Number of Maps		Number of Orders		Average Order Size (1) + (2)
	% of Total	(1) Quantity (000)	% of Total	(2) Quantity (000)	
Individuals	24.8%	408.9	72.3%	30.4	13.5
Federal Government	20.9	344.6	5.7	2.4	143.9
Dealers	20.0	329.7	5.0	2.1	157.0
Provincial Government	14.2	234.1	3.0	1.3	186.0
Commercial	12.6	207.7	8.4	3.5	58.9
Educational	7.5	123.6	5.6	2.3	52.6
TOTAL	<u>100.0%**</u>	<u>1648.6*</u>	<u>100.0%**</u>	<u>42.0***</u>	<u>39.3</u>

* Source: Annual Reports - Canada Map Office

** Source: Management Consulting Services Study "Marketing - Topographical Surveys" Project 41-74, September 8, 1975.

Note: These percentages were derived from the combined dollar value of aeronautical chart and topographical map shipments and should be considered as approximations, only.

*** Source: Surveys and Mapping Branch (Cost Recovery Unit) and Woods, Gordon & Co. estimate.

- the cost, to the Surveys and Mapping Branch, of the handling and storing of the Canada Map Office's entire inventory by an outside firm.

In the event that the Surveys and Mapping Branch continues to operate a warehouse for topographical and special interest maps, a significant reduction in the number of man-years allocated to order processing and to the activities of warehousing and distribution would require a number of changes in the function and method of operation of the Canada Map Office. A number of major considerations in the evaluation and selection of a distribution alternative are discussed below.

D.1.1 Small Quantity Distribution

Annual paid shipments of topographical and special interest maps have ranged between 2,222.4 thousand and 1,648.6 thousand maps over the past three years (see Exhibit IX, opposite).* In fiscal 1975-76, an additional 670.2 thousand maps were distributed free of charge (either on request or automatically) to Members of Parliament and the Senate, public libraries, depositories, the Minister (EMR) and geographical and historical societies.

For a majority of the titles stocked in the Bentley Avenue warehouse, less than 100 units are shipped each year. According to data provided by the Canada Map Office (see Exhibit X), fewer than 5,000 titles were shipped in annual quantities larger than 71 between the years 1970 and 1977.

* Source: Annual Reports - Canada Map Office, for Fiscal Years 1973 - 74, 1974 - 75, 1975 - 76.

EXHIBIT X

CMO DISTRIBUTION STUDY
SEVEN YEAR SHIPMENT DATA* FOR
TOPOGRAPHICAL AND SPECIAL INTEREST MAPS

<u>Seven Year Unit Volume Greater than:</u>	<u>Average Yearly Volume Greater than:</u>	<u>Number of Titles Exceeding Seven Year Volume Figure</u>
500	71	4,999 **
1,000	143	3,095
2,000	286	1,662
3,000	428	1,088
5,000	714	580
10,000	1,429	206

* Source: Canada Map Office

** Read: In total, more than 500 units of each of 4,999 titles were shipped from the Ottawa warehouse between 1970 and 1977.

In addition to the large number of low volume titles produced by the Surveys and Mapping Branch, the average order filled by the Canada Map Office during the fiscal year 1976 - 77 was relatively small (approximately 40 units). Of course, this average was lower for shipments to individuals (13) than for shipments to dealers (157). However, the vast majority of maps distributed from the Bentley Avenue warehouse were shipped in less than carton quantities.

Although no empirical data is available to support the statement, it is believed that the number of man-years required to 'break bulk' and to process and fill orders for less than carton quantities represents a significant portion of the total man-years allocated to the order processing and warehousing functions in the Bentley Avenue operation. As a result, we believe that substantial savings in man-years or in operating costs will only be achieved once 'break bulk' operations and small quantity distribution are performed by outside organizations.

Consideration should be given to eliminating sequential storage and to warehousing and distributing maps in carton quantities, only. Initially, historical data on volumes shipped from the Bentley Avenue warehouse could serve as the basis for decisions on carton quantities applicable to each of the more than 18,000 titles in print. Although an analysis of the costs of cartoning vis-a-vis the costs of sequential storage and small quantity distribution should be undertaken, maps could be packaged and distributed in three carton sizes, as follows:

<u>Annual Volume</u>	<u>Carton Quantity</u>
Less than 500 units	100
501 - 1,000	250
1,001 and more	500

The elimination of sequential storage would necessitate that free distribution and mail and telephone order fulfillment, as well as wholesale distribution to authorized dealers, educational institutions and other organizations be performed by one or more outside organizations. In addition, a fundamental change would be required in the relationship existing between the Department of National Defense and the Department of Energy, Mines and Resources.

D.1.2 Stock Coverage

The elimination of sequential storage and small quantity distribution would require that all titles published or distributed by the Canada Map Office be stocked by outside organizations involved in the distribution process.

We believe that organizations selected to perform the wholesale distribution or mail order fulfillment function should be required to stock all topographical maps within their areas of interest, in addition to special interest maps for which demand exists. This requirement would result in a national wholesaler or mail order fulfillment house stocking each of the titles distributed by the Canada Map Office.

For wholesale distribution by an outside organization (such as Prentice-Hall or Gage Educational Publishing) to be a viable business proposition, a satisfactory return on investment must be possible. Assuming wholesalers are required to stock at least one standard package of each title in print, the Surveys and Mapping

Branch may be forced to provide a minimum quantity of each low volume title (titles with, say, annual volumes less than 100 units) 'on consignment'.

D.1.3 Role of the Canada Map Office

We believe that senior personnel within the Surveys and Mapping Branch should define the role envisaged for the Canada Map Office in the distribution process prior to an evaluation of major distribution alternatives.

Although maximum control of the distribution process could be achieved through the use of a firm specializing in fulfillment for each aspect of map distribution, extensive involvement by personnel from the Canada Map Office would be required in the development of systems and procedures for ordering and fulfillment, and in the activities associated with marketing, advertising, and operation of the dealer network.

D.1.4 Commercialization

Opportunities exist to dramatically increase the annual volume of topographical and special interest maps distributed in Canada through the aggressive promotion of a limited number of maps* to private firms or other organizations for use as promotional items or purchase incentives. According to Rolph-McNally Limited, maps sold for promotional purposes are often customized (for example, with the retail locations of the sponsoring firm).

* Maps of Canada or of the world are often used for this purpose.

To the extent that such commercialization is considered incompatible with the objectives of the Surveys and Mapping Branch, or with the profile the Branch wishes to assume in the market, distribution through promotionally oriented firms (such as Rolph-McNally Limited) should be discouraged.

D.1.5 Retail Selling Prices

Constraints imposed by the Treasury Board on changes to retail selling prices or to discount structures will influence the distribution alternative selected.

Changes in retail selling or in 'dealer' cost prices would likely be required were firms such as Prentice-Hall or Rolph-McNally involved in the distribution of topographical and special interest maps. To provide for satisfactory wholesaler and dealer margins, the price of maps retailing for \$1.50 might have to be increased to, say, \$2.50 (or more). Alternatively, the wholesale price received by the Canada Map Office could be reduced to provide for the necessary margins.

It appears that little (if any) increase in retail selling prices would be required were a firm such as Harling Marketing Services or O.E. McIntyre employed. Although the Canada Map Office would receive less than the current wholesale price on shipments made to dealers and to educational institutions (less by the amount of the fulfillment charge), total contribution to Canada Map Office overhead and operating costs could be greater* than under the other distribution alternatives evaluated (see Section D.2.3).

* Depending on assumptions as to fulfillment charges and wholesale margins.

D.1.6 Department of National Defense

Although the processing and filling of military orders are tasks performed by employees of the Department of National Defense, many of the distribution activities of the Surveys and Mapping Branch and the Department of National Defense are highly interdependent.

As previously noted, a major aspect of any reduction in the Canada Map Office's operating costs and man-year requirements is the elimination of sequential storage. To the extent that such storage is required by the Department of National Defense, and the desirability of shared accommodation can be demonstrated, however, consideration could be given to turning this portion of the Bentley Avenue warehouse over to the military for their use. This would allow warehouse occupancy costs and certain operating expenses to be allocated to the Department of National Defense on the basis of square footage occupied. As well, military requests for topographical or special interest maps could be filled from the adjacent bulk storage area maintained by the Canada Map Office.

EXHIBIT XI

CMO DISTRIBUTION STUDY
DISTRIBUTION AND STORAGE COSTS
APPLICABLE TO MAP AND CHART DISTRIBUTION
(Unit Thousand Dollars)

<u>Expense Category</u>	<u>1973/74 Estimate*</u>	<u>Multiplier**</u>	<u>1977/78 Estimate</u>
Salaries	\$318.1	1.40	\$445.3
Operation & Maintenance	78.2	1.40	109.5
Capital Depreciation	18.3	n/a	18.3
Postage & Express	64.5	1.40	90.3
Overhead	46.6	1.40	65.2
Accommodation	<u>137.6</u>	1.40	<u>192.6</u>
TOTAL	<u>\$663.2</u>		<u>\$921.2</u>

* Source: "Cost Recovery Operations in Surveys and Mapping Branch"
July 3, 1974.

** The multiplier is the product of increases in the consumer price index experienced over the past four years, and the increase anticipated for 1977 (5.7%).

D.2 IMPACT OF MAJOR DISTRIBUTION ALTERNATIVES ON
OPERATING COSTS AND MAN-YEAR REQUIREMENTS

D.2.1 Operating Costs

At the present time, little data is available on the costs of warehousing and distributing topographical and special interest maps (only). As a result, a thorough study of operating costs should be undertaken by the Surveys and Mapping Branch prior to the selection of an alternative form of distribution. An important component of such a study would be an examination of the relationship between the Canada Map Office and the Department of National Defense.

Data on operating costs applicable to the warehousing and distribution of both maps and aeronautical charts is presented in Exhibit XI, opposite. To arrive at approximate costs applicable to the current year, actual and projected changes in the consumer price index* were applied to 1973 - 1974 estimates.

In total, distribution and storage costs for maps and charts are approximately \$1,000,000. As we understand it, about 80% of this figure, or \$800,000, can be allocated to topographical and special interest maps. In total, the costs of salaries and accommodation account for about 63% of this amount.

Depending on the role played by the Canada Map Office in the distribution process, and on the relationship between the Department of National Defense and the Canada Map Office, substantial savings should be possible in the areas of 'Salaries' and 'Accommodation'. A discussion of the accommodation expense follows, with a discussion of reductions in man-year requirements presented in Section D.2.2.

* The following year to year percentage increases were used:
1974/73 - 10.9%; 1975/74 - 10.8%; 1976/75 - 7.5%; 1977/76 - 5.7% (est.).

EXHIBIT XII

CMO DISTRIBUTION STUDY
ACCOMMODATION COSTS

<u>Section</u>	<u>Number of Square Feet</u>	<u>Rent Per Square Feet</u>	<u>Accommodation Cost</u>
● Office	30,355	\$ 5.00	\$ 151.8
● Warehouse	59,318	2.65	<u>157.2</u>
Total Space Cost			\$ <u>309.0</u>
Total Space Cost Including Maintenance Charges			\$ <u>324.0</u>
Cost Allocated To Topographical Maps*			\$ <u>192.6</u>

*See Exhibit XI.

Accommodation Expense

Occupancy costs for the Bentley Avenue warehouse are presented in Exhibit XII, opposite.

On the assumption that the role of the Canada Map Office would be restricted to one of bulk storage and distribution in full carton quantities, it is estimated that between thirty and forty thousand square feet of space would be required to store the more than 18,000 titles currently in print, and to receive stock and to fill and ship orders.

Office space requirements would be dependent on the staff required to supervise the operation, perform such clerical functions as inventory control and order processing, and provide for marketing and promotional activities. However, based on estimates of man-year requirements ranging from 10 to 16 (see Section D.2.2.), a minimum of 2,000 to 4,000 square feet would be required*.

When the civilian distribution of topographical and special interest maps is viewed in isolation from the other functions performed by the Canada Map Office and from the distribution activities of the Department of National Defense, a facility providing for up to 40,000 square feet of warehouse space and 4,000 square feet of office space would appear adequate at the present time. Based on rents per square foot currently paid by the Department of Public Works for the Bentley Avenue facility, the cost of such accommodation would approximate \$126,000, substantially less (about \$66,000) than the estimate of occupancy costs attributed to topographical and special interest map distribution.

* To arrive at estimates of square footage requirements, an average of 150 square feet per employee was used and 45% was added to provide for corridors and common space (30%) and washrooms and eating facilities (15%).

