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# DRUG STORE MANAGEMENT



# DRUG STORE MANAGEMENT

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DRUG STORE MANAGEMENT

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# Preface

**A**LERT pharmacists have found that the success of their drug stores is due as much to the employment of modern merchandising practices as to any other single factor. Although the distinctive professional aspects of pharmacy must be conserved, it is likewise true that the merchandising activities, which the pharmacist is called upon to perform, must not be neglected. Those who have made a success of merchandising in drug stores have learned among other things the importance of selecting the right type of goods for their customers. They have discovered that displays of the proper kind will materially increase their sales volume. They know the degree to which profits are affected by the accuracy with which records are maintained.

This book describes and analyzes methods, policies, and practices that have proved successful in drug stores throughout the United States. The experience of individually owned and multiple-unit drug stores has been liberally drawn upon when pertinent. The authors have kept in mind the everyday needs of the practicing pharmacist as well as those of students in the schools of pharmacy. It is believed that this book will meet the needs of the pharmacist who is faced with specific problems of a merchandising nature and those of the student who wishes to familiarize himself with the most modern merchandising techniques applicable to drug stores.

It would be impossible to list all the sources from which the ideas and information in these pages have been drawn. Successful pharmacists in every section of the United States have directly contributed their ideas and experiences. Numerous manufacturers have generously lent their assistance. Trade magazines have been consulted freely.

The authors are under particular obligation to Mr. George V. Doerr, Vice-President of McKesson Robbins and former President of the National Wholesale Druggists' Association; Dr. Robert L. Swain, Editor, and Mr. Dan Rennick, Editorial Director of *Drug Topics*; Mr. Joseph Shine, a successful practicing pharmacist and also Secretary of the Illinois Pharmaceutical Association; Mr. George A. Bender, editor of the *National Association of Retail Druggists' Journal*; Mr. Harry S. Noel, Director of Trade Relations, Eli Lilly and Company; Mr. I. H. Bander, sales manager of McKesson and Robbins; and Dr. E. L. Newcomb, Executive Vice-president and Secretary of the National Wholesale Druggists' Association. Each of the above read the entire manuscript and gave valuable counsel. As far as possible, the authors attempted to incorporate their suggestions in the finished text, but it has not been possible to incorporate all of them. The authors wish to emphasize the fact that the above individuals are not to be held responsible for any statements contained in the pages of this book.

Our associate, Professor J. Wayne Ley gave valuable technical aid in the preparation of this manuscript.

To Eli Lilly and Company—the authors are especially indebted for their material assistance in making possible this volume. Their unselfish cooperation is most gratefully acknowledged by the authors.

HERMAN C. NOLEN,  
HAROLD H. MAYNARD.

COLUMBUS, OHIO,  
August, 1941.

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# Foreword

TWENTY-FIVE years ago, despite the apparent need for it, the closely scheduled hours of a two-year course in pharmacy made it difficult if not almost impossible to provide students with more than a smattering of information on the problems of drug-store management. In some quarters there was even considerable opposition to the inclusion of any commercial subjects, on the grounds that pharmacy was a profession and such training should be acquired elsewhere. A few schools of pharmacy thought otherwise and were able to demonstrate that their graduates were more valuable to drug-store proprietors than were those who had little or no commercial training. With the passage of the years, the growth of the multiple store idea, the keenness of competition, and the diversity of merchandise and service have placed increasing emphasis on scientific management, careful planning, and skilled interpretation of records and figures. Need for modern textbooks was felt, oddly enough, before such works were available. Surveys showed that the books in use in colleges of pharmacy where commercial subjects were taught were for the greater part both inadequate and outmoded.

Professors H. C. Nolen and H. H. Maynard, of Ohio State University, authors and editors of *Drug Store Management*, were eminently well qualified to prepare a useful volume on the drug business for use by progressive pharmacists

already in business and for classroom instruction. The drug business, however, may truly be said to require special economic consideration. There are many factors that distinguish it from other types of retail business. It is first a profession, yet as a profession it depends for success upon the close attention to many of the principles that are common to all retail enterprises. Such limitations as were those of two teachers of university merchandising were overcome by careful consultation with not one but many leading and successful men thoroughly familiar with the ramifications of the retail drug trade. As a result, their work is practical and, while not elementary, at the same time it deals with the fundamentals of successful management quite free from technical terms and theoretical interpretations. It should serve a very useful purpose and prove of material assistance in raising the status of the pharmacist and pharmacy.

INDIANAPOLIS, INDIANA,  
August, 1941.

H. S. NOEL,  
*Director Trade Relations*  
*Eli Lilly and Company.*

# DRUG STORE MANAGEMENT





# Pharmacy as a Career

## CHAPTER 1

**M**ORE than twenty-one million people, or approximately one in every seven persons living in the United States, patronize our 58,000 drug stores every day. This is a larger group of daily customers than can be claimed by any other type of retail institution with one exception, the food store.

Pharmacies and drug stores are so firmly a part of the fabric of our modern way of living that it is doubtful if any other type of institution can supplant them. The nature of drug store operation has changed over the years, but the drug store has been and perhaps always will be primarily concerned with the nation's health. While not all drug store products are medicinal in nature, the basic merchandise is of this type. The modern drug store is still built around professional pharmaceutical service, even though far removed from the ancient apothecary.

### Opportunities in Pharmacy

Pharmacy as a career holds a unique opportunity for thousands of ambitious young Americans. In contrast to the overcrowded conditions that appear to exist in practically every other field of employment, pharmacy reports a positive need for newcomers into its ranks. Many attractive, well-paying positions are waiting to be filled by those who can qualify for them. The nation can make immediate use of

many more pharmacists than are now engaged in active practice.

At the present time there are approximately 110,000 men and women pharmacists practicing in the United States. Each year during the past decade, for one reason or another, the total number has been reduced by some three thousand, and yet only about fifteen hundred newcomers have been ready to step up and take the places thus vacated.<sup>1</sup> This situation probably does not hold true in any other profession.

While there are more than sixty different positions that the pharmacist can fill, about 90 per cent of the graduates of colleges enter pharmacies and drug stores, where they become proprietors, managers, pharmacists, assistants, chemists, etc. It is no mere accident that the vast majority of graduating pharmacists choose the retail field as a place for beginning their careers. They select it because it holds a promise of reasonable reward to those who properly prepare themselves for this work.

In addition to satisfactory money incomes for those who are alert and efficient, the business of drug retailing offers an unusual measure of intangible satisfactions—rewards that cannot be measured in dollars and cents. There is, first of all, the satisfaction that comes from rendering an indispensable public service—the protection of the health of the pharmacy's patrons. There is the fascination of participating in a competitive business that demands the full exercise of ingenuity and skill in its direction. There is the satisfaction of possessing a wide circle of friends and acquaintances and the prestige that the pharmacist holds in the community or neighborhood.

The monetary reward of those who engage in the retailing of pharmaceutical and drug products naturally varies widely. However, a new graduate in pharmacy may expect a salary of about \$30 per week, once he becomes a registered pharmacist. As he gains greater proficiency and acquires a sound knowledge of retail store operation, his earnings may increase

<sup>1</sup> "You Might Like Pharmacy as a Career," *Western Personnel Service*, Pasadena, Calif., November, 1940, pp. 1-2.

to \$60 or \$65 per week. If he becomes a successful independent owner, he may net from \$2,000 to \$20,000 or more annually.<sup>1</sup>

## The Extent of the Retail Pharmacy Field

Those pharmacy graduates who select drug store merchandising find a fertile field for their activities. It is one of the most firmly established and most stable of all types of retailing.

In the United States in the year 1939 there were 57,903 pharmacies and drug stores, of which 39,452 had soda fountains and 18,451 had none. The total sales volume of all these stores rose to the imposing sum of \$1,562,502,000, of which 77.1 per cent was accomplished by stores with fountains. It is significant that, in the decade from 1929 to 1939, the average sales volume of stores with fountains decreased considerably less than that of stores without fountains. In fact, the daily sales declined only \$5 for fountain stores, whereas nonfountain stores lost \$10 in daily volume. In the United States in 1939, there was one drug store for every 2,257 persons, and the per capita drug store volume was \$11.94.

Table 1.—Drug Store Sales, 1939, 1935, and 1929

	Stores with fountain			Stores without fountain			All stores		
	1939	1935	1929	1939	1935	1929	1939	1935	1929
Number of stores . . . . .	39,452	38,731	34,844	18,451	17,966	23,414	57,903	56,697	58,258
Total sales volume in millions of dollars . . . . .	\$ 1,205	\$ 950	\$ 1,149	\$ 357	\$ 282	\$ 541	\$ 1,563	\$ 1,233	\$ 1,690
Average yearly sales volume . . . . .	\$30,542	\$24,528	\$32,695	\$19,362	\$16,253	\$23,111	\$26,983	\$21,740	\$29,015
Average daily sales volume . . . . .	\$ 84	\$ 67	\$ 89	\$ 53	\$ 44	\$ 63	\$ 74	\$ 60	\$ 80

Source: Publications of the Bureau of the Census.

**INDIVIDUALLY OWNED AND CHAIN DRUG STORES.**—Approximately 7 per cent of the drug stores in the United States are stores operating under chain ownership and control. Al-

<sup>1</sup> "Pharmacy," *Guidance Leaflet 14*, p. 5, U.S. Department of Interior, Office of Education. 1939.

though they are not impressive in numbers, chain drug stores are located mainly in the downtown shopping areas of cities and, as a consequence, do a relatively large volume of business. The average daily sales volume of chain drug stores in the United States in 1939 was \$266, as compared to an average of \$59 for individually owned drug stores. In 1940 it was estimated that the average daily sales of the latter type of drug store had risen to more than \$60.

### Modern Drug Stores

Of the total number of pharmacies and drug stores in the nation only a few, comparatively, can be classified as exclusively professional pharmacies. It has been estimated that there are not more than six hundred pharmacies of this type, or about 1 per cent of the total number of drug stores. These stores are located mainly in communities that are large enough to support a group of prescription-writing physicians. Few cities of less than twenty thousand persons are able to support purely professional stores.

The vast majority of drug stores are combination professional and merchandising stores, handling not only strictly drug products but also cosmetics, candy, tobacco, cameras, toiletries, and sundries. In many ways the modern drug store may be looked upon as a group of departments with many of the departments bearing a more or less close relationship to the health needs of the public. In the past few decades it has been necessary to expand the number and types of products merchandised in drug stores because of changes in our mode of life and technological advances in the field of pharmacy and medicine. As a result, the present-day drug store is an entirely different institution from its predecessor of fifty years ago. Today it is a *merchandising* as well as a professional institution.

**THE DRUG STORE A GROUP OF DEPARTMENTS.**—In the case of the vast majority of the pharmacies and drug stores of today, each is in reality a collection of individual departments grouped about consumers' health needs. Although not every pharmacy supplies all the following types of services and

merchandise, most pharmacies do. The modern drug store, as a rule, dispenses prescriptions, drugs, proprietary medicines, surgical dressings and hospital supplies, vitamin products, cosmetics and toiletries, candy, tobacco, magazines, sundries, and fountain service. The proportions in which these several commodities are sold vary greatly from store to store, some

Table 2.—Breakdown of the Annual Sales of the Typical Individually Owned Drug Store by the Ten Principal Departments, 1940\*

<i>Department</i>	<i>Percentage of volume</i>	<i>Dollar volume</i>	<i>Percentage gross margin on competitive basis</i>	<i>Gross margin</i>
Prescriptions and drugs.....	13	\$2,860	50	\$1,430.00
Vitamins.....	4	880	33	290.40
Proprietary medicines.....	13	2,860	23	657.80
Controlled lines.....	3	660	50	330.00
Hospital supplies & surg. dressings.....	3	660	40	264.00
Cosmetics and toiletries....	8	1,760	33	580.80
Sundries.....	6	1,320	40	528.00
Candy.....	5	1,100	33	363.00
Soda fountain.....	25	5,500	42	2,310.00
Tobacco and periodicals.....	20	4,400	15	660.00
	100	\$22,000	33.7	\$7,414.00

\* Table 25, Appendix C shows the 1939 Census of Business breakdown of drug store sales by commodity groups.

Source: Compiled from Census data and from material secured from Mr. J. J. Shine, secretary, Illinois Pharmaceutical Association and others. Unfortunately there are very few up-to-date data available on the distribution of independent drug store sales among the various types of merchandise. Likewise, the cost and gross profit information relating to the various merchandise classifications is also very meager. However, the information presented in Tables 2, 3, 4, and Fig. 1 is believed to be reasonably accurate. A number of well-informed individuals were interviewed and the data presented here represent the consensus of opinion as interpreted by the authors.

pharmacists concentrating their efforts on professional services while others place greater emphasis on other departments. The average proportions in which the major lines of merchandise are sold are shown in Tables 2 and 3. For any individual pharmacy these proportions may not hold true, as they are average or typical figures. Table 2 shows the percentage distribution as well as the dollar sales for each major line for a typical individually owned drug store doing

about \$22,000 in volume annually, and Table 3 shows the same for the average drug store, including chains.<sup>1</sup> Approximately 40 per cent of the sales are directly associated with health needs, whereas the balance is accounted for by the tobacco, soda fountain, cosmetic, candy, and sundry merchandise. Tables 2 and 3 also show the average gross margin for each department and the contribution of each to the store's total gross profit. The professional departments of individually owned drug stores contribute \$2,915 to the total gross profit, or almost 40 per cent of the total.

Table 3.—Breakdown of the Annual Sales of the Average Drug Store, Including Chains, by the Ten Principal Departments, 1940

<i>Department</i>	<i>Percentage of volume</i>	<i>Dollar volume</i>	<i>Percentage gross margin on competitive basis</i>	<i>Gross margin</i>
Prescriptions and drugs.....	13	\$ 3,507.79	50	\$1,753.90
Vitamins.....	4	1,079.32	33	356.18
Proprietary medicines.....	13	3,507.79	23	806.79
Controlled lines.....	3	809.49	50	404.75
Hospital supplies and surgical dressings.....	3	809.49	40	323.80
Cosmetics and toiletries.....	8	2,158.64	33	712.35
Sundries.....	6	1,618.98	40	647.59
Candy.....	5	1,349.15	33	445.22
Soda fountain.....	25	6,745.75	42	2,834.22
Tobacco and periodicals.....	20	5,396.60	15	809.49
	100	\$26,983.00	33.7	\$9,094.29

Source: Same as Table 2.

Table 4 shows the breakdown of the daily sales of the typical individually owned drug store. The total average daily sales volume of \$60 is believed to be representative for the year 1940. Figure 1 shows the average daily sales volume for the 10 major-product divisions of the average independent

<sup>1</sup> The \$22,000 figure for the typical individually owned drug store is computed from estimates based on 1939 and 1940 Bureau of Census data. The \$26,983 figure for all stores is the average sales volume of all stores as reported by the Bureau of Census in January, 1941, for the year 1939.

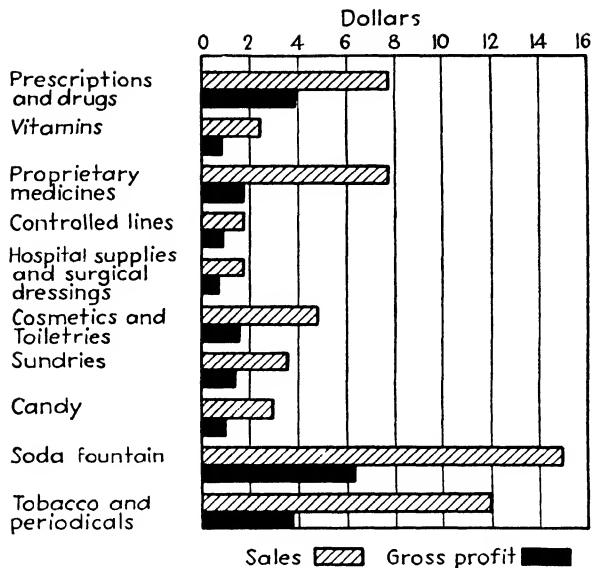


Fig. 1. Average daily sales and gross profits by merchandise groups for the typical individually owned drug store, 1940.

Table 4. —Average Daily Sales by Departments for the Typical Individually Owned Drug Store, 1940

Department	Percentage of volume	Daily sales	Daily gross profit or margin
Prescriptions and drugs . . . . .	13	\$ 7.80	\$ 3.90
Vitamins . . . . .	4	2.40	.79
Proprietary medicines . . . . .	13	7.80	1.79
Controlled lines . . . . .	3	1.80	.90
Hospital supplies and surgical dressings . . . . .	3	1.80	.72
Cosmetics and toiletries . . . . .	8	4.80	1.58
Sundries . . . . .	6	3.60	1.44
Candy . . . . .	5	3.00	.99
Soda fountain . . . . .	25	15.00	6.30
Tobacco and periodicals . . . . .	20	12.00	1.80
	100	\$60.00	\$20.21

Source: Same as Table 2.



drug store and also the percentage contribution of each of these departments to the total daily gross profit of \$20.21.

**NECESSITY FOR PROFICIENCY IN MERCHANDISING.**—Earlier in the present chapter it was indicated that the retail merchandising of drug products offered a real opportunity for aggressive pharmacists. This statement rests on the condition that the pharmacist acquire merchandising skill (the ability to take advantage of every possible sales opportunity) as well as professional proficiency. In the successful operation of a modern pharmacy or drug store, one is as essential as the other. No one can reasonably deprecate the necessity for a thorough pharmaceutical training for pharmacists, drug store owners, and employees. Nor can it be denied that merchandising ability is a fundamental characteristic of successful retailing by pharmacists.

**CONDITIONS FOR SUCCESSFUL MERCHANDISING.**—If pharmaceutical products are to be merchandised profitably, the following conditions are essential:

1. *A Suitable Store Room in a Good Location.*—In order to make the most effective use of its possibilities, the pharmacy or drug store must be located in a suitable building, which is easily accessible to customers.
2. *A Store Layout and Equipment Which Will Help Sell Goods.*—The store building should be so planned and the equipment must be such as to facilitate the operation of the store. Carefully planned equipment is as necessary to the modern drug store as it is to a modern manufacturing plant.
3. *A Clean and Well-kept Store.*—Neatness, not only of merchandise, but also of the store itself and its equipment, is an essential of successful operation. Customers “buying health” like and expect hospital cleanliness in pharmacies.
4. *Good Personnel Management.*—In all but the “one-man” drug store, employees must be carefully hired, trained, supervised, and paid. Drug store merchan-

dising requires special abilities and personal attitudes as well as certain definite types of personalities. Without these qualities, drug store employees and their employers suffer serious handicaps.

The importance of finding employees of the right type and then bringing out the best that is in them by sound training, careful supervision, and adequate incentives cannot be overestimated.

5. *Sound Buying.*—It is essential that the pharmacist buy the kinds of merchandise that his customers want and buy in quantities that enable him to operate efficiently. Also he must offer his merchandise at prices that his customers are ready and willing to pay.
6. *Planned Sales Promotion, Advertising, and Display.*—Successful drug store operation is dependent on well-planned and coordinated sales promotion and on display advertising, which attracts customers into the store so that they may buy merchandise attractively displayed. Merchandise can sell itself only if it is brought to the customer's attention in an appealing manner.
7. *Effective Selling.*—After the drug store has made its stock preparations and after customers have been invited by advertising and display to come in and see what is offered, the merchandise must be presented by the sales person in such a way as to insure the sale. Effective selling is a major factor in drug store success.
8. *An Accounting System That Provides Essential Information on the Store's Operations.*—Every pharmacy or drug store needs an adequate system of records and accounts. Practically every survey of drug store failures has shown that the lack of knowledge of operating expenses and profits has been an important contributing, if not direct, cause of such failures.
9. *Adequate Financing.*—A drug store must have the necessary capital to cover its investments and provide

working funds. No pharmacy can succeed without adequate funds to carry on its business.

10. *Professional Integrity.*—Standing at the foundation of the drug store's operation and influencing all of the store's relations with its public are the quality and integrity of the professional service that it renders. The professional reputation that the store maintains is a vital ingredient in its merchandising success.

# Getting Started in the Drug Business

## CHAPTER 2

SOME graduates of colleges of pharmacy seek to apply their scientific training in the purely research phases of the profession. Others plan careers as salesmen for drug manufacturers or wholesalers. But almost every pharmacist looks forward to the ultimate operation of a drug store as the logical outlet for his professional training. A few such graduates purchase stores almost as soon as they receive their diplomas. Many must become employees of others until they can save enough to finance the purchase of a store. Still others realize that although the necessary capital may be at once available they are not yet ready to operate a modern drug store successfully and hence seek an opportunity to supplement their pharmaceutical training by becoming associates in merchandising and in the operation of the prescription room. They do this because they realize that experience with a successful pharmacist will give them the practical training and development that they need before operating their own stores.

### Value of Store Experience

The young pharmacist who does not undertake the operation of a store until after he has had several years of experience working for someone else is doubtless very wise. Sometimes part of the necessary training is gained while working in drug stores during the period of professional school attendance.

But the belief is that time so spent is not so effective as is an equal number of hours spent in a store after graduation. Before that time the clerk's attention is on his college work. After graduation he is thinking of the early acquisition of a store and hence takes every opportunity to learn by experience those things that will guide him to success in his own store.

When a pharmacist first takes over the management of a store he learns that his knowledge of the scientific aspects of his profession, indispensable as they are, must be supplemented by learning how to do the host of things that can be learned only by experience.

Reading and learning about the experience of others as recorded in the trade papers are helpful, as is also a careful study of books such as this one. But an essential factor in retail success is knowing how to work with customers, how to buy for them, how to serve their needs, and how to forecast what they will need next month. This knowledge is acquired only as a result of some months of constant contact with the people who come as customers to the counters of a retail drug store. It is for these reasons, perhaps, as much as because of lack of capital, that many a pharmacist delays in acquiring a store until he feels that he has absorbed the details of everyday management to such a degree as to make his success probable.

Still another gain comes from a period of employment before the pharmacist gains the status of store owner. Many pharmacy graduates find after a few months in a store that they do not wish to become retailers. Others realize that it may be best to seek an opportunity for store ownership in a distant section of the country. Still others are attracted by a period of wholesale selling before they settle down to the seven-days-a-week routine of store operation. The numerous instances of unhappy lives and misspent careers with which every mature business man is familiar can be lessened by time spent in the relative freedom and mobility of a clerkship. Perhaps the importance of gaining maturity of experience and ripeness of judgment can be further emphasized by noting that if a mistake is made and a store is opened before the

pharmacist is able to manage it successfully, or if it is in the wrong location, the capital invested may be lost and, what is still worse, the ambition of the pharmacist may be so curtailed as to make him in the following years fit for only mediocre types of employment under the direction of others.

## Selecting a Store Location

After the pharmacist has, by working for others, prepared himself for the operation of his own store, after he has saved the essential capital, and after he has gained the maturity in life that makes for successful operation of a business, it is time to look for a merchandising opportunity and to think either of buying an existing store or of opening one in a location not hitherto occupied by a store.

The selection of the proper location is one of the most vital elements in the success of any retail business. Particularly is this true in the drug business. Other factors that make for success—such as training, experience, capital, and personality—may all be offset by a location that makes it impossible to secure the necessary volume or one that secures high volume at disproportionately high costs.

Often a pharmacist has failed either because the initial location chosen was not good or because he did not adapt his policies to changes in the community or neighborhood, such as declining buying power or an increase of apartment-house dwellers. Today there are others who are wondering why policies which, when combined with hard work, once succeeded are no longer so effective as they used to be. The secret often lies in the location factor. Fortunately, certain rules or principles have been developed from the experience of the trade which enable a pharmacist to test prospective locations and to estimate probable sales with a good degree of accuracy.

**TYPES OF LOCATIONS.**—Drug stores are found in locations of three principal types, each of which presents problems peculiar to itself. These are (1) rural and smaller city locations, (2) city neighborhood sites, and (3) downtown locations.

The principal factors to be considered in measuring the relative value of different drug store locations in each of these

three types of area will now be presented. In general, the factors apply to opening a new store or purchasing an existing store.

**SELECTING A SMALL-TOWN LOCATION.**—The first thing to consider is the community itself. Then comes the determination of the site within the community. Communities differ in sales possibilities.

*Potential Buying Power.*—One thing to think of is the basic buying power of the people who will be customers of the store. Where do they get their money and how often do they get it? If the location is basically rural, one must find out what kind of farming is being done. If the income of the residents depends upon one crop—such as wheat, cotton, early vegetables, or tobacco—or if it is from a single industry—such as mining, lumbering, or fishing—the pharmacist's prosperity will be closely geared to that of the one industry. If the community has starvation years, so will he. In such periods he will sell only bare necessities and many of them only on long-term credit, with heavy ultimate loss. It may be far better to select a community that enjoys frequent income from the sale of diversified crops—crops that come on the market almost every month of the year.