EXHIBIT XIII

CMO DISTRIBUTION STUDY
ESTIMATED SAVINGS IN MAN-YEARS

<u>Function</u>	<u>Current Man-Years Employed*</u>	<u>Estimated (Increase) or Decrease in Man-Years</u>	<u>Estimated Man-Year Requirements</u>
<u>Bentley Avenue</u>			
● Order Processing	3.75	2.75 - 3.25	1.0 - .5
● Inventory Control	1.63	.63 - 1.13	1.0 - .5
● Warehouse (including Shipping and Shelf Stocking)	8.75	3.75 - 5.75	5.0 - 3.0
● Administration	1.75	(.25) - (.25)	2.0 - 2.0
● Marketing	1.38	<u>(3.62) - (.62)</u>	<u>5.0 - 2.0</u>
Total		<u>3.26 - 9.26</u>	<u>14.0 - 8.0</u>
<u>Cost Recovery Unit</u>			
● Accounting	9.00	6.00 - 7.00	3.0 - 2.0
● Order Processing	8.00	<u>6.00 - 7.00</u>	<u>2.0 - 1.0</u>
Total		<u>12.00 - 14.00</u>	<u>5.0 - 3.0</u>

* Source: Based on estimates of the man-years allocated to topographical and special interest map distribution provided by G. Clemmer.

D.2.2 Man-Year Requirements

At the present time, approximately 17.3 man-years are allocated to order processing and to the warehousing and distribution of topographical and special interest maps in the Bentley Avenue operation, while 17.0 man-years are allocated to the accounting and order processing functions in the Cost Recovery Unit.

Cost Recovery Unit

As we understand it, man-year requirements for order processing and accounting vary directly with the volume of orders received by the Cost Recovery Unit. On the assumption that mail and telephone order fulfillment, free distribution, and wholesale distribution to authorized dealers would be performed by a limited number of outside organizations (no more than 10), it is likely that the number of orders for topographical and special interest maps would decrease from the current level (45,000 or more) to 500 or less each year. Subject to a thorough evaluation of personnel requirements under each distribution alternative, it is estimated that such a decrease in order volume would permit a reduction of 12.0 to 14.0 man-years (see Exhibit XIII).

Bentley Avenue

In total, we estimate that between 3.26 and 9.26 man-years could be eliminated by substantially reducing the number of orders processed and filled in Bentley Avenue, and by restricting the role of the Canada Map Office in the physical distribution process to one of bulk storage and distribution.

EXHIBIT XIV

CMO DISTRIBUTION STUDY
COMPARISON OF MAJOR DISTRIBUTION ALTERNATIVES

<u>Alternative</u>	<u>Likely Man-Year Requirements (1)</u>				<u>ESTIMATED Contribution to Overhead and Operating Costs</u>		
	<u>Total</u>	<u>Admin.</u>	<u>Mkg.</u>	<u>Other</u>	<u>(2)</u>	<u>(3)</u>	<u>(4)</u>
A. Wholesale distribution firm performs all distribution activities	8	2	2	4	\$ 772.0	\$1,060.0	\$ 772.0
B. Wholesale distribution firm distributes to dealers and educational institutions, only. Mail order fulfillment sub-contracted by Canada Map Office.	10	2	3	5	\$1,274.0	\$1,490.0	\$1,114.0
C. Fulfillment firm performs all physical distribution activities; marketing undertaken by Canada Map Office.	12	2	5	5	\$1,350.0	\$1,350.0	\$ 750.0

Notes:

(1) Canada Map Office only (excludes sales outlet)

(2) Assumptions:

i) an average retail price of \$1.50 per map, an annual volume of 3 million maps, a fulfillment charge of 20 cents per map and a 35% wholesale margin.

ii) average cost per employee = \$25,000. (This figure was arrived at by dividing the estimated salary expense for the Canada Map Office (\$445,300) by the number of man-years allocated to the Canada Map Office (19.0). See Appendix Five for detailed calculations).

(3) All assumptions as in (2) above, except that wholesale margin declines to 20%.

(4) All assumptions as in (2) above, except that fulfillment charge rises to 50 cents per map.

It is recommended that a further study of the activities involved in storage and physical distribution be undertaken in order to obtain more accurate estimates of man-year savings in the warehouse. As we understand it, the "Manpower Requirements" study performed by Management Consulting Services excluded an examination of the efficiency or effectiveness of existing systems, methods or procedures. As a result, work methods, work pace and activity definition should be examined, and potential improvements (if any) identified.

Increases in the man-years allocated to administration (.25) and marketing (between .62 and 3.62) have been provided for. We believe that such marketing activities as the development of advertising and public information programs, and the operation of the dealer network should receive more attention by Canada Map Office personnel regardless of the distribution alternative selected. As a result, it is recommended that between two and five full-time staff be allocated to these activities. Generally speaking, use of a fulfillment firm for distribution purposes would require a greater number of marketing staff than would use of a wholesale distribution firm.

D.2.3 Contribution to Overhead and Operating Costs

Estimated contributions to the Canada Map Office's overhead and costs of operation of three distribution alternatives are presented in Exhibit XIV, opposite, with detailed calculations of revenues and associated incremental costs presented in Appendix Five to this report.

These estimates are based on a number of assumptions as to wholesaler and retailer margins, fulfillment costs, and retail selling prices. For example, the calculations of column (2) assume a wholesale margin of 35% (on the selling price to dealers). Although such a margin is not uncommon in wholesale situations (the margins required by the wholesale distribution firms contacted ranged from 25% to 45%), it is entirely possible that consignment, low risk, and access to a ready-made and captive market should work to reduce margin requirements to 25% or less. Assuming a 20% wholesale margin and a retail selling price of \$1.50, contribution to Canada Map Office overhead under Alternative A (all physical distribution activities performed by outside wholesaler(s)) would be increased from \$772,000 (column (2)) to \$1,060,000 (column (3)).

Least Cost Distribution

In the absence of current data on the costs of warehousing*, order processing and order filling, reductions in operating costs associated with the distribution alternatives investigated have not been calculated. Nevertheless, contributions to overhead and operating costs that take account of varying man-year requirements have been estimated for each of three distribution options (see Exhibit XIV). Assuming a fulfillment charge of 20 cents per map and a 35% wholesale margin, Alternative C (all distribution activities performed by a mail order fulfillment

* Throughout this analysis it has been assumed that no increase in the quantity of maps produced or stocked in the system would result from any of the distribution alternatives investigated. For this reason, and because realistic inventory costs would be difficult to arrive at, inventory carrying charges have not been included in our calculations.

specialist) would represent the least cost method of distribution available to the Surveys and Mapping Branch. However, as fulfillment charges increase, or wholesale margins decline, Alternative B (distribution to dealers performed by a wholesale distribution firm, but mail order fulfillment performed by fulfillment specialist contracted by the Surveys and Mapping Branch) displaces Alternative C as the least cost method of distribution.

On the basis of the assumptions made, Alternative A (all distribution activities performed by a wholesale distributor) appears to be a relatively high cost form of distribution.

E. MARKETING AND
OPERATIONAL CONSIDERATIONS

E.1 DEALER SALES

In a study of dealers and dealer orders undertaken in 1976,* the Canada Map Office's dealer organization was termed an "... uncontrollable and inefficient network". The study team concluded that the criteria used to assess potential dealers were inadequate and that certain dealers were dealers in name only, purchasing topographical and special interest maps for their own use, and not for resale 'over-the-counter'.

In 1974, 375 authorized dealers existed in Canada of which 236 were active. Of those considered 'active', 186 (79%) purchased less than \$100 worth of topographical maps, while 96 (41%) purchased less than \$50. Only 19 dealers purchased more than \$1,000 worth of topographical and special interest maps in that year. In total, these 19 dealers accounted for 88% (\$194,000) of the dollar sales to dealers.

As we understand it, certain efforts have been made to increase the effectiveness of the dealer network. However, we believe the opportunity exists to further increase the volume and importance of 'over-the-counter' sales.

With few exceptions, maps produced or distributed by the Surveys and Mapping Branch have not been designed with the end-user in mind. Nevertheless, it is believed that a limited number of titles could be folded, put up in attractive retail packages, and retailed through organizations such as Coles, Classic Books and, possibly, department stores such as the Hudson's Bay Company.

*Topographical Map Sales and Aeronautical Charts - Marketing Survey:
Management Consulting Services - April, 1976.

Regardless of the distribution alternative selected, attention should be paid to the following aspects of 'over-the-counter' selling.

E.1.1 Market Coverage

According to information provided by the Canada Map Office, in excess of 80% of the topographical and special interest maps sold in Canada are sold in the larger, urban centres.

As a result, effective dealer coverage of Canada's major urban centres should be the primary concern of the Canada Map Office. Since approximately 60% of Canada's population resides in 35 metropolitan areas (and if surrounding areas are included, this percentage is even higher), a review of dealer coverage in each of these areas should be a first priority of the Canada Map Office and/or outside organizations involved in the distribution process.

E.1.2 Annual Volume

Minimum annual volume requirements for authorized dealers should be established and enforced. Although such requirements could be designed to reflect trading area populations, we do not believe that full dealer discounts (currently 50%) should normally be extended to organizations purchasing less than \$500 annually (at dealer cost). However, exceptions required to insure the seasonal coverage of vacation areas (or for other purposes) could be specified by the Surveys and Mapping Branch in any arrangements negotiated with outside organizations.

E.1.3 Criteria for Dealer Selection

With certain exceptions, private firms or other organizations incapable of generating the required \$500 annual minimum, and those purchasing maps for their own purposes and not for resale should be refused dealership status.

In addition, the number of authorized dealers in any trading area should reflect an assessment of the volume potential inherent in that trading area*, and potential dealer volumes (in units) considered acceptable.

E.1.4 Stock Coverage

A model stock that reflects a dealer's area of interest and the rate of sale of map titles within that area should be developed in conjunction with each authorized dealer.

Generally speaking, dealers should be required to stock the majority of titles within, say, a 50 mile radius (all scales), in addition to a selection of special interest maps agreed upon by representatives of the Canada Map Office (or an outside wholesale distribution firm) and individual dealers.

* Estimates of population and shipments to authorized dealers can be combined and used as a rough rule of thumb to assess the volume potential of specific trading areas. In 1976, approximately .014 maps were shipped per person (assuming shipments to dealers of 329.7 thousand units and a Canadian population of 22,657.0 thousand). If average sales per dealer of 4,000 units were considered satisfactory, a trading area of 500,000 would be able to support two authorized dealers.

E.1.5 Advertising and Promotion

A public information program should be developed to inform the general public of the availability of topographical and special interest maps, and of the locations of authorized dealers. An outline of a typical program is provided in Section E.3.

Dealers should be encouraged to advertise and promote the use of products produced by the Surveys and Mapping Branch. The Canada Map Office should consider the provision of a cooperative advertising program for this purpose.

E.1.6 Dealer Inspections

Regular, dealer inspections should be performed by representatives of the Canada Map Office and/or outside wholesale distribution firms.

The purpose of such inspections would be to insure that topographical and special interest maps were properly displayed, that inventories were complete and up to date, and that the dealership arrangement was functioning smoothly from the standpoint of both the dealer and the Canada Map Office or wholesaler.

E.1.7 Communication

Dealers should receive regular and timely communication from the Canada Map Office on new issues, or revisions to existing titles. As well, advance notice of advertising and promotional campaigns initiated by the Canada Map Office should be provided to each dealer.

A regular bulletin (monthly or quarterly) should be considered as a means of maintaining contact with dealers. Included in such a bulletin could be suggestions for increasing volume and for promoting topographical and special interest maps to corporations, government departments, and other categories of purchaser.

E.1.8 Revisions to Existing Titles

As revisions are made to existing titles, dealer stocks of topographical and special interest maps should be replaced at no charge.

E.1.9 Point-of-Sale Programs

Consideration should be given to various point-of-sale programs designed to increase the effectiveness of retail displays, and consumer self-selection. Included in such programs could be:

- packaged maps (in tubes or pouches) with attractive slip sheets describing the contents of the package.
- display stands incorporating flat, folded or rolled stock.

E.2 MAIL AND TELEPHONE ORDERS

We believe that mail (and, to a limited extent, telephone) orders should be encouraged, particularly in areas poorly serviced by the dealer network.

To facilitate and reduce the cost of mail order fulfillment and to simplify ordering from the customer's standpoint, standard order forms should be developed. In addition, consideration should be given to specially designed countertop or free standing display stands incorporating order blanks and information on the topographical and special interest maps available, and on ordering procedures.

Ideally, the facilities of some national organization (or a number of large, regional organizations) with broad market coverage should be used to promote mail orders. By virtue of its coverage of the Canadian marketplace, an organization such as the Canada Post Office could offer an excellent vehicle for this purpose. In return for providing space for display stands in certain (or all) of the 6,000 outlets owned and operated by this organization, payment on a flat rate, fee per order, or percentage of order value basis could be discussed.