The same principle is applied in appraising the industrial community. If the income of the people comes from one big plant or from a single industry, the pharmacist must depend in large measure on its continued success. He should try to find out the state of its business health and to predict its future. Another important point is to determine whether the "one big plant" is likely to be affected by mergers or consolidations. It is far safer to select a community that combines diversified farming with industrial income from a number of different sources.

*Types of People.*—The population makeup of the community should be noted. Buying habits and standards of living are, in part at least, a reflection of racial backgrounds. Perhaps only a pharmacist who is himself a member of the dominant nationality will do well. Note the age of the people, for age of the population has an important bearing on con-

suming habits. Many Midwestern county-seat towns have as residents a large number of retired farmers. As a class, they are good drug buyers. Certain sections of our cities offer good opportunities to the pharmacist who can adapt his inventory and his policies to the needs of the rising second or third generation sprung from foreign-born parents.

*Relation to Other Markets.*—Before selecting a community, the new pharmacist should weigh prospective competition with other cities or towns. Is there a larger town within easy driving distance where there is already an overabundance of price cutters? Are there outstanding stores in other lines in the community being considered or in competitive towns? Do the younger people use home-town movies, skating rinks, etc., or do they go to some other town? If they go elsewhere for any other reason, they will do part of their drug business there at the same time.

It is vital to check the highway situation. If there are major roads leading directly to near-by communities and not to your town, it is just that much harder to draw farmer and transient business to it. Hundreds of smaller communities are now being cut off from trunk highways by the present policy of routing traffic around them whenever possible, rather than through them. If tourists or truck drivers do not stop for gas, oil, lunch, or garage service, the pharmacist does not get the business in his line which almost always accompanies such a stop. Remember also that farmers in the surrounding area tend to follow the highways. Investigation will disclose the probability of suffering from highway relocation.

*Competition.*—Finally, in planning to open a new store, it is important to measure the degree of competition that the additional drug store will face. Is there room for another drug store? If the pharmacists now in the community are not operating modern stores, perhaps one of them may be replaced in time by the new store. But be careful at this point. If the merchants in other retail lines are similarly ineffective, one good drug store cannot alone establish the community as a good place in which to trade.



The opportunity for another store can be measured by the following quick method:

1. Estimate the drug-buying power of the community. The way to approach the question is to find out how many families can buy in this town more conveniently than in any other. If the residents are principally middle-class people, multiply the number of families by \$50—the average annual family expenditure for drugs—to get the potential business for all the pharmacists in the community. If you believe that incomes are over or below the national averages, adjust the annual buying power per family accordingly.
2. Estimate the amount of sales now being made by the existing drug stores.<sup>1</sup> This can be done by determining the number of proprietors and full-time clerks. Then estimate their yearly wage and multiply that result by six to get the volume now being obtained. This is correct because the direct wage cost of drug stores should be approximately one-sixth of net sales. A similar and reasonably accurate method is to use \$9,000 per year, or \$25 per day, as the probable sales made by each full-time employee.
3. Subtract the amount of business now being done in the community from the potential secured as above indicated. This will enable you to determine whether there is an opportunity for another drug store, for the calculation will reveal how much business seems to be getting away from the present stores. The pharmacist should then ask himself one question and give an honest answer. The question is: Can I do enough better business to bring this lost business back to the community? If he thinks so, he should go ahead. But he should also remember that he is in competition with every drug store that advertises in city newspapers read in his community.

<sup>1</sup> Frequently, exact information on the drug sales of the community may be obtained from the 1939 Census of Retail Trade.

*Selecting the Site.*—Selecting the site in the town or small city usually is not difficult. One big factor is the number of passers-by. Count how many go by the different possible sites and get as close to the 100 per cent location as possible. But keep in mind that drug stores, unlike variety stores and automobile salesrooms, should not cluster, *i.e.*, locate close together. If two equally promising sites or, possibly, stores are available, take the one farther away from the existing drug store, for your store will gain from convenience buying. Other things to consider are the size of the building and its shape. Is it in good repair? What will the landlord do? Just what must the pharmacist do to it before he can use it?

SELECTING A CITY LOCATION. *Selecting the City.*—When each of several possible cities for a new drug business is considered, the community factors mentioned above should be weighed. Additional emphasis should be given to industrial income. Other sources of income, such as state departments or institutions, wholesale and other distributing enterprises, railroad shops, etc., should be evaluated as to degree and probable permanence. Many of these last sources are desirable, since they usually provide a fairly stable flow of income to their employees.

*Selecting a City Neighborhood Location.*—The first thing to consider when a good city neighborhood location is being sought is the probable number of customers and their buying power. This cannot be so accurately estimated as in the smaller towns since far greater variations occur. But one can determine if the residents are office workers, railroaders, professional classes, casual workers, or even largely unemployed. This can be determined in part by noting the type of home in the community. Examination of magazines by types carried in existing stores aids in community analysis. But before this, one must have decided whether he believes that his background of experience fits him better to sell to persons with high income or to those of low income. Is he fitted for a service or a non-service store? Has he the capital to equip a store in a high-income neighborhood and the inclination to render the service that persons living there demand?

When a store is contemplated in a newly developed neighborhood, a family count is desirable. Estimate each family's drug expenditures at about \$50 a year and estimate that they will spend 75 per cent of that amount in a neighborhood store if it appeals to them. This will give you a measure of the volume you can expect in a new neighborhood where you would be operating the only drug store.

Then note the direction from which the trade comes. Choose a location which will make it easy for the people to buy from you. If you are thinking of buying an existing store, note which side of the street has the greater buying power back of it. There is often a wide difference. Where is the traffic signal light, or where will it likely be when it is installed? What parking limits are in force or probable? As a rule, boulevards should be avoided, since it is hard to stop through traffic.

The parking problem is so acute in the average city neighborhood that many pharmacists are finding those locations are best that provide drive-in parking. Often stores may be located in a real estate development that has for its key a super food market and combines a number of convenience- and service-type shops or stores in a single series of buildings, with parking opportunities in front of, around, or behind the building. In recent years it seems that drug store locations of this type are particularly good if the rent is not too high.

Existing competition must of course be considered. Is the community well served at present? Can the new pharmacist do a better job than the present merchants are doing? Can he get a location that is as good or better? Is it probable that the section will attract a deep price-cutting competitor? The number and quality of the restaurants in the community also should be taken into account.

A number of other community factors should be considered. One is the location with reference to schools. Some pharmacists believe that school business, small as it is in individual sales, bulks large enough to make up for the tendency to make the store unattractive to adult buyers. Usually, the alert, competent young pharmacist does not seek a location

near a school for he can build a more profitable business elsewhere. Playgrounds present a similar problem. Hospitals bring in some prescriptions and some drop-in business from those who visit the patients. Areas largely devoted to physicians' offices present an opportunity for the pharmacist who specializes in prescriptions. Attention should be paid to the dispensing practices of the physicians of the community, since in some areas at least there seems to be an increasing tendency toward dispensing rather than prescribing. Neighborhood theaters help the fountain business and, through it, other lines.

*Selecting a Downtown Location.*—There are few ideal locations for downtown stores available at any one time in the average city, since the good ones are normally under long-time lease. The problem is, therefore, that of determining whether a possible site deserves a 75 per cent or an 85 per cent rating. Traffic counts are helpful, but only when they account for different hours of the day and each day of the week. A heavy traffic count is misleading when it is due to traffic on the way to a terminal, to a factory, or to an office building. Perhaps this traffic may be brought into a store at some other hour, but only for emergency purchases when it is on its way to work.

Many good downtown locations depend upon the drawing power of office buildings, hotels, or some other traffic-creating factor. If the traffic is present, the location is usually worth considering for a drug store, since the pharmacist sells to almost every type of customer. But remember that traffic created by a department store is usually of little value to a pharmacist, although it may help other specialty merchants.

It is well to note the type of street involved. Is it a cross street, a boulevard, or a one-way street? Each presents obvious limitations for the downtown pharmacist. Note whether one side of the street is largely devoted to men's wear or to women's wear, for this is a significant factor in many cities. If it exists, decide whether the proposed store can best appeal to a trade dominantly feminine or dominantly

masculine. In Southern cities, the shady side of the street has a distinct advantage.

Some pharmacists, especially chain operators, will not consider a location other than one on a corner. Two-way traffic and display opportunity is doubtless helpful, but often the corner rent is out of proportion to the value of the site. Lower rent, especially when the personality of the independent pharmacist is favorable, may offset the corner advantage. A "pine-board" store does not need a corner.

### The Store Building as a Factor in Site Selection<sup>1</sup>

Sometimes the choice between two or more possible locations is largely based upon the building that is available and the rent that must be paid. This is logical, since a modern store cannot be operated unless the building is suitable. Attention should be given to the shape, *i.e.*, the proportion between the width and the depth. Modern open-display layout demands that the width of the store be at least 22 feet. The length is not important, unless it is limited. Sometimes it is wise to close off the back part of the room, if its use involves too great an expenditure for fixtures. The type of window display space available and the possibility of rebuilding the entrance and windows at not too great a cost should be considered. It is important to reach a clear understanding with the landlord as to just what rebuilding he will do and what the tenant is to do for himself. If the merchant is required to pay for changes, the necessary cash outlay and the question whether the lease gives sufficient protection should be weighed.

It is also important to know just what type of construction has been used in the building, for insurance rates are affected by the degree of fireproofing, the roof material, the type of wiring and other similar factors. Check the efficiency of water and heating facilities and the probable cost of installing more adequate electrical outlets as they are needed from time to time. It is not always possible to foresee such changes and to provide that they shall be made by the landlord. Consider also the condition and possibilities of the floor.

<sup>1</sup> For a detailed discussion of the store building, see Chap. 5.

The basement is important. Is it damp or subject to floods? How high is the ceiling? What natural or artificial lighting is available? Will it be possible to install sanitary rest rooms and washrooms if they are not now available? What provisions can be made for preparation of food for the fountain?

Finally, check facilities for the receipt of incoming merchandise. If there is inadequate entrance from the rear, deliveries through the store are certain to create an unattractive atmosphere and to interfere with the comfort of the customers.

## The Lease

**WHY USED.**—No pharmacist should rent a building without using a written lease prepared by a good attorney. Do not, in an attempt to make a small saving, depend either on an oral agreement or on a printed form. The chances are that before many months any such saving will be more than offset by one or more expenses that might have been prevented by adequate provisions in a well-drawn lease. Damage from water released by tenants in an upper story is an illustration. A good attorney will provide that notification of apparent danger will hold the landlord for resulting damage. Rights in a basement shared with another tenant is a further example of matters that should be carefully covered in a lease.

In some states—in New York, for example—a lease is not valid for more than one year unless it is written. Furthermore, the pharmacist should be sure that all matters of agreement are covered in it, for verbal understandings not included in written leases are of doubtful, if any, protection. It is also a good idea to record the lease with the proper county official. Some states require that this be done; some do not. But when it is recorded, the tenant is protected in the event of loss of his copy. Especially is it worth while when a fairly long period is covered by the lease.

**BEFORE MOVING IN.**—Understanding of local customs with respect to leases may help greatly. Free occupancy is a case in point. In many neighborhood locations it is possible

to provide that the rent does not start until the store opens for business. Sometimes one must compromise and pay rent while putting in fixtures. If the landlord has competing offers, he may set the date as the day when the store is ready for occupancy. This may be true either when a new building is involved or when a former tenant moves out. Often these dates are not in accordance with the plans of the pharmacist. He may be forced to accept such terms, but the lease should be clear on these points. In neighborhood areas the renter is often able to secure free rent for one or more months, when he takes over idle property. This is not common for downtown sites, but an effort may well be made to secure just as many such concessions as possible.

Before he moves in, the pharmacist should have a clear understanding with the landlord as to who pays for broken plate-glass windows and who makes other repairs. The general rule is that the roof and other outside repairs are made by the landlord, while inside repairs, such as painting, cleaning, and papering, are at the expense of the tenant. But be sure that the understanding is included in the lease. In downtown locations pharmacists usually furnish the lighting fixtures; in rural and city neighborhood stores they do not. A clear understanding on this matter is important. Any particular hazard to the safety of customers, such as an entrance ramp, if accepted by the tenant when he moves in, is maintained at his risk, not the landlord's.

**SUBLEASING.**—It is often desirable for a pharmacist to sublease one or more departments. Sometimes it is the fountain, sometimes the newsstand, or a place in which to operate a popcorn stand. More common is the plan of subleasing a part of the area for operation of a separate and distinct store, with a temporary but dividing partition.

Still more common is a sublease of the entire store for the unexpired portion of the original lease when, for some reason, the original tenant does not wish to continue occupancy of the property. The legal rule is that tenants secure a right to property for the duration of the lease and have the right to sublease it unless forbidden to do so by the terms of the lease.

But sometimes a clause in the lease provides for approval of the landlord for any sublease, since the original contract was made in view of the probable financial ability of the tenant and the proposed new lessor may not be acceptable for that reason. Even though a sublease does not relieve the original tenant from liability for payment, landlords do not wish to have persons with inadequate financial responsibility in their property.

It is common to provide that a sublease may not be made to anyone who would operate a business competitive with those already established in the same sectional business district. Prohibition of use of property for any illegal purpose is common in both the primary lease and the sublease. Often the lease provides that a sublease may be made for the entire property only if it is to continue to be used for a drug store.

**RENEWAL OF LEASE.**—A tenant often wishes to include a clause that gives him an option to renew the lease on the same terms for a stated number of years. Since this is one-sided and favorable only to the tenant, the landlord usually objects and grants it only when tenants are hard to secure. In any event, such a clause can usually be included only after special negotiation.

**CANCELLATION OF LEASE.**—Leases may be terminated, when both parties agree, by an offer to surrender the lease, which is accepted by the landlord. This may be informal, as when a tenant moves out without notice and the landlord takes possession of the property because he knows that the former tenant has no financial resources. A lease may also be terminated by breach of conditions, such as failure to pay rent, unlawful use of premises, nonpayment of insurance or taxes when these are assumed by the tenant, or by the bankruptcy of the tenant when the lease is for three years or less. If it is for a longer period, the landlord may file his claim as do other creditors.

Tenants often leave properties because the landlord fails to perform his obligations. Failure to provide adequate steam heat, and failure to make necessary repairs are acts by the



landlord that may void a lease. But remember that the tenant must be able to *prove* his contention.

**FIRE.**—When a fire takes place, the lease, under common law, is not canceled, but most states provide by law that termination takes place when the property is totally destroyed. If, however, the loss is partial and the tenant must move out, the rent stops until his return. It is wise to put a definite fire clause in the lease, since under such conditions it may be far wiser for the tenant to secure a new location in which he may reopen in a short time. A clause that gives the right to move if the store cannot be reopened within 10 or even 30 days is often used. At the same time, the tenant can usually provide that he shall have the option of continuing use of the property after repairs if he so prefers. This is important when the site is of outstanding value.

**THE PERCENTAGE LEASE.**—Many drug stores, chain and independent, pay rent as a percentage of sales. Starting with the depression, when landlords were willing to accept an uncertain income and when this arrangement appeared to be somewhat safer for the pharmacist, the plan spread rapidly. It has one apparent virtue, *viz.*, the percentage of cost involved for rent is constant and can thus be accurately forecast. But it does not give the pharmacist an opportunity to decrease his rental cost measured as a percentage of sales by increasing efficiency of operations that result in larger sales. The pharmacist who believes in himself and his ability to make good in his location does not, as a rule, prefer this form of rental payment. A long-time agreement to pay rent in this form may limit one's opportunity to sell the business at a profit, since prospective purchasers may not like the percentage basis. But when rentals are apparently going up faster than are sales prospects, such a lease may be good protection for the pharmacist. If possible, secure a clause setting a maximum of dollars to be paid in the form of a percentage of sales, for this will give some protection. Some retail leases provide a sliding scale for rent payments, the percentage paid decreasing as the volume of sales increases. There are many reasons to believe that such a lease is fair to both parties.

*What Per Cent.*—A considerable body of data is available on how much should be paid. The 1940 Dun and Bradstreet analysis of drug store operations found that occupancy expense—rent plus heat and light—was 4.8 per cent for all stores, 4.6 per cent for profitable stores and as high as 5.2 per cent for unprofitable operations. The 1930 census shows that drug stores as a class paid 5.87 per cent of their sales as rent. Records show that in 1939 the range paid for percentage leases was from 5 per cent for cut-rate downtown stores, which do a great deal of advertising, to as high as 8 per cent for a few neighborhood stores. The more common figures were 4.5 per cent for the former type and 6 per cent to 8 per cent for the neighborhood independent stores. If it is necessary to pay upward of 6 per cent, it is doubtful whether the plan is good for the usual pharmacist.

*Precautions.*—The pharmacist who operates on a percentage lease plan must realize that his landlord has a right to establish certain standards for his accounting records, since he is entitled to know what the sales actually are. But this should be no handicap on the pharmacist. Any merchant who attempts to operate without good accounting records will succeed only by the greatest of good fortune. Landlords commonly make provision for the kind of records to be kept and for what shall be done in case of sales to employees, sales at special discounts, sales made by chain organizations but transferred to some other unit that is not on the percentage basis, and the adequacy of the cash register if it is used as the basis for determining actual sales. It is not too much to ask the pharmacist to keep a complete double-entry set of books if he secures the benefit of a percentage lease and to allow the landlord to have the books audited by an accounting firm from time to time.

# Selecting the Form of Business Organization

## CHAPTER 3

**A**LTHOUGH by far the greatest proportion of drug stores are operated by just one owner, there are in the retail drug business many partnerships and a considerable number of corporations. Chains almost always use the corporate form, since it enables them to secure the capital that they must have more easily than would be the case were there but a single proprietor or two or three partners.

### The Sole Proprietorship

The simplest form of business organization is the sole proprietorship. It is used by the majority of small businesses in retailing as well as in other enterprises.

**WHY A SINGLE OWNER?**—Several reasons account for the fact that in almost all cases a drug store has but a single owner and why this simple form of ownership is used by most pharmacists. One reason is that it is very simple to begin a proprietorship. No legal formalities are necessary, except perhaps a license. But in many states when the owner is not shown by the name of the store—High Street Pharmacy, for example—a statement of the ownership must be filed with a designated county official, usually the clerk of courts. It is just as easy to get out of business, for one needs only to close the store, pay his bills, and move on. A single proprietor

may conduct his business as he sees fit, for he has no partners or stockholders to consult.

The very simplicity of the sole proprietorship brings certain dangers in its wake. They grow out of the fact that the business interests of the pharmacist are not distinguished from his private, individual affairs. If the business fails, his home and his savings may be taken to pay the debts of the store. Likewise, if his car injures someone and a damage suit ends in an award not covered by insurance, the business may be sacrificed to pay a debt incurred apart from it and distinct from it. Such an interrelationship is inevitable in the sole proprietorship form of ownership. Its dangers have suggested to many pharmacists the incorporation of the business.

**OFFSETTING FACTORS.**—There are some additional offsetting factors that must be considered. Sometimes it is necessary to combine the capital of two partners to get enough money to buy or to open a store. Funds may be secured from someone who wishes to share in the risk and anticipated profits of the business rather than simply to make a loan. Then the partnership or the corporation form of ownership is called for. It is easier for partners to borrow money at a bank, since property owned by any partner is a part of the security back of the loan when a partnership is involved.

Partners sometimes are able to combine their talents in an effective manner. One may be a registered man with a good professional standing but poor merchandising ability, or without sufficient capital to secure a business for himself. If he can secure a partner who has experience and ability in merchandising but who is not professionally trained, the combination may be successful. Twice blessed is the poor pharmacist who can find a partner with adequate cash!

For these reasons it is not uncommon to find ownership of drug stores in the hands of others than a single person, although the vast majority of drug stores, except chain units, are opened or acquired by pharmacists who are able to raise enough capital to secure stores for themselves and thus think of no other form of ownership than the single proprietorship. There are, however, enough partnerships and corporations to

make it necessary to comment on the dangers and limitations of each of these combinations.

## The Partnership

The principal reasons for selecting a partner when one opens a drug store are (1) to acquire the necessary capital or (2) to balance varying abilities. Sometimes a partnership is formed because it is realized that a partner usually gives more effective service to the store than does a clerk, because his interest in the success of the store is greater. Many younger men have been taken into partnership as a reward for good service as employees and, in some cases, because the proprietor is looking forward to retirement and wishes gradually to turn over the store to his employees by giving them partnership interests in it from time to time.

These are often sufficient reasons to justify a partnership. But such a bond should never be formed unless all concerned realize that by its very nature, the partnership may be a disastrous form of organization.

**DANGERS OF THE PARTNERSHIP.** *Unlimited Liability.*—One danger of the partnership form which must be faced is that of the unlimited liability of each partner. This means that any one of several partners is liable for the debts of the business and must discharge them up to the limit of his financial ability. A judgment that ties up his future earnings until the debt is discharged may be issued against him. Thus, if three equal partners own a drug store and it is closed by creditors who are able to show that their claims total \$5,000 in excess of the assets of the store, each man is liable not only for his share of the loss, normally an equal amount for each (one-third, in this case), but for the entire amount if it cannot be collected from the others. The creditor is entitled to collect from the one whose assets are in the most liquid form. If one has the cash in the bank and the others have only their homes or their automobiles, the cash will be taken first and then, if necessary, the homes or the cars will be sold. No one should enter into a partnership agreement to operate any kind of business without first knowing this legal fact.

*Unlimited Agency.*—The second danger of the partnership form of organization is that any one partner is the unlimited agent of the others. Any partner can bind the business just as if he were the sole owner. This means, for example, that one partner might so overbuy for the store as to preclude the possibility of earning profits until the excess stock is sold. In a moment of recklessness, a partner might rent a new building that was totally unsuited for the use of the partnership. But since he is the agent of the other partners, they must suffer with him for his rash act. Other opportunities for bad judgment are so numerous as to make this danger very real. Experience has taught that the conviction that one's partner is "a fine fellow with good judgment" may sometimes lead to a sad awakening.

*Death of a Partner.*—A third danger arises from the rule that the death of one partner terminates the partnership. Thus if one of two partners dies unexpectedly, the remaining partner is at once liable to his estate for his share of the assets of the firm. But in such a case they would be in the form of inventory, fixtures, accounts receivable, prepaid items, etc. Although they may all be worth 100 cents on the dollar in due time, they are rarely if ever worth anything near that if a forced sale must take place. Often that is the only resort, for unless the surviving partner has enough cash or can secure it and pay off the estate, settlement can be forced, even at a loss to both parties. A plan sometimes used to lessen this danger provides business life insurance on each partner equal to his share of the equity of the business.

**BUSINESS LIFE INSURANCE.**—For the reasons given above, pharmacists who share their business with partners have a special need for a type of life insurance known as business insurance. The need is based upon the established fact that, should a partner die prematurely, the business may be adversely affected. His death terminates the partnership, and the remaining partner is forced either to secure someone else to take over the interest of the deceased or to finance its purchase himself. It is often so difficult to do either that a forced sale or discontinuance of the business is the only course open.

To avert such a situation, business life insurance may be used. It involves merely carrying a policy on the life of each partner equal to his interest in the business. The premiums are paid from the receipts of the business, since the proceeds upon death go to the business rather than to the estate of the deceased. In the case of death, the money is used to purchase the interest of the partner and the surviving members of the firm continue to operate the business.

**HOW TO FORM A PARTNERSHIP.**—If it is decided that a partnership is wise, a definitely stated written agreement should be drawn up. It is a mistake to depend upon an oral understanding, for one or both partners will no doubt forget exactly what was agreed upon. It is essential to select a good attorney and to ask him to cover the understanding in articles of agreement. This legal paper states, among other things, the contribution that is to be made by each partner in both time and money and provides for the distribution of net profits. If both partners have put in equal cash and if each gives his whole time, profits should usually be divided equally. Actually, in the absence of any agreement to the contrary, they will be so divided. Thus it is important to cover just what each is to contribute in time and money and what each shall receive in the form of salary and a share of the profits.

The articles usually provide that each partner shall have certain special duties. One might be given all buying responsibility; another might be given active charge of the store and its policies; and the third might be assigned management of accounting records and finances of the store. Although each would work on the floor of the store, a special assignment of this kind might be wise. But it should be clearly understood that such an agreement is for the guidance of the partners, only. Any one of them still has the legal right to buy goods, order a new front for the store, or borrow from a bank in the name of the partnership.

The articles of agreement, when signed by each of the partners, become a legal contract between them. This means that if the one assigned to the duty of buying merchandise violates the agreement and buys in such a way as to cause a

loss to the firm, the other partners may recover from him. But the order so placed is legal and must be accepted, for wholesalers and other suppliers cannot be held responsible for knowing what agreement has been reached between partners.