EXHIBIT XV

CMO DISTRIBUTION STUDY
ESTIMATED COSTS FOR A TYPICAL
PUBLIC INFORMATION PROGRAM

	<u>Estimated Cost</u> <u>(\$'000)</u>
<u>Promotional Component</u>	
● Daily Newspapers	
Two, one quarter page insertions in each of 51 daily newspapers covering Canada's top 35 market areas. (See Appendix Two)	\$94.0
● Catalogue	
1,000,000 copies of a 20 page catalogue	60.0
● Descriptive Literature, Pre-Printed Order Forms, Envelope Stuffers	30.0
● Point-of-Sale Materials	30.0
● Periodicals	
Two, one quarter page insertions in each of 13 periodicals (see Appendix Three)	28.0
● Cooperative Advertising	15.0
● Trade Shows, Exhibitions etc.	<u>10.0</u>
TOTAL COST	<u>\$267.0</u>

E.3 PUBLIC INFORMATION PROGRAM

Responsibilities for various aspects of a public information program would depend on the distribution alternative selected by the Surveys and Mapping Branch. This fact notwithstanding, the fundamental objectives of such a program should be:

- to inform the general public, commercial organizations, educational institutions and other purchase categories of the availability of topographical and special interest maps.
- to encourage greater use of topographical and special interest maps in educational institutions, and by students.
- to inform potential purchasers of dealer locations, and of alternative methods by which maps could be obtained.
- in general, to increase the volume of maps sold in Canada.

Estimated costs for a typical public information program are presented in Exhibit XV, opposite. Depending on the scope required, a national, public information program could cost upwards of \$267,000. Although available dollars could be allocated in a variety of ways, emphasis has been placed on newspaper advertising (\$94.0), a catalogue (\$60.0), and periodicals (\$28.0). Regardless of the vehicles employed, however, every effort should be made to measure results, and to modify programs on an ongoing basis.

In developing this program, no consideration has been given to the ability of the Canada Map Office (or outside organizations) to support the cost of such a program, nor has the allocation of costs among partners in the distribution process been provided for. Although the total cost represents more than 20% of the revenue received by the

Canada Map Office from the sale of topographical and special interest maps in 1975-76, we recognize that a number of considerations (for example, the Department of Energy, Mines and Resource's responsibility to inform Canadians of this federal government program) could override budgetary ceilings dictated by conventional economics (advertising to sales ratios of 5 per cent or more are generally considered high).

E.3.1 Newspaper Advertising

The primary objective of a public information program is to inform and not (necessarily) to generate immediate sales volume. As a result, such a program differs from direct response advertising in which monies are allocated to advertising vehicles and market areas on the basis of expected results, or sales potential.

In developing the newspaper advertising program, the cost two, one quarter page insertions in all 'dailies' serving Canada's 35 largest metropolitan areas has been included. Should a decision be made to run with only one paper in each market area (two in bilingual centres such as Montreal and Ottawa), this cost could likely be reduced by \$11,000 or more.

E.3.2 Catalogue

We believe that a catalogue outlining the topographical and special interest maps available and providing information on dealer locations and ordering procedures could effectively replace or supplement much of the descriptive literature now in use. Depending on paper

quality, the use of colour, and the amount and type of original artwork required of the printer, the commercial printing of 1,000,000 copies of a 20 page catalogue would cost \$60,000 or more. Such a catalogue could be distributed at no charge, or at a price designed to cover the costs of production and distribution (say, ten cents).

E.3.3 Preprinted Order Forms, Envelope Stuffers, Direct Mail Advertising

Approximately \$30,000 has been allocated for the design and production of preprinted order forms, envelope stuffers and direct mail advertising.

A preprinted order form and, if appropriate, an insert promoting topographical and special interest maps and the locations of dealers could be enclosed with each mail or telephone order filled.

A direct mail campaign designed to promote the use of topographical and special interest maps and directed to educational institutions and various corporations should be considered. To the extent considered advisable, a campaign designed to encourage the use of maps (whether 'customized' or not) for promotional or purchase incentive purposes could be developed.

E.3.4 Point of Sale Materials

A budget of \$30,000 has been allocated for the design and production of point-of-sale materials and stands, and other merchandising

aids designed to get maps out from under retail counters, and to provide order information in non-stocking locations. It should be noted that the budget actually required for this purpose would depend on the number of outlets (whether stocking or non-stocking) requiring display stands or graphic materials. In the event that a large number of non-stocking locations were to require point-of-sale materials, a decision to increase the budget allocated for this purpose (and, possibly to reduce that allocated to other promotional vehicles), or to adopt a phased approach to equipping these outlets could be made.

E.3.5 Periodicals

To a certain extent, periodicals enable advertising dollars to be directed to specific categories of purchasers. To reach a number of specific customer groups, \$28.0 has been allocated to consumer periodicals such as Macleans, Toronto Calendar, and Montreal Ce Mois-ci, to commercial publications such as Canadian Business, and to recreational vehicles such as Camping Canada, B.C. Outdoors and Outdoor Canada.

E.3.6 Cooperative Advertising

We believe that consideration should be given to a program of cooperative advertising with authorized dealers. Based on dealer purchases of \$300,000 (at cost), a 5% advertising allowance would cost the Canada Map Office up to \$15,000. To ensure dealer participation and support, a maximum of 50% of the cost of any advertisement should be

paid by the Canada Map Office (up to a maximum dollar amount of 5% of each dealer's sales), and proof of advertising (such as newspaper tear sheets) should be required prior to payment being made.

E.3.7 Trade Shows

Approximately \$8,000* was spent on trade shows in 1976/77. Although we cannot comment on the desirability of such shows or on their worth as information vehicles, we have allocated \$10,000 for this purpose.

* Source: Canada Map Office

E.4 OPERATIONAL CONSIDERATIONS

During the course of the study program, a number of factors influencing the effectiveness or cost of the distribution alternatives investigated were uncovered. These are discussed below:

E.4.1 Bulk Storage in the Bentley Avenue Warehouse*

According to information obtained from the Canada Map Office, approximately 1,000 skids of about 10,000 maps each are received at the Bentley Avenue warehouse each year. At the present time, maps received are either packaged in boxes and forwarded to the random storage area, or used to replenish stock in the sequential storage area. As we understand it, about one man-day is required to package and store each skid.

Although a more detailed examination of the Bentley Avenue warehouse should be made, it is likely that the time spent on packaging and storing could be reduced by limiting the quantity of maps stored in cartons to no more than two years supply. For many low volume maps received at the warehouse, this would require the packaging of only one or two hundred maps. The remaining stock could be wrapped in protective sleeves and stored in bulk until required.

* For recommendations concerning the elimination of sequential storage, and the packaging and storage of maps in carton quantities, see Section D.1.1.

E.4.2 Distribution Agreements

A distribution agreement should be developed which clearly defines the responsibilities of all parties involved in the distribution process.

For the most part, the wholesale distribution firms contacted appeared willing to negotiate the terms and conditions of any distribution agreement with the Surveys and Mapping Branch, once a thorough investigation of the Canada Map Office had been made and the conditions imposed on distribution activities by the Surveys and Mapping Branch had been revealed.

Specification of the terms and conditions under which outside organizations and the Surveys and Mapping Branch would operate, and their incorporation in a formal distribution agreement, are considered critical to the eventual success of any alternative form of distribution. A discussion of a number of the more important subjects that should be included in such an agreement (including any views obtained from the wholesale distribution firms interviewed) follows:

Territory

The territory to be serviced by the wholesaler should be specified in the distribution agreement.

The majority of the wholesalers expressing interest in topographical and special interest maps felt that exclusive distribution throughout their areas of interest would be desirable (if not mandatory). Several organizations interviewed expressed concern over competition from the Canada Map Office. Although the majority of the potential distributors contacted would be willing to have the Canada Map Office play a specific role in the distribution process (for example, distribution to federal and provincial government departments) head on competition from the government would not likely be tolerated.

Assuming that organizations capable of mail order fulfillment, wholesale distribution to dealers and educational institutions, or both, could be found, exclusive distribution either on a national or regional level should be considered in order to provide satisfactory volume opportunities and to minimize the Canada Map Office's involvement in the distribution process.

Assortment and Inventory

Distribution agreements should clearly specify the distributor's responsibilities with respect to the maps to be stocked and distributed.

Among the important considerations are:

- specification of existing maps to be stocked and distributed
- responsibilities for stocking new maps produced by the Surveys and Mapping Branch, or other government departments

- quantities of various maps to be stocked
- conditions governing the return of unsalable stock.

As previously noted, we believe that outside organizations should be required to stock all topographical and special interest maps within their areas of interest, in quantities dictated by annual sales volumes and standard pack sizes.

Terms and Conditions

Purchase, payment, delivery and shipping terms should be clearly set out in distribution agreements. In the event that quantities of certain maps are provided 'on consignment', the procedures established to control consignment inventories should be established and documented.

Preliminary discussions with prospective wholesalers revealed that the specification of suitable terms and conditions would follow a thorough evaluation of the Canada Map Office's operation and estimates of likely revenues and costs.

Duration and Termination

The duration of the distribution agreement and the terms and conditions of termination should be defined.

From the standpoint of potential distributors, the duration of the agreement and more particularly, the notice required to terminate the agreement will depend on such factors as the investment made in facilities and equipment and the period over which such an investment can be amortized. According to Harling Marketing Services, a five year contract that specified the basis on which performance would be measured

(such as fulfillment time standards), was renewable annually, and provided for at least six months' notice of termination by registered letter, would be desirable.

Other organizations requested contracts providing 'sufficient' time to develop a workable distribution system. In the case of one individual contacted (Dick Shaw), an exclusive, 10 year contract was considered necessary.

Performance Measures

Performance measures should be developed for all parties and included in distribution agreement.

Among the more important measures would be those dealing with order filling time and product availability. As we understand it, dealers can wait up to four weeks (or more) for stock ordered from the Canada Map Office. Although some deviation may be tolerated in peak periods, we believe that distributors' orders should be filled in 24 hours or less.

Similarly, distributors should be required to meet or exceed a 72 hour standard for filling orders from dealers, private individuals, corporations, government organizations, or educational institutions.

Financial Disclosure

In the event that a limited number of organizations, or one national wholesaler is selected to distribute topographical and

special interest maps throughout Canada, assurances as to the financial health of the firm or firms involved should be required by the Surveys and Mapping Branch. Provision of financial reports annually (or at some other interval) could be required to insure that distribution proceeds smoothly from one year to the next.

Distribution Activities

The responsibilities of each party in the provision of distribution services should be an integral part of any distribution agreement.

The wholesaler's responsibility for the operation of the dealer network should be clearly defined. Specifically, guidelines or criteria should be established for dealer investment, selection of new dealers, assessing dealer performance, planning map assortments, point-of-sale displays, reordering and personnel training. A dealership agreement should be developed jointly by the Surveys and Mapping Branch and the outside wholesaler, and provision should be made to assess dealer performance on the basis of established criteria.

Distribution to commercial accounts, educational institutions, and government organizations should be provided for in the distribution agreement. In the event that the Surveys and Mapping Branch wishes emphasis to be placed on one or more of these categories, specific objectives (for example, for sales or account solicitation) could be developed, and consideration could be given to special corporate or government discounts designed to encourage volume purchases and greater use of topographical and special interest maps.

Marketing Support

Responsibilities for each aspect of the marketing effort, including advertising or public information programs, dealer openings and closings, direct selling (to educational institutions, government organizations or commercial accounts), and the development of point-of-sale materials, order forms and explanatory literature, should be clearly defined.