**SPECIAL KINDS OF PARTNERS.**—There are certain special modifications of the rules governing partnerships. One is that a partner, by agreement of the others, may be a *silent* partner, *i.e.*, he shares in profits and in losses but not in the management of the drug store. *Secret* partners have a voice in the management of the store but hide their financial connection with it. If their connection is discovered, however, they are liable for their share of the debts of the firm.<sup>1</sup>

## The Corporation

Many drug stores are operated by corporations rather than by individuals or partners. This is especially true of those that are units of a chain. Although perhaps it is not well adapted for use by owners of the typical drug store, the corporate form of organization has a number of specific advantages, which sometimes tend to offset the formality involved in its organization and the greater cost incurred for taxes and other expenses of corporate operation.

A simple definition of a corporation views it as a group of stockholders who, acting under a charter granted by the state, do business as one firm. Inasmuch as the state grants special privileges, it retains a degree of control over the acts of the corporation. In this respect the corporation differs from both the proprietorship and the partnership, for these organizations are created only by the will of the persons involved and not by special authority of the state. State control over these simpler forms of organization is exercised by general laws that apply to all business and by special legislation affecting the partnership. But in the case of the corporation, the state retains special control, levies special taxes, and limits the corporation to the objects stated in its charter.

<sup>1</sup> Since other types of special partners are not often used in retail business enterprises, they are not here discussed.



**ADVANTAGES OF THE CORPORATION.**—Sometimes a retailer finds it necessary to borrow money from a relative or a friend who does not wish to assume the full responsibilities of a partner because of the dangers that have just been described. Moreover, he wishes to enter the business and share in its profits and losses rather than to make a straight loan to the owner of the store. The corporation permits finances to be secured under such conditions, since stockholders—*i.e.*, the owners of the corporation—are limited in risk to the amount of their contribution. They may lose all of their investment, but they may not be sued, nor can their other assets be attached for debts of the firm that are in excess of its assets. The advantages of securing finances in this way may offset the additional costs and the legal formalities involved in the corporate form.

Sometimes a pharmacist who has sufficient funds to finance his store prefers to organize a corporation to own it, since in the event of failure his loss would be restricted to the amount invested in the corporation. Otherwise, if he were the sole owner or a partner, any other assets that he might have, such as his home, his car, his securities, or cash in the bank, would all be taken to the extent of the debts of the store.

Another reason for the occasional use of the corporation in the drug trade is that it has a long life. It is not dissolved by the death of a stockholder, for his share in it is represented by his stock certificates, which are a part of his estate. The corporation need not buy these shares unless it wishes to do so. This should be contrasted with the situation when a partner dies.

A fourth reason for the use of the corporation is that its flexibility enables an easy adjustment of ownership proportions. Similarly, control is limited to the number of votes represented by the stock held. Assume the case of a store that is owned by a corporation with 250 shares of common stock, 200 of which are held by the operator of the store and 50 by his father-in-law. The pharmacist controls the enterprise, since he has four times as many votes as the other stockholder. As it becomes possible for him to do so, he may buy some of the

other shares from time to time and may eventually own the entire stock. At that time he may dissolve the corporation if he so desires. In the meantime he has remained as the manager and principal owner of the store and his obligation to other stockholders has been limited to paying dividends only when profits are earned. This is another definite advantage of the corporate form, since it enables the principal owner to secure funds by the sale of stock without incurring a definite obligation to pay a certain interest rate on them as is the case when money is secured on a promissory note given to a bank or even to the father-in-law just mentioned.

The partnership form involves the investment of time, as a rule. Owners of the corporation are not often all employed by the business. Since both their liability and their right to manage the business are definitely limited, they need not watch it so closely as is essential when partners are involved. Management is entrusted to a board of directors and, in the case of a retail store particularly, almost always by them to a single manager, who operates the store.

Another advantage of the corporate form, which would be effective in the drug business only in the case of very large units or of chain operators, is the right to issue bonds secured usually by a mortgage on tangible assets of the corporation. Similarly advantageous is the right to issue different classes of stock, usually preferred and common—a right often used by the larger chain organizations in this field, but usually not by the corporation that operates a single store.

**DISADVANTAGES OF THE CORPORATION.**—A number of disadvantages are involved when a corporation is organized to operate a retail drug store. One is the nuisance of making frequent and often involved reports to the state—reports of a type not required of partnerships or proprietorships. Legal formalities deter some pharmacists from organizing corporations. Charter fees, although not large, are an added expense. Doubtless the credit of the business is limited by incorporation, since only its assets are back of the loan, rather than all the property owned by the proprietor.

The principal disadvantage to be considered by the pharmacist who thinks of a corporation to own a single store, or even two or three, is the added tax burden. The state, because it has created the corporation and given it special powers, claims the right to levy special taxes against the corporation and is so doing to an increasing extent.

**DOING BUSINESS ACROSS STATE LINES.**—Chain drug organizations encounter certain limitations when they operate stores in more than one state. Since the right to function as a corporation is given by the state that grants the charter, other states have a similar right to declare just what obligations must be met before the corporation may operate in them. If a pharmacist sells merchandise, other than narcotics or similar articles, to a resident of another state who has come to his store to buy, such business is interstate in nature and cannot be forbidden or unduly regulated by the state in which the customer resides, since that would be an interference with interstate commerce—a right that is forbidden to every state. But when an incorporated chain places a unit in a state other than the one in which its home office is located, it undertakes to do interstate business with the people who come to its store. It is, therefore, at once subjected to the laws of the second state.

In general, a foreign corporation—*i.e.*, one chartered in some other state—is required to file a copy of its charter and bylaws and its financial statements with the secretary of state. It must designate someone to act as agent for it and to have the authority to accept suits or other actions filed against it in the courts of the state. Fees or special taxes may be levied as the judgment of the states indicates, except that they may not be so excessive as to constitute an interference with interstate commerce. Annual reports must be filed and the property of the corporation is subject to local and state taxation on the same basis as any other property.

**HOW TO INCORPORATE.**—In securing a corporate charter, certain steps must be taken. A preliminary meeting of the stockholders must be held. As a rule, at least three persons must be present. The attorney who has been retained to

organize the corporation prepares an application for a charter and submits it to the proper state official. This gives the proposed name of the corporation, the number of shares of stock to be issued, the officers, and other pertinent information, such as the names of the board of directors, the location of the principal office of the corporation, and the nature of the business that is to be transacted by it.

When a corporation is formed to operate a retail drug store, only a small number of shares are issued normally. The number is determined by minimum requirements of the state and by certain tax features. In one state, for example, the charter fee is 10 cents per share, with a \$25 minimum fee. For this reason, almost all small enterprises in that state have 250 shares of stock. Usually only one class of shares, common stock, is issued.

**TAXATION AND INCORPORATION.**—In return for the benefits gained through incorporation, a business enterprise must pay certain taxes of a kind not levied against either a partnership or a single proprietor. One is an organization fee, paid once and for all time. Another is the annual franchise tax, which most states charge against all corporate organizations. The third is a form of intangible tax, the basis of levy varying from state to state.

The above are state taxes on corporations. Federal taxes include such charges as the corporate income tax, which is levied as a percentage of profits. Excess profit taxes are often levied in times of emergency and on a different basis for corporations. Often incorporation is wise. More often its additional cost is not justified in the case of drug retailing. In any event, a study of probable increased costs should be made with care before the business is incorporated.

# Acquiring and Financing the Store

## CHAPTER 4

**T**HERE are two ways of acquiring a drug store. One is to open a new store. The other is to buy one which is already in operation. Although each has something to be said for it, there is no general rule as to which is better.

**WHY BUY A STORE?**—When an existing store is purchased, the pharmacist gets several things of definite value. One is the prescription file. Often this contains thousands of prescriptions, which are more or less in active demand. Another gain is that several hundred families have established habits of coming to the store for their drugs, for otherwise it could not have existed. It is easier for them to continue this habit than to change to another store, even though—and rarely is it true—the second store is equally convenient and desirable. Less tangible are other good-will values that inhere in an established store. Pleasant associations in the past cause customers to return to the same location. Sometimes clerks with considerable personal followings may be retained. Often of value is the agency for a line of proprietary medicines, which can be continued when an established store is purchased.

But perhaps the most important consideration is the fact that in most communities only so many stores can be operated with profit. If a new store is opened there may be one too many. Often in such a case the new store is the least effective and soon loses its struggle. But if a pharmacist feels that he

can operate a store along the lines laid down in this book, if he is adequately financed and a good location is available, it may be best to proceed to open a new store. He thereby avoids the handicaps of existing bad will and payment for supposed good will, which is often of questionable value. In many cases the final decision depends upon the availability of a good location.

If fair trade proves to be as effective the country over as it has been in many cities or states, an increasing percentage of drugs will doubtless be purchased in neighborhood stores. In many communities this may give an opportunity for a new store, as well as for the continued success of the older ones.

A further reason for buying an old store grows out of the records, which show how much business the store has been doing. They are a guide to a fair price for it and at the same time serve to aid in estimating the amount of business that may be done. The prescription file, for example, being numbered serially, shows to what degree customers are in the habit of coming to that store for prescriptions. Sales tax figures show gross sales. Income tax records indicate the profitability of the store in the past. Together these give a rather reliable indication of the business health of a store that is for sale.

An old, but still roughly reliable, rule-of-thumb guide for determining how much to pay for a drug store is the old belief that if it is doing \$50 a day, it is worth \$5,000 for stock and equipment. If it is doing \$60 a day, it is worth \$6,000.

**WHY OPEN A NEW STORE?**—When anyone opens a new store, he enjoys certain gains. One is that there is a minimum of dead or unsalable stock in his inventory. Another is that nothing is paid for good will. Moreover, it is usually hard to estimate the value of good will when an established store is purchased.

A new store can start with up-to-date equipment. Anyone buying an old store usually must take over the fixtures and other equipment, even though they may be of little value to the pharmacist who wishes to operate a modern store. The new store begins with a clean slate. It escapes the handicaps of ill

will due to unfortunate happenings of the past, which although strictly personal in nature often handicap the new owner. The new store can be located and the rent negotiated with a completely free hand. Sometimes the rental basis for the old store may not be attractive because it is too high or because it is on a percentage basis, a plan that may not be attractive to the new owner.

These arguments must be weighed against the points suggested in favor of buying an established store. The decision must in part be based upon the price that must be paid for an established store. Often it is better to pay a little more than one believes to be fair, in order to eliminate the competition that would continue to exist if the alternative of opening a new store were adopted. It must be remembered that even the weakest competitor sells to his friends and to those who choose his store for convenience reasons alone. If it is believed that a fair deal cannot be made, look for another store that is for sale or for a location for a new store in a newly developing district. If this latter plan—going to a new business district—is adopted, remember that it may be months or even years before the buying power of the community will make it possible to secure a profitable volume. Be sure that you have enough capital to wait for such volume.

## Buying an Existing Store

**TYPES OF STORE FOR SALE.**—Drug stores of at least two different types are usually on the market. One is the run-down store, which does not pay its present owner a satisfactory profit. There are pharmacists who look for just such stores, believing that they can be bought at low price, built up into profitable operation, and sold at an attractive profit. When one store has been disposed of in this way, the process can be repeated. But before such a policy is undertaken, the pharmacist should be sure that the failure to earn a profit lies with the present manager rather than with the buying power of the neighborhood or the location of the store. If one is convinced that the store can be built up, this policy may be wise, for

usually in such a case nothing need be paid for good will and often the stock may be had for a low price. But one word of warning is pertinent—there may be an undue amount of unsalable merchandise in the inventory and, even if it is purchased at an attractive price, a considerable sum may have to be invested in other goods to sweeten the old stock.

The store of the second type is one with a good profit record. It is for sale because the owner wishes to retire from business or to buy a larger store or one in a different climate. Ill health is often the cause for the change. An attempt should be made, in such a case, to find out from reliable sources why the store is for sale. A wholesale druggist is perhaps the best source of this information for he knows the past record of the store and usually the real reasons for desiring to sell it.

Frequently it takes more ready capital to buy an old store than to establish a new one, since fixtures and stock must often be paid for in cash, whereas they may be financed if purchased new. In many cases the stock is too large, but it must be taken at the inventory value if the store has been successful. Even then there is likely to be much unsalable stock in it. If such a store can be located and purchased at a fair price for the stock, fixtures, and good will, the buyer may expect to step into an established trade. But remember that this momentum will carry it only long enough for the buying public to discover whether the new owner is able to operate the store—from their standpoint—as well as did the former owner. Many store failures have proved that this cannot always be done.