APPENDIX ONE

LIST OF CONTACTS

APPENDIX ONE
LIST OF CONTACTS

<u>Organization</u>	<u>Location</u>	<u>Telephone Number</u>	<u>Contact</u>	<u>Comments</u>	<u>Interview</u>	
					<u>Personal</u>	<u>Telephone</u>
<u>I. NATIONAL WHOLESALERS CONTACTED</u>						
1. Rolph-McNally Limited	Toronto, Ont.	416-457-2555	Mr. A. Alder, General Manager	(See Appendix Four for written submission)	x	x
2. Creative Map Sales Limited	Toronto, Ont.	416-745-7414	Mr. G. Long, General Manager	(See Appendix Four for written submission)	x	x
3. Perly's Maps	Toronto, Ont.	416-782-6565	Mr. Perly President			x
4. Prentice-Hall of Canada Ltd.	Toronto, Ont.	416-293-3621	Mr. W.A. Matheson, President Mr. R. Campbell, Vice-President	(See Appendix Four for written submission)	x	x
5. Gage Educational Publishing Limited	Toronto, Ont.	416-293-8141	Mr. R. Lee, Managing Editor			x
6. Coast to Coast Distributing Company Limited	Toronto, Ont.	416-595-1811	Mr. C. Ingram, President		x	x
7. Capital Distributing (Canada) Ltd.	Oakville, Ont.	416-845-7571	Mr. R. Pierce	- No interest in map distribution		x
8. Dick Shaw	Ottawa, Ont	613-722-6346	Mr. Dick Shaw	(See Appendix Four for written submission)	x	x
9. The U.S./Canadian Map Service Bureau Limited	Neenah, Wi.	414-725-8206	Mr. D. Metz, President			x
<u>II. REGIONAL WHOLESALERS CONTACTED</u>						
1. The Cooperative Book Centre of Canada Ltd.	Toronto, Ont.	416-751-3530	Mr. G. Harwood, Manager	- Wholesaler of educational publications primarily in Ontario - No interest in retail distribution; very limited interest in wholesale distribution		x
2. Seymour Books	Vancouver, B.C.	604-987-4644	N/A			x
3. Robert Blaney	Vancouver, B.C.	604-872-8671	Mrs. R. Blaney, President	- Wholesaler of British paperbacks - Not interested in accounts with annual volumes less than \$5,000 - Employs 5 salesmen to cover bookstores, department stores, universities and colleges in British Columbia and Alberta		x
4. L & H Wholesalers and Distributors	Montreal, Que.	514-932-8034	Mr. M. Laflamme, President	- Wholesaler and retailer of sporting goods - Covers Quebec, NWT, Labrador and Maritimes with 3 salesmen - No interest in map distribution		x
5. Imperial Distributors	Montreal, Que.	514-849-9827	Mr. Manne			x
6. Vancouver Magazine Service	Vancouver, B.C.	604-298-3221	Mr. B. Brammell, President	- Oriented to high volume, fast turnover items		x
7. National News	Ottawa, Ont.	613-728-1988		- Oriented to high volume, fast turnover items		x
8. Metro Toronto News Co.	Toronto, Ont.	416-755-1166	Mr. M. Hines, President	- Oriented to high volume, fast turnover items		x
<u>III. FULFILLMENT FIRMS CONTACTED</u>						
1. Harling Marketing Services	Montreal, Que.	514-695-1430	Mr. J.P. Harling, President		x	x
2. O.E. McIntyre Ltd.	Montreal, Que.	514-337-0110	Mr. R.P. McIntyre, President		x	
3. Herbert A. Watts	Toronto, Ont.	416-531-9986	Mr. R. Adamson, President	- Not strong in the area of commercial fulfillment		x

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Organization	Location	Telephone Number	Contact	Comments	Interview	
					Personal	Telephone
<u>IV. GOVERNMENT DEPARTMENTS CONTACTED</u>						
1. Canada Post Office	Ottawa, Ont.	613-998-8002	Mr. R. Hutchinson, Manager of Retail Support Services		x	x
2. DSS Publishing Centre	Ottawa, Ont.	613-593-5130	Mr. P. Pepler, Chief of Marketing	- Dealer network not considered compatible with map distribution (for example, university bookstores, provincial printers) - Employ 8 marketing officers across Canada		x
3. Royal Canadian Mounted Police	Ottawa, Ont.	613-993-9882	Mr. Dervin, Staff Sargeant			x
4. Maritime Resource Management Services	Amherst, N.S.		Mr. C.B. Fay Information Officer	- Produce provincial maps (1:10,000, and 1:250,000 scales) and distribute these along with federal government maps.	x	
5. Alberta Department of Energy and Natural Resources	Edmonton, Alta.	403-427-3505	Mr. J. Harrower, Director of Technical Services	- Currently provide 24 hour telephone ordering service for maps - Maintain retail outlets in Edmonton, Calgary, Lethbridge - Cash with order a government policy. Opening dealer accounts could represent a problem.	x	x
6. Ontario Provincial Police	Toronto, Ont.	416-965-4423	Mr. Moss, Superintendent			x
7. Ontario Government Bookstore	Toronto, Ont.	416-965-3769	Mr. D.R. Counsell, Manager	- Handle provincial publications almost exclusively		x
8. Ontario Ministry of Natural Resources	Toronto, Ont.	416-965-6511	Ms. M. Leuty	- Currently distribute maps to other Ontario Government departments - 'Over-the-counter' sales and mail orders not encouraged, but are handled - No interest in greater involvement in map distribution	x	
9. Ontario Ministry of Transportation and Communication	Toronto, Ont.	416-248-3531	Mr. R. Bond	- No interest in map distribution		x
<u>V. RETAILERS CONTACTED</u>						
1. Simpson-Sears	Toronto, Ont.	416-861-7801	Mr. R. Beck, Supervisor of Stationery	- No current efforts in this area		x
2. Hudson's Bay Company	Toronto, Ont.	416-964-5000	Mr. E. Church, General Merchandise Manager Mr. J. Pollach, Group Merchandise Manager	- Use of Exhibition Hall in downtown Toronto store for display of maps could be explored	x	x
3. Collegiate Sports Ltd.	Toronto, Ont.	416-292-2215	Mr. D. Orne, Director of Purchasing	- No interest in map distribution		x
4. W.H. Smith	Toronto, Ont.	416-481-4111	Mr. D. Quick	- Retailer of books and stationery through 40 retail outlets located across Canada - Interested in new, self-service-type items for retail sale		x
5. Grand & Toy	Toronto, Ont.	416-445-7255	Mr. J.D. Lowden	- Retailer of office furniture and supplies principally in the Toronto area - Interested in new, self-service-type merchandise		x
6. Coles the Book People	Toronto, Ont.	416-249-9121	Mr. H. Large, Vice-President, Marketing	- Unable to comment on interest in retail distribution without a formal presentation by an authorized distributor.		x
7. Canadian Tire Corporation	Toronto, Ont.	416-484-3000	Mr. Dawson, Vice-President Marketing	- No interest in map distribution.		x
8. Carter Mapping	Calgary, Alta.	403-264-1230	Mr. G. McCracken, General Manager	- Currently stock about 3,000 to 4,000 map titles (total inventory 40,000 units) - Retail topographical maps from one location primarily to technical users. No wholesaling activities - Fifteen to twenty percent of volume done 'over the counter', and 80-85% in response to telephone orders	x	x

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- 3 -

Organization	Location	Telephone Number	Contact	Comments	Interview	
					Personal	Telephone
9. Renouf Publishing Company Limited	Montreal, Que.	514-937-3519	Mr. E. Hennings, President	- See Appendix Four for written submission	x	
10. E & T Books	Toronto, Ont.	416-363-3171	Mr. T. Hennings, General Manager	- See Appendix Four for written submission	x	
11. Dominion Map Limited	Vancouver, B.C.	604-684-4341	Mrs. Walker	- Retail maps 'over-the-counter' - Little interest or experience in wholesale distribution		x
12. Caron Bookseller	Montreal, Que.	514-845-5698	Mr. R. Caron, President		x	
13. Claude Turcotte Sports	Montreal, Que.	514-721-1862	Mr. C. Turcotte, President	- Retailer of sporting goods - Maps are handled to generate traffic - Little interest in mail order business or in wholesaling	x	
14. Open Air Books & Maps	Toronto, Ont		Mr. J. Axler, President	- Retail maps from one location in Toronto		x
15. Circam Tech Ltee.	Montreal, Que.	514-527-3627	Mr. M. Poulin, President Mr. L. Fournier, Vice-President	- See Appendix Four for written submission - Major activities include the sale of professional and technical services involved in the planning, estimation and supervision of major works projects. Provide such services as aerial photography, map production, and compilation and calculation of land survey data - Claim to stock between \$15,000 and \$20,000 worth of topographical maps at present. Involved in map retailing for 6 months. Claim to be in the process of developing a network of 20 dealers in Quebec - All accounting and inventory control systems are manually operated	x	
16. North Star Media	London, Ont.	519-453-2111	Ms. E. Garrocco	- Combination of 'over-the-counter' sales and mail order fulfillment operated from house basement - No wholesale capability		x
17. Royal Bank	Toronto, Ont.	416-865-3923	Mr. D. White, Marketing Manager	- Precluded from retail activity by the Bank Act.		x
18. Toronto-Dominion Bank	Toronto, Ont.	416-866-8222	Mr. J.P. Jones, Marketing Manager	- Limited interest in retail distribution in remote areas, only - As a matter of corporate policy, the Bank is "antipathetic" to such programs - Training and staff are major problems for banks. Anything which dilutes the primary business effort considered undesirable		x
19. Canadian Imperial Bank of Commerce	Toronto, Ont.	416-862-2211	Mr. J.F. Dixon, Vice-President, Marketing	- Precluded from retail activity by the Bank Act.		x
20. Imperial Oil Limited	Toronto, Ont.	416-924-9111	Mr. D.G. Twaits	- No interest in distributing federal government maps.		x
21. Shell Canada Limited	Toronto, Ont.	416-597-7111	Mr. J. Stokes, Senior Marketing Representative	- No distribution system for other than petroleum products - Extremely pleased with service provided by Rolph-McNally Limited (with whom Shell has a 3 year contract for the supply of road maps and atlases to individual service stations)		x
VI. OTHER ORGANIZATIONS CONTACTED						
1. Periodical Distributors of Canada	Whitby, Ont.	416-668-4868	Mr. E. McKim, Executive Secretary			x

APPENDIX TWO

NEWSPAPER ADVERTISING COSTS

APPENDIX TWO

GMO DISTRIBUTION STUDY

DAILY NEWSPAPER ADVERTISING COSTS
IN CANADA'S TOP 36 MARKETS

Market	Newspapers	# of Lines/ Page \$	Rate/ Line \$	Cost/ Page	Cost of Two ½ Page Insertions
1. Vancouver*	● The Sun	2,772	2.35	6,514.20	3,257.10
2. Victoria	● Colonist-Time	2,464	.65	1,601.50	800.75
3. Calgary*	● Albertan	2,464	.50	1,232.00	616.00
	● Herald	2,464	.88*	3,048.32	1,524.16
4. Edmonton*	● Edmonton Journal	2,480	1.10*	2,728.00	1,364.00
5. Regina*	● Leader-Post	2,480	.50	1,240.00	620.00
6. Saskatoon*	● Star-Phoenix	2,480	.46	1,140.80	570.40
7. Winnipeg*	● Free-Press	2,464	.80	1,971.20	985.60
	● Tribune	2,464	.68*	1,675.52	837.76
8. Brantford	● Expositor	2,772	.37	1,025.64	512.82
9. Guelph	● Mercury	2,682	.25	670.50	335.25
10. Hamilton	● Spectator	2,464	.95*	2,340.80	1,170.40
11. Kingston	● Whig-Standard	2,464	.43	1,059.52	529.76
12. Kitchener	● Kitchener-Waterloo Record	2,480	.50*	1,240.00	620.00
13. London	● Free Press	2,480	.85*	2,108.00	1,054.00
14. Oshawa	● Oshawa Times	2,700	.32	864.00	432.00
15. Ottawa*	● Citizen	2,480	.70*	1,736.00	868.00
	● Le Droit	2,440	.41	1,000.40	500.20
	● Journal	2,480	.53	1,314.40	657.20
16. Peterborough	● Examiner	2,772	.33	914.76	457.38
17. St. Catharines	● Standard	2,835	.45*	1,275.75	637.88
18. Sarnia	● Observer	2,384	.27	643.68	321.84
19. Sault Ste. Marie	● Star	2,352	.31*	729.12	364.56
20. Sudbury	● Star	2,790	.39	1,088.10	544.05
21. Thunder Bay	● Time-News/ Chronical-Journal	2,709	.39	1,056.51	528.26
22. Timmins	● Press	2,709	.21	568.89	284.45
23. Toronto*	● Globe & Mail	2,772	3.70*	10,256.40	5,128.20
	● Toronto Star	2,772	3.52*	9,757.44	4,878.72
	● Toronto Sun	1,200	1.10*	1,320.00	660.00
24. Windsor	● Windsor Star	2,440	.69*	1,683.60	841.80
25. Chicoutimi	● Le Quotidien	2,400	.40	960.00	480.00
26. Montreal*	● Le Devoir	2,400	.45	1,080.00	540.00
	● The Gazette	2,440	1.20*	2,928.00	1,469.00
	● Le Journal	1,110	1.25	1,387.50	693.75
	● Montreal-Matin	1,176	1.00	1,176.00	588.00
	● La Presse	2,480	1.65	4,092.00	2,046.00
	● Montreal Star	2,488	1.76*	4,378.88	2,189.44
27. Quebec*	● Le Journal	1,152	.50	576.00	288.00
	● Le Soleil	2,400	1.00	2,400.00	1,200.00
28. Sherbrooke	● Record	2,400	.22	528.00	264.00
	● La Tribune	2,400	.52	1,248.00	624.00
29. Trois Rivières	● Le Nouvelliste	2,400	.55	1,320.00	660.00
30. Halifax*	● Chronicle-Herald	2,400	.87	2,088.00	1,044.00
	● The Mail Star				
31. Sydney	● Cape Breton Post	2,400	.32	768.00	384.00
32. Fredericton	● Gleaner	2,400	.28	672.00	336.00
33. Moncton	● L'Evangeline	1,200	.30	360.00	180.00
	● Times & Transcript	2,352	.41	964.32	482.16
34. Saint John*	● Telegraph Journal	2,464	.52	1,281.28	640.64
	● Evening Times - Globe				
35. Charlottetown	● Guardian & Patriot	2,709	.27	731.43	365.72
36. St. John's*	● The Daily News	2,408	.22*	529.76	264.88
	● Telegram	2,408	.31	746.48	373.24
TOTAL					<u>47,010.37</u>

*Discounts for volumes in excess of 5,000 lines.

Source: Canadian Advertising Rates and Data.

APPENDIX THREE

COSTS OF PERIODICAL ADVERTISING

APPENDIX THREE

CMO DISTRIBUTION STUDY
 ONE TIME INSERTION COSTS IN SELECTED
 CANADIAN PERIODICALS

	Approximate Cost/ $\frac{1}{4}$ Page	Approximate Cost For Two $\frac{1}{4}$ Pages
1. B.C. Outdoors	\$ 196	\$ 392
2. Camping Canada	275	550
3. Macleans	4,342	8,684
4. Montreal Calendar Mag.	867	1,734
5. Out of Doors	243	486
6. Outdoor Canada	230	460
7. Quebec Chasse & Peche	290	580
8. Montreal Ce Mois-ci	942	1,884
9. Toronto Calendar	563	1,126
10. Toronto Life	495	990
11. Vancouver Calendar	868	1,736
12. Weekend magazine	4,475	8,950
13. Canadian Business	460	<u>920</u>
ALL PERIODICALS		<u>\$28,492</u>

Source: Canadian Advertising Rates and Data.

APPENDIX FOUR

**WRITTEN SUBMISSIONS FROM
ORGANIZATIONS INTERVIEWED**



Licencié
officiel
des Jeux
Olympiques
de 1976

Official
Licensee
to the 1976
Olympic
Games

January 31, 1977

Mr. Frank McCarthy,
Mr. Chris Ward,
Woods Gordon & Co.,
Toronto Dominion Centre
Royal Trust Tower, 30th Floor,
King St. West,
Toronto, Ontario.

**Rolph-McNally
Limited**

300 Orenda Road
Brampton, Ontario
Canada L6T 1G2
Phone (416) 457-2555
Telex 069-7541

Gentlemen:

**RE: WHOLESALE & RETAIL DISTRIBUTION OF MAPS & CHARTS PRODUCED BY THE
CANADA MAP OFFICE, SURVEYS & MAPPING BRANCH, DEPARTMENT OF ENERGY,
MINES & RESOURCES, OTTAWA**

Rolph-McNally Limited is Canada's largest, non-government, map publishing business. We are fully aware of the large variety of maps published by the Department of Energy Mines and Resources. In fact we, and our parent company Rolph-Clark-Stone Limited have printed a number of the maps that EMR currently has in stock.

Rolph-McNally has published a number of EMR maps for promotional purposes. We supplied several hundred thousand to Procter & Gamble. EMR received a 10% royalty.

We currently publish a Canada Road Map as part of our road map line. We update and maintain the EMR base at our expense and pay EMR a 10% royalty on all of our sales.

As Rolph-McNally does its own cartography, production, warehousing and distribution, we are in a position to consider the expansion of our operation to warehouse and distribute EMR maps. You have approached us at a very opportune time as we are currently in the planning stages of setting up an improved marketing system across Canada. We have just concluded a 4 year agreement with Imperial Oil Limited to be their official supplier of maps and atlases for the next four years. We sell maps directly to their 6,000 dealers across Canada. We also supply all Texaco, Shell and Fina dealers across Canada. In total we have access to about 20,000 gas station outlets. Each station receives 2 mailings of promotional material from us annually. A good percentage of them order our EMR Canada Map and the local provincial and community maps that we offer.

...../2

To service the gas stations and our other distributors and dealers, we are preparing a generic catalogue that can be used as a direct mailing piece. With the use of separate covers or order forms, we can adjust the discount structure to suit the market we are covering with the catalogue. The generic part of the catalogue will only show the suggested retail price, so that our distributors and dealers can use the catalogues with ease.

In September 1977, all road signs in Canada are being converted to metric. As a result, all of our maps and atlases are being converted to metric. All distances between points and accumulated distances will be in kilometers. To signify this major event in mapping, we have designed a whole new graphic image for our line of products. Our atlases and maps will all have a family appearance. The focal point on the cover of each map and atlas is the word CANADA.

Our 1977-78 line of CANADA products will consist of the following:

- Canada (EMR base)
- Provincial Maps Atlantic Canada
 - Quebec
 - Ontario
 - Manitoba-Saskatchewan
 - Alberta-British Columbia
- City Maps
 - Halifax-Dartmouth
 - Quebec
 - Montreal
 - Ottawa
 - Toronto
 - Hamilton
 - Mississauga
 - Brampton
 - Windsor
 - Thunder Bay
 - Winnipeg-Brandon
 - Regina
 - Calgary
 - Edmonton
 - Vancouver
 - Victoria

- Canada Road Atlas (English & French)
- Canada Road Atlas & Travel Guide (English & French)
- Canada Pocket Road Atlas (English & French)
- Canada Campground & Trailer Park Guide
- Canada Family Vacation Guide

Canada/U.S. Road Atlas
Canada/U.S. Road Atlas & Travel Guide
U.S. Family Vacation Guide
World Portrait Globe (English & French)
Deluxe World Portrait Globe (English & French)
World Map
United States Map
Canada Map

The foregoing items will be shown in full colour in our new generic catalogue of Rolph-McNally CANADA products.

A complete line of merchandising displays ranging from small 2 map units up to large floor standing units are being constructed and will appear in our new catalogue.

Our new 1977-78 line of CANADA Maps, Atlases and Globes will be in Canada wide distribution by the first of May. Our catalogues will be distributed early in March and product will be delivered during March and April. Our target is to have Canada blanketed with the new metric line of CANADA products before the travel season starts in May.

We will have product in gas stations, sporting goods stores, tourist resorts, book and department stores. In addition we will be distributing product through many of Canada's major auto clubs. We currently supply individual routings to the Canadian Drivers Club, the Auto League of North America, the Eaton Auto Club and a number of others.

You can see from the foregoing that we offer a complete line of useful, mass market type of products that in no way duplicate maps produced by EMR. We can visualize the possibility of Rolph-McNally expanding its operation to include the marketing of EMR maps. It would be a logical expansion of our existing business.

We realize, as you and EMR realizes that many of the EMR maps do not have any real sales potential as they were prepared for special uses. There are however about 300 to 1,000 map titles that do have marketing potential. The maps listed on the EMR brochure entitled "Maps & Charts CMO 79" would be the best maps for mass distribution. These could easily be promoted and distributed through our present warehouse and plant in Brampton. We can enlarge our staff to handle the sales and distribution.

In reviewing EMR's catalogues we visualize several problems which would have to be overcome in order to make the merchandising of these maps a practical venture for Rolph-McNally or any other non-government distribution system.

(1) Existing EMR Map Prices

Prices average \$1.00 per map - some prices are as low as .20 and some go up to \$2.50.

- These prices are adequate if the maps were being sold in bulk quantities. However, they are not sold in bulk quantities, even to major distributors. Often the catalogues and the indexes which are sent out free of charge are more costly to produce than the maps. It is not very practical to send out a free catalogue or index to a person who only wants to buy a single .20, \$1.00 or \$2.50 map.
- It appears that the cost of the maps themselves, the catalogues and indexes, the warehousing, sales and shipping functions are not truly reflected in the prices currently used by EMR.

(2) Postage & Handling

EMR asks for .50 to cover handling and mailing on orders of less than \$5.00..

- .50 does not even cover the cost of a good mailing tube. Postage alone could run as high as \$2.00 on a tube carrying a single map worth \$1.00 to \$2.50.

We realize that EMR's function is to create, maintain and distribute all of Canada's official maps and we cannot imagine that EMR has ever been expected or ever will be expected to operate at a profit.

Perhaps the "Canada Map Office" as a separate function can operate at a profit based on the \$1,000,000 in annual map sales that it generates. If we could see what kind of space, staff, and overhead would be required, we would have a better means of assessing the potential of Rolph-McNally taking over the distribution of EMR maps.

Rolph-McNally, in addition to being the major producer and distributor of Canada Maps & Atlases is a major supplier of maps on a contract basis. We have created and produce annually the official maps for Prince Edward Island, New Brunswick and Cape Breton Island. We also update and produce Newfoundland's annual requirements of road and travel maps. Nova Scotia and Ontario Provincial Maps are run in our Brampton plant from film they supply.

We are currently cooperating with the Canadian Government Office of Tourism, Parks Canada and the Metric Commission on the production of our new line of metric CANADA Maps & Atlases. Photos of the National Parks & Historic sites will be appearing on our covers and throughout our atlases. Canada has an enormous travel deficit with the USA. We are

doing our best to promote the "Explore CANADA" theme.

The Canadian Government Office of Tourism has been most helpful to us as they are aware of the tremendous job we do promoting Canada at no cost to them. Mr. Alex Carmen is our main contact at CGOT if you wish to call him.

The CGOT is mainly interested in our efforts to promote Canada within Canada however they are also pleased to see our products distributed throughout the United States by Rand McNally & Company and throughout Europe.

Following are comments on the list of questions you left with us. A more detailed and complete presentation will follow if warranted.

Wholesalers

- (1) We are interested in and capable of performing, the retail mail and telephone order functions. We are aware that this will have to be a bilingual service and we are prepared to operate it bilingually.
- (2) Our market coverage is broadening. We service all of Canada. We distribute in the USA through Rand McNally & Company. Our European sales are small but growing and are handled by us directly.
- (3) We already have good distribution across Canada and it will be expanded by about 200% by May of this year when we complete the distribution of our new CANADA line of maps, atlases & guides.
- (4) Our 1977 products are all being assigned computer numbers so that we can control our order processing, billing, inventory control and accounts.
- (5) Our existing system for replenishing stocks is very efficient as we produce combination sheet runs every month. Control of this can be computerized this year.
- (6) Distribution of EMR maps is a logical extension of our existing business.
- (7) We are willing to invest in excess of \$100,000 in systems and stock providing that the sales of EMR maps will justify the investment. Regarding turnover, we aim to have our stock turn over three times a year, however, we are able to cope with some products that only turnover once a year. Our plant and warehouse is air conditioned and humidity controlled so that we can warehouse paper products indefinitely without fear of deterioration. This is important as paper, improperly stored will become worthless in a matter of days. As EMR has stored some of its titles for as long as 10 to 20 years, they have been using proper storage.

- (8) Continuity of product and availability of stock is important when making small volume sales. Its too costly to have to make back order shipments and to advise a customer of the fact the item he has ordered is not available until a later date. Regarding this you are aware that we are capable of making reruns from EMR film as we have often printed some of their maps through tender.
- (9) If we distribute EMR maps it must be on an exclusive basis. The only split in the market that we can visualize is a split between commercial and government use. EMR may wish to continue to supply Federal and Provincial requirements and we would distribute the maps to the commercial and educational markets.
- (10) We recognize the need to distribute EMR maps as singles and in small quantities however we see the real potential in larger sales. For example we could see promoting topo maps locally through good merchandising practices. For example, Banff maps should be packaged singly or as a set of 3 and sold as a poly wrapped unit in the Banff, Calgary area. We are able to fold EMR maps and to package and promote them in their respective markets. Regarding the folding of maps, we visualize storing EMR maps in flat sheets and folding them as required to whatever size is required for merchandising. We have bagging and heat sealing equipment in our plant.

In addition to normal merchandising, there is a possible market in the promotional field. Last year we distributed 900,000 provincial maps through Kentucky Fried Chicken outlets across Canada.

We have distributed over 3,000,000 booklets on travel and metrics through General Motors. We sold about 300,000 of EMR's Canada Map to Procter & Gamble. Last year we sold large quantities of our Olympic Maps & Atlases for promotional purposes. We are experts in this field and fully aware that if promotions are skilfully prepared and handled that there is no problem in using government or other protected material.