**HOW TO LOCATE STORES TO BUY.**—In the larger cities, drug store or business property brokers have lists of drug stores that are for sale. Trade paper advertisements sometimes give a lead. But the most reliable source is the wholesale druggist. The person interested in buying a store should go directly to the president or the sales manager of such a house and ask his help. The advice of such an official is reliable, for he knows what stores are for sale and what are their possibilities.

**DETERMINING HOW MUCH TO PAY.**—It is not easy to arrive at a purchase price that will be fair to both parties.



## A Useful Form for Analyzing a Drug Store That Is for Sale

Name.....

Address.....

Number of stores in town.....

Population..... Number of doctors.....

Total price of store.....

Monthly sales:

Drugs:	Cigars:	Candy:	Fountain:	Liquor:
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Monthly purchases:

Drugs:	Cigars:	Candy:	Fountain:	Liquor:
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Inventory last:

Drugs:	Cigars:	Candy:	Fountain:	Liquor:
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Approximate gross profit..... Rent per month.....

Lease..... Lease how many years to run.....

Transferable.....

Approximate monthly:

Gas bill.....	Light bill.....
Water bill.....	Telephone bill.....

Approximate taxes per month.....

Approximate license per month.....

Sales tax per quarter.....

Credit business..... Average monthly loss.....

Controlled lines.....

Full price..... Fair trade.....

Partially cut.....

Fixture value..... Kind of fountain; How old.....

What ice cream company do you buy from.....

Any third-party fixtures.....

Balance of contract with drug company.....

Who and how much..... Number of permanents.....

How many prescriptions per day.....

Class of trade..... Transit..... Neighborhood.....

What per cent.....

Greatest monthly volume since established.....

Sales per year last five years if available.....

What do you figure your net profit per cent.....

Cost of merchandise per cent to sales.....

Cost of operation per cent to sales.....

Do you personally believe sales volume could be increased by advertisement.....

Service..... Delivery, etc.....

Store hours daily..... Sunday..... Holiday.....

What period of day is best business:

Morning.....	Afternoon.....	Night.....
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Fig. 2.

There are, however, helpful procedures that have stood the test of long usage.

*Stock.*—Usually the stock is valued by taking an inventory. Normally, it is wise to have someone from a wholesale house assist, for he will be able to give the present cost value of the items. If the inventory is taken on a conservative basis—*i.e.*, slow sellers and dead stock entered at their real market value—it is safe to pay for the stock the amount so determined. But if it is known that full consideration has not been given to unsalable stock, and to the fact of incomplete or badly balanced assortments, the prospective buyer is fully justified in asking for some reduction from the inventory valuation. This may be in the form of a flat amount, if the inventory has been taken on a replacement basis. But if it was taken at retail, as is common practice, the buyer may not be justified in paying more than 50 per cent or even less of the retail value, rather than 60 or 65 per cent, which might be fair if the stock were salable.<sup>1</sup> Just what will be paid will depend largely on the respective positions of both parties in making the deal. If the location, building, and profit record in the past all suggest that there is a strong probability that profit can be made in the future, the buyer will not be able to drive a very hard bargain when the inventory is evaluated.

*Equipment.*—Usually the new owner must take over the existing equipment. It is easy to pay too much for it, especially if it is somewhat obsolete in type. One valuation method is that of appraising the original cost of fixtures and then applying a fair rate of depreciation against this cost. In other cases it is possible to secure a competent outside appraiser and then to follow his estimate in determining the price to be paid. Often the guiding principle or the one that actually determines what shall be paid is how seriously the prospective owner wishes to secure the location. In reality, buyers often pay considerable amounts for good will under the heading of fixtures. Hence, care should be taken not to overvalue good will by allowing

<sup>1</sup>Prescription and soda fountain merchandise should be valued at cost or less depending upon its condition.

for it three times—under the head of fixtures and stock valuation, as well as in the form of a separate item.

*Good Will.*—Many a new pharmacist has paid so much for good will as to handicap him from the very start. It is hard to estimate its real value. Usually the seller tends to expect too much for this very intangible item.

Just what is good will in the retail drug business? Why can buyers of established stores safely pay something for it? The answer is in the earning power of the drug business which is being considered for purchase. In these days of vigorous competition a store that has demonstrated its power to give its owner a salary and interest on his investment, to pay all other expenses and still return a net profit, is normally said to have good will that is being translated into tangible profits. The purchaser can safely pay something for the ability of the store, when it is properly managed, to yield a profit.

Why is it necessary to pay for good will? The reason is that earning power exists. This may be due in part to the good location of the business, for locations are semi-monopolistic in nature. It is also usually due in part to the habit established in the lives of many families of buying drugs on a certain corner and in a store that has familiar equipment and an established layout. In the absence of contradictory factors, trade will continue to go to the store even though its ownership has been changed. To expect the new owner to pay for these established factors is both logical and wise. The pharmacist who is selling the business has property rights in them. His earlier wisdom enabled him to select a good location. His wise management of the store has created a favorable attitude toward it.

In addition to all these facts there is one that is still more effective: If a store has an established earning record, there will be several possible buyers. Competition will thus force the successful buyer to pay something for good will.

*How Much to Pay for Good Will.*—Only a simple approach to this problem can here be made. The established procedure is as follows: Find out how much profit over all expenses has

been made in each of the last few years.<sup>1</sup> Secure an idea of what this should be in a typical year. It will not always be the same as the arithmetical average. The buyer should then remember that it is not certain that he can so operate the store as to make the same net profit. The profit may be increased, but in that case the gain will probably be due to the efficiency of the new owner rather than to established good will. For this reason the commonly established custom is a fair one—*i.e.*, that the buyer shall pay for good will about the amount of the net profit in a typical year.

Thus if net profit has been \$1,000, if the stock is valued at \$3,500 and the fixtures at \$1,500, the amount paid for the store should not be more than \$6,000. But in many cases the store cannot be purchased for that amount. The owner refuses to sell unless he can cash his good will for a larger amount. In such a case, if the store is desirable the new owner will be compelled to pay more for good will, perhaps up to the total net profits for a 3-year period. But this should be done only when adequate capital is available, as part of the amount paid for good will obviously may be idle while the store is establishing its power to earn under new management. Too much zeal to secure a certain store has often led to disaster. It may be better to look for one that can be had on a more reasonable basis.

*Other Values.*—Buyers should be willing to allow for other values. Of these one is prepaid insurance or taxes. In some cities license fees are so great as to make their value for prepaid periods of considerable amount. In fact, ability to transfer the license to the new owner is often a tangible factor in estimating the value of good will.

## Financing the Store

It is important to remember that in operating a drug store, there are three principal needs for capital, and that each of these three needs must be provided for when the store is

<sup>1</sup> It is important to note the salary drawn by the proprietor. If the salary has been low, the profit showing will be correspondingly high.

financed, or disaster will result. Capital is needed (1) for purchasing and carrying the inventory, *i.e.*, the stock on the shelves; (2) for paying for the equipment; and (3) for meeting current expenses until sales reach the net-profit level. This last group includes a number of important items, among them being rent paid in advance; wages of clerks; insurance and license fees, which must be prepaid; petty cash and till money.

**DETERMINING HOW MUCH IS NEEDED.**—A careful study of the practice of drug wholesalers in all parts of the country discloses the fact that few if any believe it to be either wise or safe to sell an initial stock of goods to a new store on time. They are willing to grant normal trade credit after the store is in operation, but believe that success is improbable unless the pharmacist can put into his business enough money to buy his initial stock either from a wholesaler or from a previous owner. This means definitely that for financing the inventory the prospective store owner must have cash equal to at least 20 per cent of his planned sales, for his stock will bear about that relation to annual sales. In the case of a store operated by an owner and one clerk this amount will be from \$4,000 to \$5,000. So much is essential for the first item of expenditure alone. Others add to it.

The store just mentioned can perhaps operate successfully with fixtures costing about \$2,500 when new. If they are purchased from a wholesale druggist when a new store is opened the pharmacist can normally secure them on a time-payment basis, since they are tangible and in themselves present good security, especially when, as is common, they are secured by a chattel mortgage. If the soda fountain is purchased directly from a manufacturer, a similar arrangement may be made. But fixtures valued at \$2,500 should be accompanied by a down payment of about \$1,000 if a safe financial plan is to be set up.

The third item of capital needs is somewhat more difficult to estimate, since there are important variations in amounts paid for rent and for insurance and license fees in cities of different size. It would not be safe to start with less than \$500 for this purpose in the case of a two-man store. Sales should be

on a profit basis after that amount has been used if the store is to be ultimately successful.

It is thus clear that the capital necessary to open a typical drug store—one with annual sales of about \$20,000 per year—is at least \$6,500. Even then there will be times when opportunities for expansion or for especially attractive purchases may be handicapped by the lack of available funds. Approximately the same amount will be needed for purchase of an existing store and perhaps then \$500 or \$1,000 additional will have to be paid for good will.

WHERE CAPITAL IS SECURED.—A study of the conditions under which drug stores are opened or purchased reveals the fact that there is no substitute for the owner's capital invested in the business. It is seldom possible to borrow from regular financial institutions any significant part of the total needed, as banks or other lending agencies are unwilling to finance an enterprise in which the owner is not both willing and able to make the major investment from his own funds. The story as to the source of funds is thus a very simple one—the capital must be furnished by the owner rather than by the wholesaler or a lending institution.

Pharmacists secure their invested capital in a number of ways. Some are able to borrow from relatives, or occasionally, on life insurance policies; but normally the beginning pharmacist is not old enough to have insurance reserves. Some are financed by individual capitalists in the community who are willing to back what they believe to be real character and ability. There are many who acquire their funds by inheritance. Still others accumulate enough to secure a store by the slow and tedious method of saving from an income. It must be admitted that this is a hard thing to do on the typical drug clerk's salary; yet many accomplish it. Perhaps the energy and character necessary for success as a store owner are first disclosed by the ability to save when one is an employee.

One definite advantage that the person who buys an established store sometimes has over the pharmacist who chooses to open a new enterprise is that the previous owner may not require spot cash for his interests. It may be that because of ill

health or other reasons he is anxious to sell, and is therefore willing to make what might otherwise not be an advantageous deal for the disposal of his store. In this case a considerable part of the payment may be in the form of a promissory note secured by a mortgage on the property. Often an older pharmacist wishes to reward a younger employee by allowing him to take over the ownership of the store and is willing to show his confidence in the younger man by selling him the business without the payment of much cash. But it should be emphasized that neither of the last-mentioned cases is common.

A word of caution is in order. It is futile either to buy or to open a store unless one has adequate capital to carry it on. Hundreds of wrecked enterprises in the drug field testify to the impatience of the young man to get a store of his own, or to his overoptimism as to his ability to meet from his earnings certain known future expenses. Too often earnings do not materialize and disaster results. Lean years, when sales are low in spite of anything that may be done by the proprietor, are inevitable. They make drains on capital and must be considered. It is far better to continue as an employee than to become a store owner who is inadequately financed.

# The Store Building and Its Construction Features

## CHAPTER 5

WHEN drug stores were comparatively simple in size and organization, little attention was paid to physical surroundings. As long as the drug store was regarded only as an apothecary shop, practically no attention was paid to size, shape, height, or even the construction materials used. However, the development of the drug store into a merchandising institution has greatly emphasized the importance of the physical plant as an aid to successful and efficient merchandising.

Modern drug stores are now housed in buildings that have been planned with great care. This is particularly true of store fronts, construction materials, and the general arrangement of physical equipment and facilities.

The pharmacist who is putting up a new building is fortunate in that he can design the store to meet his own requirements, and at the same time he can avail himself of the most recent developments in drug store construction. However, regardless of whether the pharmacist is revamping an old store or constructing a new one, a proper understanding of the part played by the store building in sales success will do much to enhance the efficiency and profitableness of the enterprise.

**THE FUNCTIONAL REQUIREMENTS OF A DRUG STORE.**—Whenever possible, the drug store building should be truly “functional.” in the sense of the term as applied to modern



architecture; *i.e.*, the internal plan should be developed and the building then designed to house that plan most efficiently. However, in most cases the pharmacist is confronted with the problem in reverse. He will not have an opportunity to construct a new building, as he must occupy a building that is already in existence. He must fit his store layout to an existing "shell," or building. Here, however, it is important to bring into the planning of the new store every possible modification or adaptation of the building "shell" itself that may increase the store's efficiency.