- (11) Rolph-McNally Limited is a Canadian Company and is half owned by Rolph-Clark-Stone Limited which in turn is part of the Ronalds Federated Group of companies. In total our combined annual sales is \$100,000,000. This association gives Rolph-McNally the opportunity to merchandise its maps right across Canada. We use the sales force of Evergreen Press in Vancouver, the sales force of Alcraft in Calgary, and the sales force of Bulletin Commercial in Edmonton. We also use the sales force of Rolph-Clark-Stone in Tronto, Montreal and Halifax.

We distribute through Les Messageries Dynamique in Montreal, Thomas Allen & Son in Toronto, Pentamas in Toronto, etc. A concerted effort is being made to distribute through the 38 mass market distributors in Canada. We are going to expand sales into the educational market this year.

We will be continuing our direct mail sales to most gas stations across Canada.

Our distribution in the USA is handled by Rand McNally & Company. We are just in the process of supplying them with our 1977 Canada Road Atlas for its seventh annual US distribution.

- (12) Our offices and warehouses are in a modern air conditioned and humidity controlled building in Brampton. There is room for expansion within the existing structure or we can set up in new quarters.

Regarding your questions about retailing, Items 13 - 21:

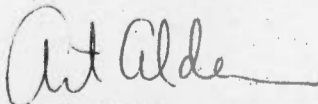
If we distribute EMR maps, we can handle over the counter sales at our office, however we feel our strenght is in mass distribution and we would weaken our effectiveness if we sold retail through our own retail outlets. We would like to limit our sales of maps to direct mail and to wholesaling. We would help the retailers by supplying point-of-sale displays, catalogues and promotional literature.

* * * * *

There are no doubt many questions to be discussed by both EMR and Rolph-McNally. We look forward to working with you.

We will be pleased to set up whatever meetings you wish to have with our Board of Directors. We are definitely interested in your proposal to consider the distribution of EMR maps by a private company. We will be holding our annual meeting in the Rolph-Clark-Stone corporate offices in Montreal in the near future. If you wish, you or EMR personnel can attend for further discussion.

Yours sincerely,



ART ALDER
General Manager

AA:hm

Creative Map Sales Limited

(416) 745-7414

February 11th, 1977

Mr. F.M. McCarthy,
Senior Consultant,
Woods, Gordon & Co.,
Royal Trust Tower,
Toronto-Dominion Centre
Toronto, Ont.

Dear Frank:

Further to our discussions regarding the possibility of our marketing the line of maps produced by the Department of Energy, Mines and Resources I am pleased to submit an outline on how Creative Map Sales is tentatively prepared to participate in this program.

Creative Map Sales Limited has been actively involved in the Canadian map market since 1972 and over that period have established a reputation as one of the country's premier publishers and distributors of maps and atlases.

The sale of our product is conducted via mail order, catalogue and through our network of distributors in addition to our own retail sales force. Through these various outlets we supply maps and atlases to the petroleum industry and to the retail trade, i.e. book stores, department stores, variety stores, drug stores etc. Additionally we are producers of custom maps for the premium and promotional trade.

Consequently we can guarantee national coverage of all EMR material through our existing outlets and would be prepared to expand our coverage to include such markets as our educational system, municipal, provincial and federal government departments, construction and development companies, in addition to the development of sales to foreign agencies. In particular we would concentrate on the U.S. market, using the services which could be provided by our U.S. counterpart.

The EMR product, because of its compatibility with our own product, would fit into our existing internal operation very easily and consequently our present system of order processing, billing and inventory control would need very little alteration to handle this additional product line.

We would be prepared to invest time, money and facilities in inventory, systems and marketing but at this time we are not prepared to state any particular sum because of our lack of knowledge covering many aspects of the EMR product.

Creative Map Sales Limited

(2)

(416) 745-7414

It is my understanding that the EMR have approximately 11,000 map bases on hand covering Provincial, regional and municipal districts of which there are 2000 bases which sell on a regular schedule.

However in order for us to carefully evaluate the marketability of all the product which EMR is ready to make available we would need to know the following:

1. The titles and types of each map and present selling price.
2. How they are presently packaged
3. The annual turnover of each map during the past three years.
4. The size of each map available.

Only after receiving this information would we be able to ascertain the feasibility of entering into this program and even then we would require further information to establish the market potential which would naturally govern the dollar value we would be prepared to invest. This information would include:

1. What if any guarantee would we have of product continuity and product availability?
2. Would we have access to EMR sales records?
3. In order to promote the product to the premium and promotional field, would EMR allow their product to be customized?
4. Would they be prepared to allow us the right to job out customized orders to private industry?
5. Would they be prepared to enter into an initial long term agreement?

If we receive answers to these questions we will then be in a better position to evaluate our position and supply you with a detailed proposal.

We are very interested in pursuing this matter further and look forward to an early reply.

Yours sincerely,

G.A. Long

Downsview, Ontario M3N 1W7
General Manager

PUBLISHERS
ÉDITEURS

P
h

Prentice-Hall of Canada, Ltd. 1870 Birchmount Road Scarborough Ontario M1P 2J7

Telephone (416) 293-3621
Telex 02-21272

February 9, 1977

Mr. F. M. McCarthy
Senior Consultant
Woods, Gordon & Company
Royal Trust Tower
P.O. Box 253
Toronto Dominion Centre
Toronto, Ontario M5K 1J7

Dear Frank:

As we indicated to you previously, we are definitely interested in the possibility of acting as the major distributor/wholesaler of maps for the Department of Energy, Mines and Resources. We are a major publisher in Canada and as such, we now reach a large number of outlets which would require contact to sell map product.

Our market coverage is designed to sell our book and media products throughout Canada. To accomplish this, we are organized into five divisions:

College - 20 representatives calling on post secondary institutions across Canada including universities, technical institutes, community colleges, military colleges, business, industry and government. All academic disciplines are covered including engineering, geography, geology departments, etc. who would be certainly interested in maps.

School Book Division - 10 representatives calling on the majority of high schools in Canada, plus school boards, curriculum branches in the Provincial governments, elementary school co-ordinators as well as many junior high schools.

Trade Book Division - 6 representatives calling on retail bookstores throughout the country, chain stores including Coles, Classics, etc., department stores, sporting goods stores, library jobbers, public and high school libraries, etc.

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Mr. F. M. McCarthy

- 2 -

February 9, 1977

Loose-Leaf Division - This staff is being expanded to 6 representatives in early 1977, to call on businessmen such as lawyers, accountants, financial executives, etc. in businesses, government and industry throughout Canada.

Media Division - Mail-order promotion to elementary and junior high schools throughout Canada on a regular basis.

As virtually all the accounts we now contact regularly and in depth are potential buyers of maps as well, their inclusion into our present marketing effort should take place with little dislocation.

Our present order processing, billing and inventory control is capable of accommodating map product.

The system for replenishing stocks of maps would be handled in the same way as our book product. Our computer records minimum reorder levels which alert us to a reorder requirement when this level has been reached.

The return on investment we would require is dependent on a number of factors, but we would estimate that a 75% return on investment would cover the necessary increase in staff, space and fixtures, etc. that our inventory and order processing expansion would require. Obviously, we would have to be willing to invest the necessary funds and systems and stock to be able to provide the service necessary to our customers in turn.

I would not expect that we would require financial support from the Canada Map Office, but we would certainly like to visit the installation in Ottawa to observe their systems, and present marketing effort at first hand so that we could assess what we would have to do and what we would expect, should we take over their distribution of maps in Canada. We would also have to discuss guarantees as to continuity of product, and the way in which stock would be made available as required.

At this point, I think that we would only be interested in exclusive distribution as a wholesaler/distributor, but would certainly want to discuss this point further.

We now do extensive catalogue merchandising and advertising as well as direct selling here at Prentice-Hall of Canada. I have also mentioned some of my

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Mr. F. M. McCarthy

- 3 -

February 9, 1977

ideas to you regarding the way in which we would promote maps to the general public and prospective retail outlets as well as our other customers and potential customers. For instance, a comprehensive catalogue of all of the indexes now available in some sort of suitable format would, I think, be a necessity.

I have discussed the deployment of our sales staff above, but should also mention that nearly all of our representatives have college degrees at the Bachelor and Masters level, and are all trained to sell comprehensively rather than simply to take orders.

We presently have a warehouse of 80,000 square feet at this location in Toronto, which hopefully would house necessary map inventory as well as our usual stocks of books.

Hopefully the comments listed above will answer many of the considerations which you will use in the evaluation of our company's ability to perform a wholesaler/distributor function in this instance. We feel that it would be important for us to have a look at the present operation in Ottawa so that we could further assess our ability to do the kind of job internally that is required to make the whole thing run and be successful. If such a visit can be arranged, I will be back from a Western business trip in early March and would look forward to hearing from you again at that time. If you have any need to communicate with us in the meantime, I suggest that you contact our President, Wally Matheson, who will be able to field any further questions you may have.

I will look forward to hearing from you again shortly.

Sincerely,



Eric E. Campbell
Vice-President - Sales

EEC/lm

2091 Strathmore Blvd.,
Ottawa, Ont. Canada.
K2A 1M4
Friday 4 February 1977.

Woods, Gordon and Company,
Royal Trust Tower,
P.O.Box 253,
Toronto Dominion Centre,
TORONTO, Ontario. N5K 1J7

Attention of Mr. Chris Ward.

Dear Mr. Ward,

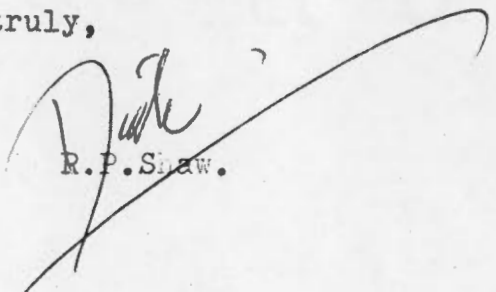
I enclose herewith the preliminary proposal as promised.
When you have discussed this with E.M.R. I should like to know
the reaction as soon as possible, especially if it is favourable
as there is much work that must be done quickly to prepare a
final proposal.

Thank you for giving me your time. I enjoyed meeting with you
and your associate.

Norman said, as I left him at Booth street, that he would send
me some information about your company. This has not arrived
yet and I wonder if you would remind him?

Kindest personal regards,

Yours truly,



R.P. Shaw.

Richard P. Shaw,
2091 Strathmore Blvd.
Ottawa, Ont. Canada.
K2A 1M4
Fri. 4th Feb. 1977.

PRELIMINARY PROPOSAL

CONFIDENTIAL

INTRODUCTION

It is our understanding that Messrs Woods, Gordon and Company of Toronto, consulting engineers, have been retained by the federal Department of Energy, Mines & Resources to examine and make recommendations on ways to transfer to the private sector the distribution of the N.T.S. maps.

This proposal by R.P. Shaw is made in the hopes that there will be some input into the report of Woods Gordon and Co. of this proposal.

CONSIDERATIONS

Any arrangement decided upon must be economically viable - profitable to the agency handling the map distribution - or the arrangement will not last. For this reason conditions are included in this report to assure the economic viability of the proposal.

It is assumed that the Dept. of Energy, Mines & Resources will want to maintain a reasonably good service to the public. It is intended that this will be attained through this proposal.

As this is a preliminary proposal, no exact cost figures have been supplied. Should the Dept. indicate that this proposal is of interest to them and give some assurance that the proprietary interest in this proposal will be protected, then a final and complete proposal will be submitted that will include all details that are obtainable and wanted by the Dept. of Energy, Mines & Resources.

CONTRACT

If the decision is made in favour of the final and complete proposal then Shaw would require a conditional contract so that he might start the incorporation and organization of the company as well as the fund raising. Some of the conditions envisaged are:

a. Shaw will obtain/ arrange the funding within a period to be determined in the final proposal. The funding to be by the sale of stock, loan from the Insutrial Development Bank, and, if necessary, by loans from chartered banks.

- b. The company to be operational within a period to be determined in the final proposal.
- c. Dept. of Energy, Mines & Resources will give an exclusive contract to the company for the distribution of all the N.T.S. maps for a period of 10 years.

MODUS OPERANDI

The head office of the company will be located in Ottawa as close as is feasible to the Dept. of Energy, Mines & Resources map storage office. All maps to pass from the E.M.R. to the head office of the company.

Regional offices will be set up across Canada as outlet "stores" to supply the needs of each region. They will have on hand a small inventory of all the NTS maps of their region and will be equipped with microfilm and viewers (or other suitable display methods) for the full series of the N.T.S. maps so that local purchasers may view and order the maps that they wish. They will also be staffed to handle the regional mail orders and telephone calls. They will be equipped with telex to the head office that will ship the maps to them or directly to the customer dependant on the priority of the order. We envision about 10 such regional outlets across Canada. It is important to keep the number of outlets small in order that they be operated at a profit. If too many regional outlets are opened the gross sales at each will be less than their cost of operation. In some areas it may be necessary to set up sub agencies of regional offices. Example, If one set up a regional office at, say Fredericton to supply the Maritimes, it might be necessary to have a small sub agency at St. Johns, Newfoundland connected to the Fredericton regional office by telex but without the full compliment of inventory and equipment. Although the number of such sub agencies will depend on the geographical locations and the demands, one envisions about 5 such sub agencies.

The regional offices could be formed on a franchise basis or be wholly owned by the company.

It is understood that all orders for NTS maps will be turned over to the company as soon as the final contract is issued.

Some increase in the price of the maps is envisaged. This will be governed by the anticipated demand and the cost of the operation.

As the granting of discounts has the effect of transferring the profit from the company to the purchaser, and as the company is to operate at a profit, discounts will be kept to a minimum.

The present customers for NTS maps already know the availability of the maps. There is however an appreciable area of the public that does not know what maps are available nor how to order them.

A publicity section will be needed in the new company to

exhibit at conventions, etc. (teachers, librarians, etc.)

do advertising for direct mail sales,

supply travelling exhibits,

inform present clients of the new purchasing arrangements.

Whereas the proposal is based on the distribution of the NTS maps on an exclusive basis, the company could also handle the distribution of other government maps such as geological, forestry, land use, etc. and atlases, and photo mosaics. These would not have to be on an exclusive basis. The company would also try to enrich the scope of its sales by taking on the distribution of maps of other countries. an example of this is the case of a German cartographic firm that asked Shaw Photogrammetric Services to distribute their 30 - 40 maps of Europe and other countries. The company would also be available for Canadian cartographic firms who might seek a means of distribution for their maps. (Distribution is a serious problem for any small firm in Canada that wishes to make and sell maps.) There are some other government agencies that might wish to use this means of distribution. The N.C.C. ^{has} have indicated an interest in having information concerning Canada's Capital made available to Canadians throughout the country. In essence it is the aim of the company to maintain the present demand for NTS maps and to increase this demand through the publicity section as well as expanding into cartographic areas that cannot at present be served by the government maps distribution service for one reason or another.

STAFF.

There is a number of members of the E.M.R. staff who have recently gone on pension or who will shortly be taking their pensions. It is felt that all such staff who are experienced in this work should be given preference if they wish to work for the company.

Some of the present distributors might be interested in becoming part of the proposed distribution system either as employees or by purchase of a regional franchise.

The writer of this proposal personally knows individuals in the surveying and mapping fields across Canada. The people that he will be associated with in the funding and organizing of the company also know many such people. It is felt that it is important to have the regional offices staffed chiefly by local (regional) people. We do not think it will be a serious problem to find such people.

FINANCES

The revenue must cover all the costs and allow a profit for the company shareholders, etc. Some of these costs that are envisaged are:

Interest on capital investment,

Depreciation,

Interest for bank loans and funds to retire these loans

Profit for shareholders and money for reserve.

Taxes,

Operating expenses,

When these are determined, we will have an indication of the gross revenue minimum that will be needed. This will, also indicate the necessary increase that must be made in the price of the maps.

The capital to be raised will have to cover:

Cost of incorporation

Cost of sale of stock,

Organization fees and expenses,

Hardware and software,

Leasehold expenses,

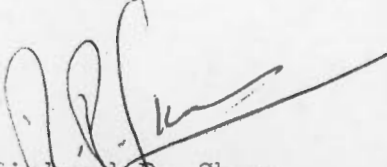
Inventory,

Advertisement and sales development (initial),

Working capital.

These costs must be determined to find how much capital will be needed and how it is best arranged.

The above items will be given dollars values in the final proposal.



Richard P. Shaw,
2091 Strathmore Blvd.,
Ottawa, Canada. K2A 1M4

Renouf

Renouf Publishing Company Ltd.
2182 St.Catherine Street West
Montreal, Que. H3H 1M7
Telephone: (514) 937-3519
Cable address: Renouf

Renouf Publishing Company Ltd.
2182 ouest, rue Ste-Catherine
Montréal, Qué. H3H 1M7
Téléphone: (514) 937-3519
Adresse télégraphique: Renouf

February 8, 1977

Wood, Gordon and Company
Attn.: Mr.F.M. McCarthy

Royal Trust Tower
Toronto-Dominion-Centre
P.O. Box 253

Toronto, Ont. M5K 8J7

Dear Mr. McCarthy,

We certainly appreciated the opportunity to discuss the distribution of topographical maps.

Based upon these discussions we should like to outline some of our ideas as to the pricing structure of a wholesale - retail sales organization, because obviously there has to be a certain revenue on both levels of distribution.

We propose to increase the retail price to \$ 2.-- since we feel this price level is very acceptable to our customers. We also think that the dealer should retain his per piece profit of \$ 0.75 and that the map office should reduce the net price to \$ 0.70. The breakdown of prices and margins would consequently look as follows:

Retail Sales Price	\$ 2.--
Retailer's Margin	<u>\$ 0.75</u>
Price to Retailer	\$ 1.25
Wholesaler's Margin	<u>\$ 0.55</u>
Price to Wholesaler	<u>\$ 0.70</u>

We realize that requirements for wholesalers are not easy to be met and that it will be difficult to find suitable outlets in certain areas. However, the two major provinces could be covered by Renouf in Montreal and by E & T in Toronto.

Renouf

Renouf Publishing Company Ltd.
2182 St. Catherine Street West
Montreal, Que. H3H 1M7
Telephone: (514) 937-3519
Cable address: Renouf

Renouf Publishing Company Ltd.
2182 ouest, rue Ste-Catherine
Montréal, Qué. H3H 1M7
Téléphone: (514) 937-3519
Adresse télégraphique: Renouf

- 2 -

In both locations management has considerable experience in developing a dealer network. This experience was not acquired in the distribution of books and maps but in one of the most competitive fields, e.g. the automotive industry. We are well aware of problems and solutions coming up in connection with set-up of dealerships, such as basic requirements as to stock, space and furniture, organized and perhaps centralized advertising, stock control and collections etc.

Our bilingual sales staff has to promote our lines inside and outside our offices, we know, however, that high pressure selling methods to dealers by a wholesaler are only of a very short advantage because inventories are building up with dealers. A good salesman should sell to the dealer and show him how to sell retail.

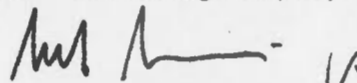
We are actively selling by mail. Every month between 7000 and 17000 pieces of advertising are distributed to our customers on our own (computerized) as well as on rented mailing lists. Our order processing system, our stock control, our invoicing and collection procedures are geared to this type of business and controlled by an in-house computer.

The distribution of maps would be complimentary to our actual business, the distribution of technical and educational publications.

About 40% of our present turnover is done with school-boards and we are familiar with the requirements of this type of customer (drop shipments etc.). We actually have warehouse space in both locations (Toronto & Montreal) and our warehouses are connected by TELEX so that we guarantee same day delivery of maps as long as they are stocked in one of the two places.

Many more things could be said about our ability to perform wholesale functions and about possibilities to develop map sales. However, this should be left to a future occasion should the map office decide to change the method of distribution and should we be invited for application.

Sincerely yours,
Renouf Publishing Company Limited



Erland Hennings
President

E & T BOOKS LTD.

639 Bay Street
Toronto Ontario M5G1M7
(416) 597-0573

February 10, 1977

Woods, Gordon & Co.
Management Consultants
Royal Trust Tower
P.O. Box 253, Toronto Dominion Centre
Toronto, Ontario M5K 1J7

Attention : Mr. Frank M. McCarthy

Dear Mr. McCarthy :

Further to our discussion pertaining to distribution of Canada Map Office products we have reviewed this matter and are indeed interested in submitting a proposal, if invited to do so.

The considerations have been made bearing in mind that our two companies, namely; E & T BOOKS LTD. and RENOUF PUBLISHING CO. LTD., function as one organization and presently we are investigating a base for Western Canada. The writer will visit the Western Province next week.

Essentially our proposal will be aimed at attaining thorough market penetration through maintaining a national net of dealers and promoting map sales in all markets systematically.

At the outset the price structure of maps must be examined, and adjusted to accommodate the financial requirements of both wholesale and retail operations. We have made preliminary calculation and find that a final retail price of approximately \$2.00 per topographic map would suffice. In our calculation we have also considered that the Canada Map Office receives approximately the same wholesale price they are receiving now. The details of the calculations are not stated here as they must be adjusted to a specific proposal.

With regards to establishing and maintaining a strong net of dealers we have considerable experience in this field from previous business activities. It appears it would be desirable to seek the type of dealership which can effectively cover a framed trading area. Such outlet would stock and service accounts in its area, but also participate in promotional efforts on a cooperative basis with us. Such efforts supported by local inventory tend to expand the market and the awareness towards maps on the part of the consumers.

Woods Gordon

The dealers stock is supported with a wholesale stock in our locations and with the communications at our disposal an execution of all orders without delay is virtually assured.

To systematically market in specific areas such as camping-hiking, education or recreational activities it is necessary to re-design the catalogue. Cataloging must be simple, easy to understand and in essence create desires rather than confuse. Subject to more thorough discussion it appears sectional cataloging dealing with one kind of map only is best.

The wholesale function presents no unusual problem in terms of organization or warehousing. To ensure smooth operation at all time, arrangements could possibly be worked out to operate from the Ottawa warehouse for six months and then have new inventory shipped during this period to the new location. The central inventories would be depleted considerably after such period of time and orders could easily be filled from new locations.

With regard to investment we do not anticipate difficulties for such operation on either wholesale or retail level. Our present activities blend very well with such operation and furthermore, we have the detailed Product knowledge. It may be added that we have increased map sales from our present location by 40% over last year in three months only.

Along these lines we would submit a proposal if invited which covers essentially the following points :

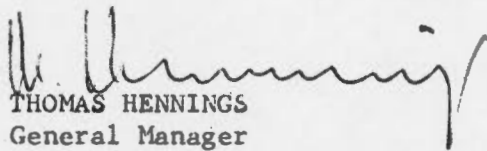
- 1) Take over inventory presently located at Central warehouse and arrange for operations to ensure a smooth transition ;
- 2) Obtain the necessary sales record from Canada Map Office and commence immediately to set up the desired dealer organization giving due consideration to existing outlets ;
- 3) Re-design in cooperation with Canada Map Office the catalogue as aforementioned ;
- 4) Prepare merchandising program to be effected with the various sales territories.

WOODS GORDON

In expressing our thoughts you may clearly see along which line we believe a national distributorship can be operated and will achieve increased sales.

Yours very truly,

E & T BOOKS LTD.


THOMAS HENNINGS
General Manager

TH/mgm



Montreal, February 9th 1977.

Woods, Gordon and Company,
Management , Consultants,
Royal Trust Tower,
P.O. Box 253,
Toronto-Diminion Centre,
Toronto, Canada
M5K 1J7

To the attention of: Mr. Frank M. McCarthy

Object: Description of the actual and future possibilities of
CIRCAM INC.

Dear Sir,

To follow the conversations we had together when you visited our offices last February 4th, we are providing you with a preliminary report concerning the present activities of CIRCAM INC. and the transformations which are to take place in the near future within our organization.

CIRCAM INC. was incorporated in 1974. The headquarters are located since the beginnings at 855 De Maisonneuve Blvd. East in Montreal.

Since two (2) years our main activities have consisted in the sale of professional and technical services at the level of planification, estimation and supervision of several types of projects: aerial photography, map production, compilation and calculation of land survey data.

It is only following the decision of the Department of Energy, Mines and Resources to give us the status of authorized dealer six (6) months ago, that we have decided to enlarge the retail sale section of our business both for topographical and international maps.

We have since put a considerable amount of work in the set up of work space, hiring and formation of personnel and invested large sums of money in the purchase of merchandise.

Our main efforts have been centered on:

- A) Rental of 1,000 sq. ft. shop where maps are assembled, plasticized, mounted and framed .
- B) Purchase of over \$20,000. of international and topographical maps.

...2/



- C) Publication of a catalogue.
- D) Distribution of over 20,000 copies of our catalogue.
- E) Transformation of our offices on de Maisonneuve Blvd.
- F) Purchase of a delivery truck.
- G) Purchase of publicity in magazines and specialized journals.
- H) Participation to the 1976 Camping Show.

The volume of sales increases constantly and our share of the Quebec Market grows constantly.