The primary function of a drug store building is, of course, to provide every convenience and aid to customers to make shopping easy and convenient. From the standpoint of the pharmacist this means that the store is to be planned to reduce waste motion and keep down selling expenses to a minimum. Naturally, all other functions are essential to successful merchandising and must, therefore, find a place in the retail plan.

In addition to providing selling space, the drug store must reserve some space for incoming goods, including a receiving room. It should also include some space for reserve stock, although this should be kept at a minimum. The building should allow some office space. Every drug store building should have some space for rest rooms<sup>1</sup> and lockers for employees. Provision should be made also for heating and air-conditioning equipment. In stores that have extensive fountain food service it may be found necessary to set aside additional space for food preparation.

The drug store must be expressive of the character of the business conducted within. The store should harmonize with the particular classes of merchandise carried and it should be built to attract the type of trade to which the business caters. It should combine beauty with the highest utility and efficiency.

<sup>1</sup> A successful Chicago pharmacist suggested that anyone constructing a new drug store building might well look into the possibilities of installing rest rooms for patrons. Department stores and filling stations have used these with great success, as a means of attracting new customers.

The drug store must be artistically attractive, and its design should be in keeping with the current taste of customers. Drug store patrons like to buy up-to-date merchandise in an up-to-date store rendering up-to-date service. A poor building may prove a very serious handicap to the operation of a retail business.

**ARCHITECTURAL TRENDS.**—A study of the history of drug store architecture shows that store buildings have followed the general architectural trends of the period. The modern trend is definitely toward simplicity in design and structure. Simple, unadorned exteriors predominate in the newer buildings. Unnecessary decorative features have been reduced or eliminated. Straight lines and simple decorative motifs are most common. Store fronts are adapted to flood lighting and the use of simple but effective signs.

Colors have been used with good effect, in recent years, to give distinctive character to the building and to add to its advertising value. Simplicity in the design motif is aided in the interior of the store by having all surfaces free from projecting pipes, ventilating ducts, etc. Heating units are concealed behind grills, thus giving greater opportunity for the use of proper interior and store decorations.

**SIZE OF THE STORE ROOM.**—It is very difficult to determine the size of store that will prove most useful for the pharmacist. In many instances the size is beyond his control, owing to the fact that he must occupy a store already constructed, or if he is building his own, he is usually limited by the size of the lot. There are times, however, when he will have a choice in the matter. In case two or more stores are vacant at the same time, he has an opportunity to select the one best adapted to his needs. If he is buying a lot for his store, he may have several lots of different sizes offered to him.

A merchant does not wish to use more space than is absolutely necessary, because the more space he uses the more his occupancy costs will mount. On the other hand, if his store is too small he will be greatly handicapped in selling. In general, however, drug stores usually run from 17 to 30 feet in width. Occasionally, a narrower store is found, and some pharmacists

occupy wider stores. Wide stores can be "merchandised" more effectively than narrow ones. One of the largest chain drug store organizations has recently made it a point to lease only stores that are at least 45 feet wide. The success they have achieved should encourage others to investigate very carefully the feasibility of a wide store.

It is not possible to specify here definitely the size of store that will prove most effective for any pharmacist. All that can be done is to set down certain generalizations that will prove helpful in selecting a store of the proper size. It has generally been found that a drug store at least 22 to 26 feet wide is much better than a narrower one. Narrow stores can usually be "merchandised" from only one side, but if the store is 22 or more feet wide, both sides can be used effectively. Therefore, if a pharmacist has an opportunity to select one of two locations, one of which is 18 feet wide while the other is 24 feet wide, assuming that both are of the same length, it will usually be found that the 24-foot store is worth considerably more per square foot than the 18-foot store, owing to the fact that in the former merchandise can be displayed and sold from both sides. Narrow stores crowd customers and keep them from flowing toward the back part of the store.

Many pharmacists like square-type stores much better than the long, narrow type, because they have an opportunity to place more merchandise before customers. Customer traffic flows easily in the square-type stores, provided it has two doors, whereas it tends to bottleneck in the narrower types.

The depth of a store is always a problem, but normally it is difficult to "merchandise" a store that is more than two and a half times as long as it is wide. That is the reason one finds so many drug stores that are 20 feet in width and approximately 50 feet in depth, for the selling portion. Customers will not walk far in narrow stores, and, unless some unusual effort is made to get them back, it is difficult to sell successfully in departments that are located to the rear of long, narrow stores.

**THE STORE FRONT.**—No part of the store building is more important than the exterior front. A shopper's first impression

of a mercantile establishment is usually caught via the store front, and it is essential that this impression shall be one that will encourage entrance into the store. The store front is the first line of attack in the pharmacist's fight for store traffic. If he cannot stop people as they walk by, with an eye-catching store front, then all his salesmanship and interior attractions are largely wasted as traffic builders.

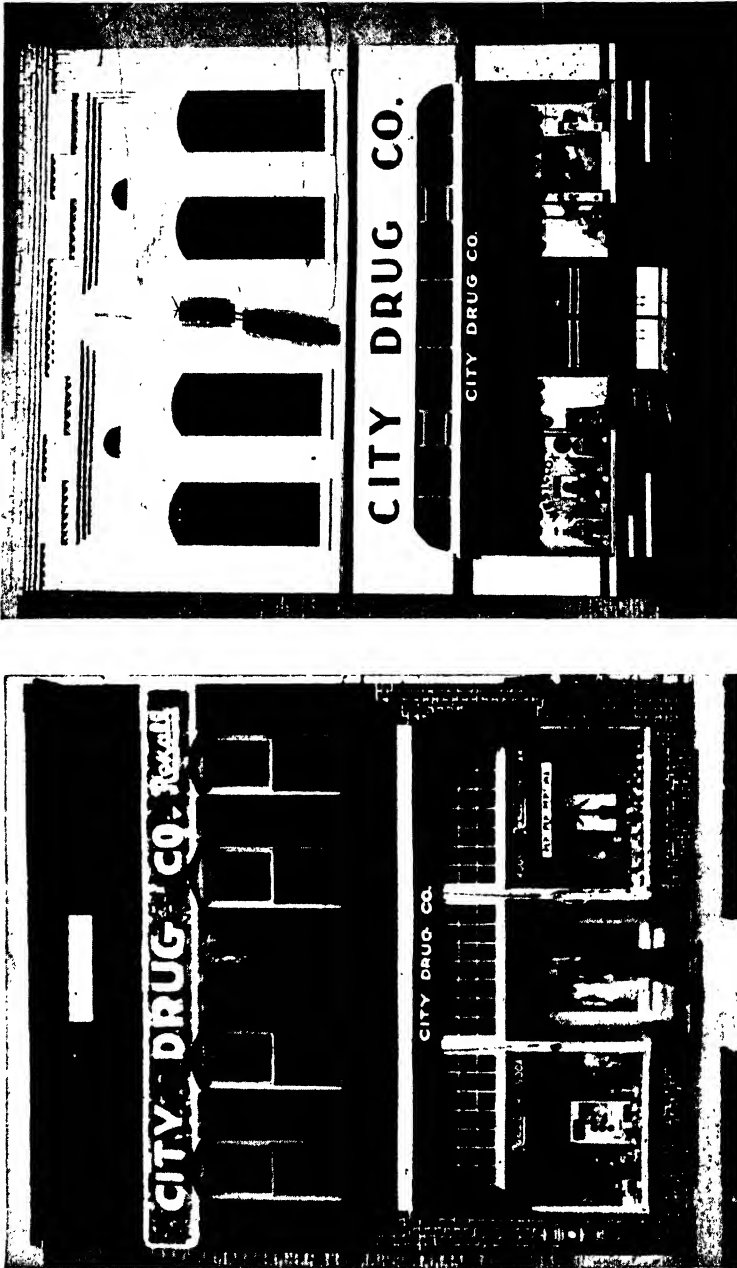
Store fronts serve two distinct purposes: (1) to attract favorable attention to the store and invite customers to



Fig. 3. A modern drug store front. (La Rochelles Pharmacy, Berlin, N. H.).  
(Courtesy of Pittsburgh Plate Glass Company.)

enter; (2) to provide for effective merchandising displays. The unelaborate store fronts of today are planned to make the entrance attractive. Every element is studied and all are combined to produce an attractive ensemble. Attention is paid to the awnings, the floor, the ceiling, the door and its transom, the background of the show windows, and the space above the door, which is usually occupied by the sign. All must tend to make an attractive and harmonious whole rather than a group of discordant elements.

Customers like modern, clean fronts, fronts that convey the impression of alertness and good merchandising. Cus-



(a) (b)  
Fig. 4. Two views of the City Drug Company, Manchester, Ga.: before (a) and after (b) the installation of a new front.

tomers can hardly be expected to enter a drug store whose front conveys the impression of slipshod methods within. Successful stores have demonstrated quite conclusively that the store front must always be neat and must be kept as attractive and useful as possible.

The photographs shown as Figs. 3, 4, and 6 are representative of modern drug store fronts that are proving effective in drawing customers into stores. It might be well for pharmacists to look at these pictures and see whether their stores measure up to the standards that are set in the examples given. If not, they should consider the possibilities of bringing their property up to this standard.

*Size of Store Front.*—The size of the store front will naturally depend on the width and shape of the store. Normally, as many feet as possible should be devoted to display. This means that the vestibule should be cut to a minimum and, if the store occupies a corner, show windows should be on both the front and one side of the store.

Big vestibules are a waste of space. They do not sell merchandise and they invite loafers. Therefore, the vestibule should be made small. It is much better to use the space at the front of the store for interior selling and display than for a vestibule.

The best show windows are shallow, not over 36 inches deep, from glass to window back—preferably, from 30 to 34 inches in depth. Drug store merchandise does not need deep displays, so that windows 4, 5, or 6 feet deep are wasteful and difficult to trim. Pharmacy windows are usually the shallowest of all among retail stores.

The floor of the show window should not be too close to the sidewalk level. It is better to start the window proper about 30 inches above the sidewalk level, because the drug merchandise should be brought as close to the shopper's eyes as possible. A new model drug store in Washington, D. C., has the floor level 36 inches above the sidewalk.

If possible, the design of the show window or store front should draw people to the store. This is best accomplished by store fronts having designs similar to most of those shown

in Fig. 5. The majority of these fronts employ angles so as to make it easy for shoppers to reach the door. Another point is that show windows that can be divided into sections are easier to trim than those without divisions.

*The Doorway.*—Doorways should be inviting, easy to enter, and on a level with the street. Steps leading up or

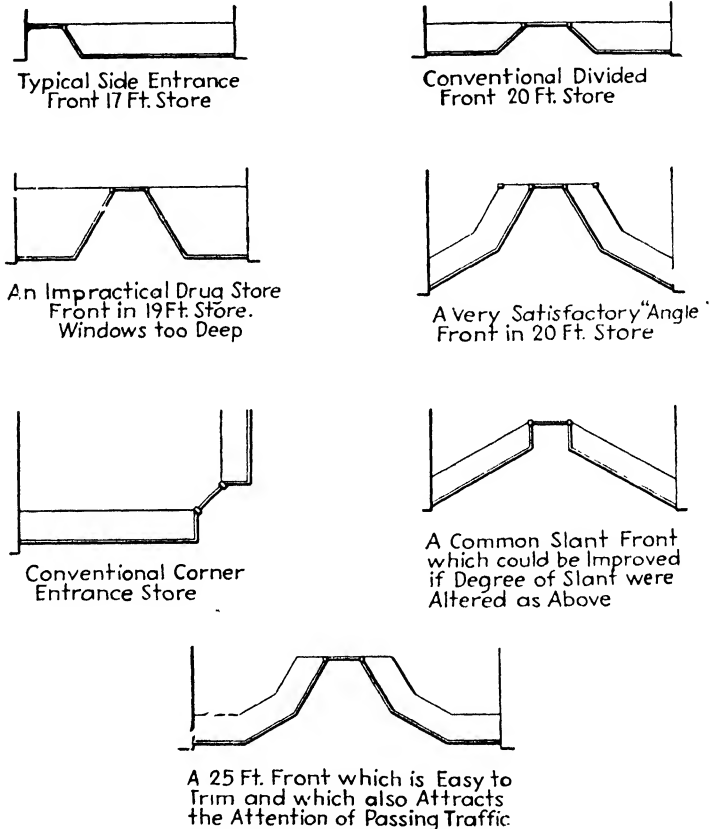


Fig. 5. Basic store-front designs.

down from the sidewalk to the store detract to a considerable extent from the value of the location. Sloping surfaces leading to the doorway are likely to be slippery in wet weather and therefore treacherous and uninviting to customers. The primary function of the store front is to make it as easy as possible for people to enter the store and, therefore, no ob-

stacles such as steps or inclines should be placed in their way, unless it is absolutely unavoidable. If the interior of the store is higher than the street level, a gradual incline is much better than a step.