We believe that the very positive results obtained in this short lap of time (six months) are due to the fact that we already have an established reputation in the province of Quebec as being a firm specialized in the field of cartography. Also the efforts that we have put into the promotion of maps are beginning to pay off.

The rapid development of the retail sales sector has obliged us to reconsider our operating structure. It is for this reason that on October 8, 1976 we have formed a new company known as:

" CIRCAMTECH Ltée Ltd "

Les services techniques CIRCAM Ltée - CIRCAM Technical Services Ltd

This company has a federal chart and from now on will carry out the technical and professional services, proceed to the importation of international maps, and take in charge everything in the domain of transformation, presentation and production of maps.

In the future CIRCAM INC. will operate only as a retailer in the field of cartography.

We are thus in the obligation to reconsider the localization of the premises of CIRCAM INC. because the retail sales is concerned with the general public and we realize that our present office is not adequate for this purpose.

To augment the sale of our international maps we have begun discussions with several retailers and we look forward to have about twenty retailers in the principal towns of the province within the next three (3) months.

...3/



Our fiscal year has terminated on October 31, 1976 and we have realized a turnover of \$210,000. The company has practically no debts. So we are in a very good financial situation.

This is a good resume of our history and of our short term projects. We have included an organigram of CIRCAM INC. along with a copy of the organigram showing the new structure that we will set up in the near future.

If, following your research, the authorities of the Department of Energy, Mines and Resources decided to resort to the services of CIRCAMTECH Ltd as a wholesaler for the province of Quebec, we would be prepared to enlarge our personnel and invest more in the organization. This would be quite easy for us as the main structure will already be in place.

We are very interested by this project which is now under study, especially if we consider that a decision favoring our firm would come at the moment where we have the personnel, the organization, the experience and the financing necessary to work out such a project.

We remain at your entire disposal for any additional informations which could be useful to you, do not hesitate to contact us.

Please agree, sir , the expression of my best sentiments.

Sincerely yours,

Mario Poulin,
President

CIRCAM INC.

MP/mc.

Encl.

c.c. file

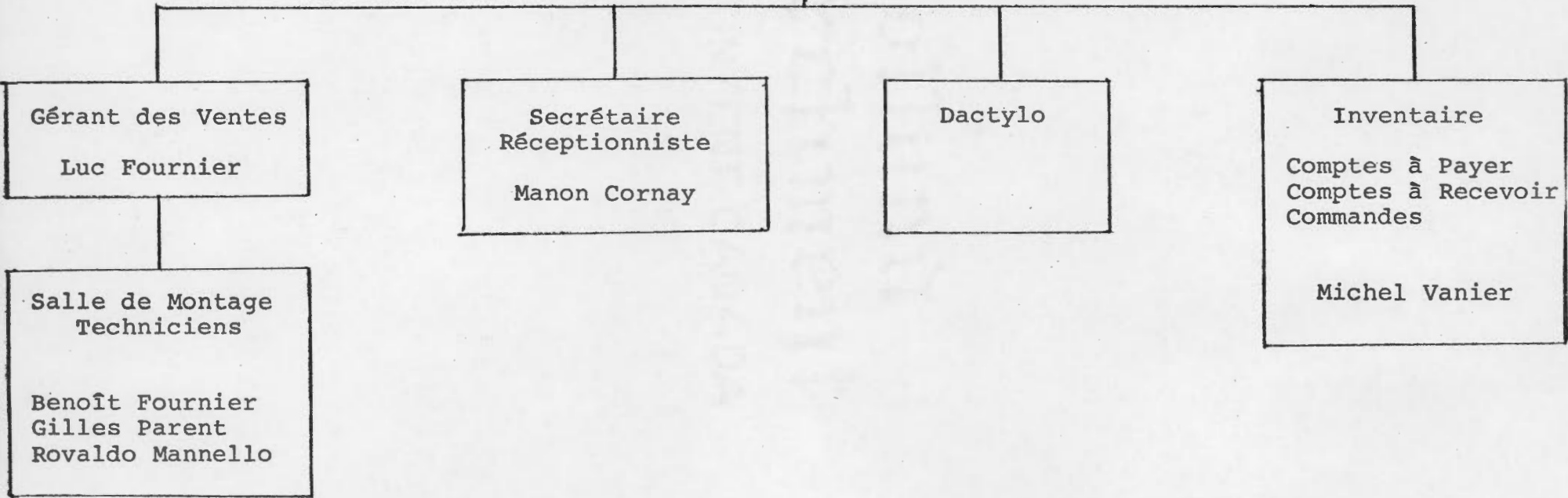
CONSEIL D'ADMINISTRATION

CIRCAM INC.

9 février 1977.

Woods, Gordon & Co.

Président
Mario Poulin
Vice-Président
Luc Fournier
Secrétaire-Trésorier
Monet Lamoureux Poulin



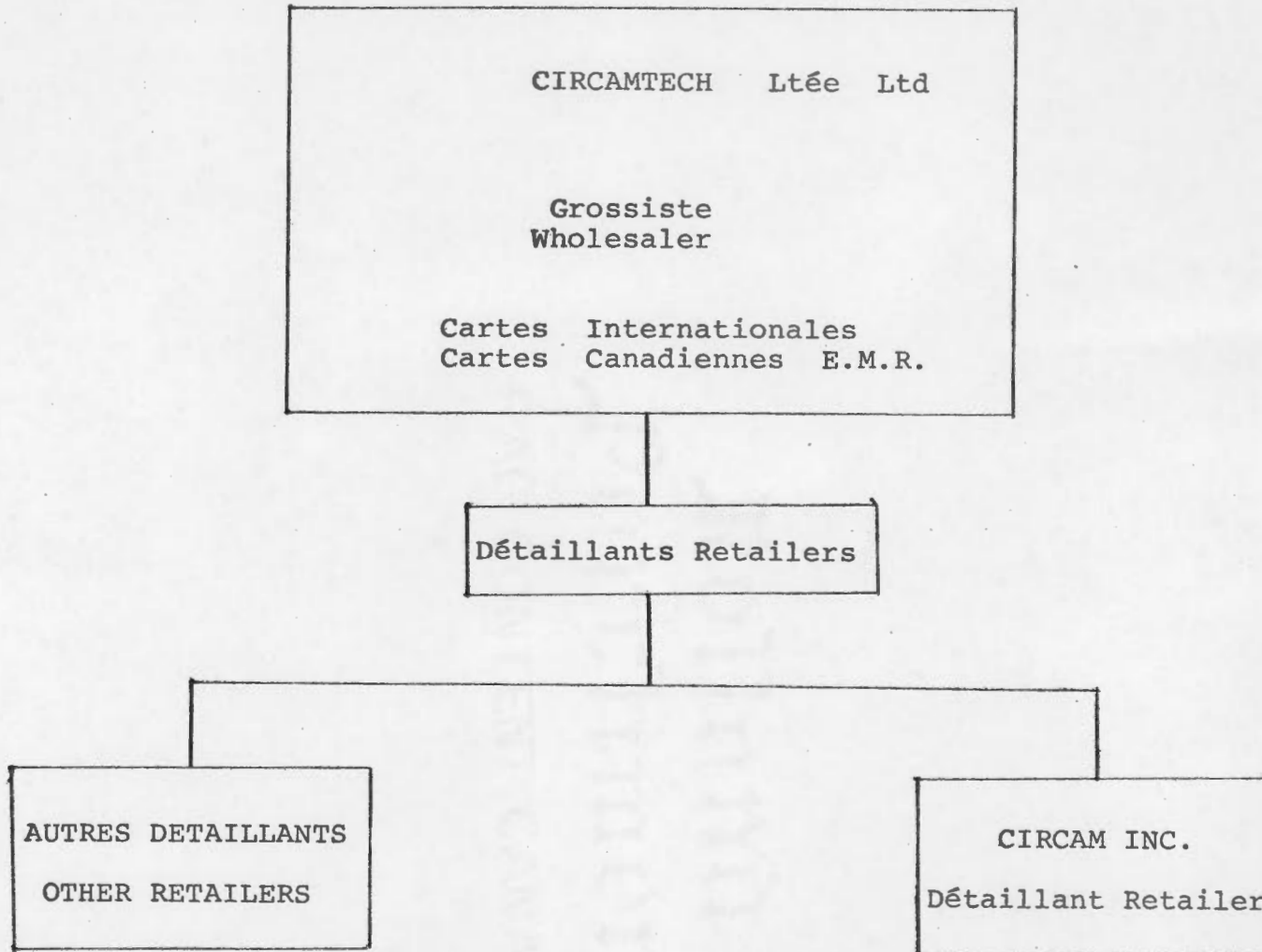
Gérant des Ventes
Luc Fournier

Secrétaire
Réceptionniste
Manon Cornay

Dactylo

Inventaire
Comptes à Payer
Comptes à Recevoir
Commandes
Michel Vanier

Salle de Montage
Techniciens
Benoît Fournier
Gilles Parent
Rovaldo Mannello



APPENDIX FIVE

**FINANCIAL ANALYSIS OF SELECTED
DISTRIBUTION ALTERNATIVES**

APPENDIX FIVE

CMO DISTRIBUTION STUDY
CONTRIBUTION TO CMO OVERHEAD
AND COSTS OF OPERATION OF VARIOUS
DISTRIBUTION ALTERNATIVES

<u>Total Revenue</u>	<u>% of Unit Distribution</u>	<u>Annual Volume</u>	<u>Distribution Alternatives</u>					
			<u>A</u>		<u>B</u>		<u>C</u>	
			<u>\$1.50(2)</u>	<u>\$2.50(3)</u>	<u>\$1.50(2)</u>	<u>\$2.50(3)</u>	<u>\$1.50(5)</u>	<u>\$2.50(6)</u>
• Free Distribution	20	600.0	-	-	-	-	-	-
• Mail/Telephone	20	600.0	\$ 288.0	\$ 450.0	\$ 900.0	\$1,500.0	\$ 900.0	\$1,500.0
• Dealers, Educational(7)	20	600.0	288.0	450.0	288.0	450.0	450.0	750.0
• Commercial, Government(8)	40	<u>1,200.0</u>	<u>578.0</u>	<u>900.0</u>	<u>576.0</u>	<u>900.0</u>	<u>900.0</u>	<u>1,500.0</u>
Total Revenue Received by CMO	100%	3,000.0	\$ 1,152.0	\$1,800.0	\$1,764.0	\$2,850.0	\$2,250.0	\$3,750.0
Incremental Costs								
• Free Distribution			\$ 180.0(9)	\$ 180.0(9)	\$ 120.0(4)	\$ 120.0(4)	\$ 120.0(4)	\$ 120.0(4)
• Mail/Telephone			-	-	120.0(4)	120.0(4)	120.0(4)	120.0(4)
• Dealers Educational			-	-	-	-	120.0(4)	120.0(4)
• Commercial Government			-	-	-	-	240.0(4)	240.0(4)
Incremental Costs Incurred by CMO			\$ 180.0	\$ 180.0	\$ 240.0	\$ 240.0	\$ 200.0	\$ 600.0
Contribution to CMO Overhead and Costs of Operation								
- assuming a fulfillment charge of 20 cents per unit			\$ 972.0	\$1,620.0	\$1,524.0	\$2,610.0	\$1,650.0	\$3,150.0
- assuming a fulfillment charge of 50 cents per unit			\$ 972.0	\$1,620.0	\$1,364.0	\$2,250.0	\$ 750.0	\$2,250.0

NOTES TO EXHIBIT

1. Distribution alternatives examined:

<u>Alternative</u>	<u>Description</u>
A	All distribution activities performed by outside wholesaler(s).
B	Mail order fulfillment performed by fulfillment firm contracted by the Canada Map Office. All other distribution activities performed by outside wholesaler(s).
C	All physical distribution activities performed by fulfillment firm contracted by Canada Map Office.

- A retail selling price of \$1.50 would net the Canada Map Office 48 cents per map on sales to outside wholesaler(s) (and provide for a 35% wholesale margin and a 50% retail margin).
- A retail selling price of \$2.50 would net the Canada Map Office 75 cents per map on sales to wholesaler(s).
- Canada Map Office pays fulfillment firm 20 cents per map distributed.
- Canada Map Office receives \$1.50 for each map distributed in response to mail or telephone orders or to commercial or government accounts, but 75 cents per map distributed to dealers and educational institutions.
- Canada Map Office receives \$2.50 for each map distributed in response to mail or telephone orders or to commercial or government accounts, but \$1.25 per map distributed to dealers or educational institutions.
- Dealers and educational institutions receive a 50% discount on all orders.
- Commercial and government organizations pay full retail price. Orders are filled by authorized dealers.
- Canada Map Office pays wholesaler(s) 30 cents per map to perform the free distribution function.