The front door itself is given all too little attention in many instances. One question the pharmacist should ask him-

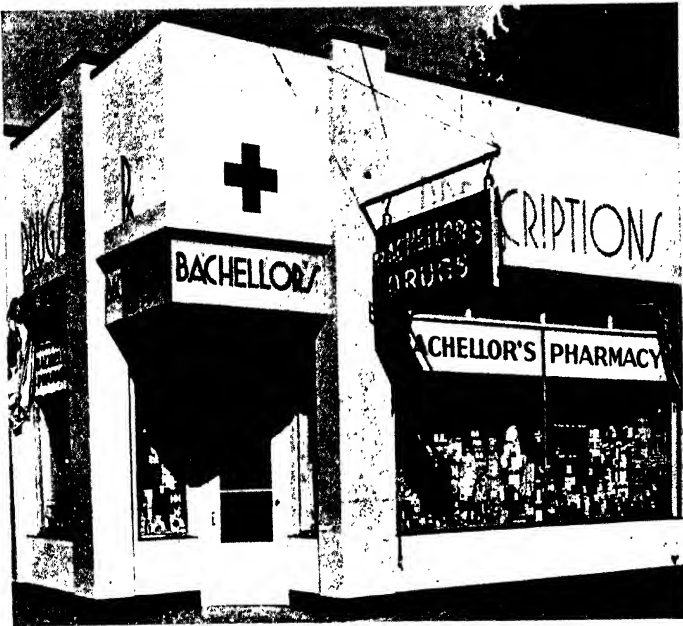


Fig. 6. A modern corner-entrance store front of vitrolite (Bachellor's Drugs, Canton, Ohio). (Courtesy of Libbey-Owens-Ford Glass Company.)

self is, "Can a small child or a woman laden with bundles open my front door without undue exertion?" If it does not open readily, he should be sure that it is made to do so.

*Store-front Materials.*—It is essential that the store front be neat and attractive at all times. A good example is shown as Fig. 6. Therefore, the building materials should lend themselves to cleanliness. Glass, vitrolite, tile, and marble are materials that can be kept clean without great difficulty. As



a rule, they are more expensive than brick, but the upkeep is considerably less.

Colors in the store-front materials are very important. The colors used should be pleasing and should draw attention. Black is never a very attractive color on the exterior of a drug store. If dark colors are desired, it is much better to select a warm shade, which has a pleasanter effect. Most stores have found that light colors are more appealing than dark colors. Light green, beige, or even coffee brown are much better than black. Pure white is also a color to avoid in drug store exteriors.

**FLOORING.**—Drug store floors should be exceedingly durable, easily cleaned, not easily damaged, pleasing in appearance, and, if possible, by means of their design they should help direct store traffic. Above all, they should not be slippery. In the selection of a floor the upkeep as well as the first cost must be considered. A wide variety of materials is available for use in drug store floors, but those most frequently used are linoleum, composition tiling, rubber tile, and wood.

The actual type of floor used will depend upon a number of factors, such as the location of the store, whether downtown or neighborhood; the amount of traffic; the type of departments within the drug store; and whether the floor is for a new building or is to be placed in an old building that is being modernized. A permanent floor of some type is usually the most economical to use in a new building.

*Linoleum.*—Linoleum floorings are very popular for drug stores, as they are readily cleaned and relatively cheap, and as they lend themselves to attractive designs. Linoleum is extremely durable in drug stores, because drug store floors are seldom under severe strain, such as that occasioned by handling heavy cases, barrels, etc.

Linoleum manufacturers have developed durable linoleum of good quality in very pleasing designs and color combinations, with attractive pharmaceutical insets, as shown in Fig. 7. Linoleum  $\frac{1}{4}$  inch thick, usually called "battleship linoleum," is available in beautiful mottled and other colorings. These products are in every way equal in appearance to any of the composition floorings.

A rather recent development of linoleum manufacturers in drug store flooring is the "traffic-guiding" floor, an example of which is shown in Fig. 7. Floors of this type are designed to "lead" patrons to the left, as they enter the store, in an attempt to overcome in part the psychological or mechanical tendency of customers to walk to the right.

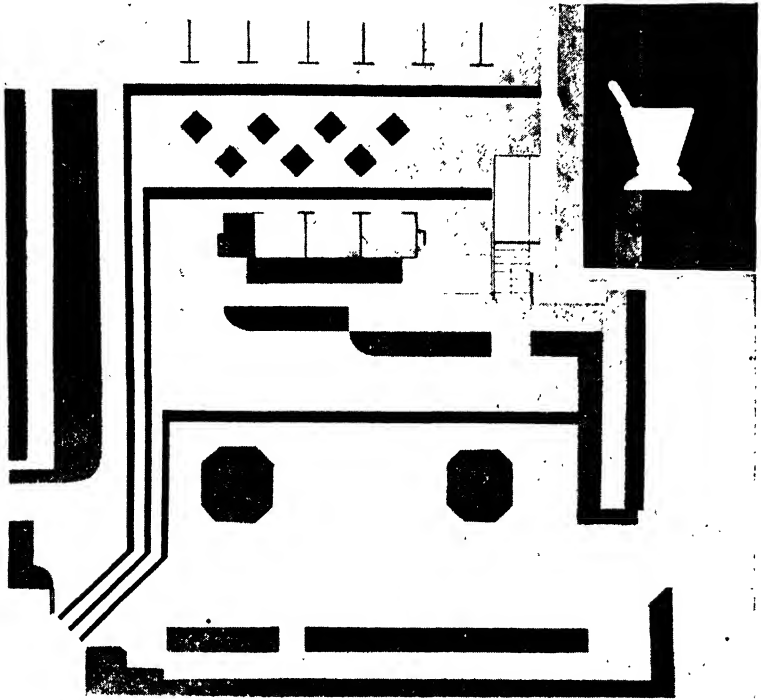


Fig. 7.—Drug store floor design for guiding the flow of traffic. A pharmaceutical insert for linoleum floors in upper right-hand corner. The directional lines are used to bear traffic to the left from the entrance. On the left is the fountain with booths and tables conveniently near. The heavier black lines are aisles. (Courtesy of the Armstrong Cork Company.)

*Composition Tiling.*—Tiling made of rubber, cork, asphalt, and similar materials is frequently used in retail drug stores, particularly at the entrance, where it must stand a great deal of wear but where sections of it can easily be replaced when worn out. Flooring of this type is now quite reasonable in price and has great durability.

Composition tiling is probably the most suitable for drug store purposes, and it is cheaper than a good grade of linoleum. Besides being very attractive in appearance, it is quiet, and it is very easily cleaned. However, it is likely to be slippery when wet.

*Wood.*—Wood floors are the cheapest kind for drug stores, but they are seldom as attractive as tiling or linoleum. The life of a wood floor is about the same as the average linoleum and when the upkeep is considered there is very little difference in cost between wood and linoleum.

In locations where the traffic is heavy, wood floors are not considered desirable. They quickly become splintered and unsightly, if they are of poor quality and are not cared for properly. Most new drug stores at the present time utilize some form of composition flooring.

**WALLS AND CEILINGS.**—Walls and ceilings are merely backgrounds for display fixtures and offer a means of giving the store atmosphere. The primary consideration in walls and ceilings should be simplicity. They should be made as plain as possible. A flat ceiling is better than an uneven one, since it permits a better diffusion of light and better ventilation, as well as presenting a better appearance. When ornaments are used on the walls or ceilings, they add to the expense of cleaning and after a short period detract from the store's appearance.

*Interior Colors.*—The color of the walls, fixtures, floors, and ceilings of drug stores is very important. The right use of color can do much to produce the proper impression in the customer's mind. Drug stores as a rule should be kept very light in tone. This applies to the fixtures as well as to the walls and ceilings. The ceiling should be plain white or ivory, as this finish reflects more light than any other. The walls should be preferably of ivory or buff. In some cases other light colors may be used, but under no condition should a dark color appear on the walls.

A generation ago, fixtures were usually dark-colored, either mahogany, golden oak, or walnut. At the present time most new fixtures are very light in color. Bleached woods are

popular, as well as light-colored enamels. Light colors make for saving on electrical bills, give the store a neater appearance, and are much more cheerful.

When one is considering color in a store, it is well to refer to a table such as the following, which shows the light-reflection qualities of various colors. It will be noted that the darker shades absorb a considerable portion of the light thrown upon them. Colors that reflect less than 65 per cent of the light are usually considered unsatisfactory for wall use in stores.

<i>Color</i>	<i>Percentage of Light Reflected</i>
White	89%
Ivory	82
Cream	77
Orchid	67
Ivory tan	66
Sky blue	65
Buff	63
Pale green	59
Silver gray	46
Olive tan	43
Forest green	22
Coconut brown	16
Black	2

When choosing colors, a pharmacist should consult a color expert who can help him secure the proper color combinations. If it is not possible to contact a color expert, a visit to the better stores and shops to see what color combinations they have used will prove worth while.

**LIGHTING.**—The past few years have witnessed a tremendous advance in technical improvement of store lighting. It has become obvious that successful drug stores must have adequate lighting. Decades back, store windows and store interiors in general were very poorly lighted. However, pharmacists have learned the value of improving the lighting. Chain stores have led the way, but progressive independents have not been slow to follow. It is now generally recognized that every drug store should be brightly lighted.

It is to be regretted that in many drug stores poor lighting is still the rule rather than the exception. In most instances, the lighting is too dim, in others, it is not properly diffused. Even in those stores that have good lighting facilities, in many cases the pharmacist keeps his lights turned off some of the time. This may save a few pennies in electrical current, but it may also drive away many dollars of prospective sales.

Good lighting is a requisite of successful merchandising. The reason for this is that it accomplishes many important results, among which may be mentioned

1. It creates a cheerful atmosphere that reacts favorably upon both customers and sales people.
2. It makes merchandise appear more attractive.
3. It gives the store an atmosphere of success and up-to-dateness.
4. It gives an impression of neatness, cleanliness, and progressiveness.
5. It permits a closer and more accurate inspection of merchandise and thereby increases sales volume.

With poor lighting, no drug store can operate as successfully as it should. If the store is badly lighted, the pharmacist is not realizing all the possible sales that his store has to offer.

*Good Lighting Requirements.*—Good store lighting means enough light to permit easy examination of merchandise without the slightest eyestrain. In addition, it means uniform, steady illumination without glare and with the elimination of shadow. A store properly lighted is one with an adequate lightness pattern throughout the store.

It is possible to determine with considerable scientific accuracy the lighting requirements of a drug store. One does not need to guess about this point. The best lighting under most circumstances is that which approximates daylight. It is impossible for many stores to secure a sufficient amount of actual daylight, even during the middle of the day, to make it practical to rely on daylighting alone. Therefore, most stores require artificial light all or part of the time.

The combination of artificial lighting and daylighting usually does not work out well. Artificial lighting is generally so weak and pale in comparison with light furnished by the sun that glare and shadows result. Many stores have found it necessary to drape their windows so as to soften daylighting on bright days or even to block out their windows entirely and depend upon electric lighting all the time. Many chain drug stores have done this. Some of the newer drug stores have recently been built without windows other than show windows, and the lighting is entirely artificial.

The usual method of measuring the adequacy of lighting is by the number of watts per square foot of floor space and by the number of foot-candles of illumination. A foot-candle is the intensity of light of a standard candle of a certain size at a distance of 1 foot. The intensity of illumination can be measured at any time or place by means of a foot-candle meter. Practically every utility company owns one and the pharmacist may borrow one for occasional use. As might be expected, opinions vary as to the degree of illumination desirable in different parts of the store and for different goods. However, the variations are due largely to difference in emphasis placed upon efficiency of lighting and economy. Naturally, it is possible to get along with much less light than the amount considered most efficient, but the question is: Should one?

Illuminating engineers generally feel that drug stores require from 30 to 100 foot-candles of light in selling areas. The lower limit is probably inadequate for most stores at the present time and the tendency is toward the use of more light. Some successful drug stores are now using 80 foot-candles and more of light by means of fluorescent lighting that reduces or eliminates any tendency toward glare. It would seem that the minimum requirement for the drug store should be approximately 20 foot-candles in the circulation areas and 40 foot-candles in the merchandising areas. Figure 8 shows a chart of recommended illumination for drug stores. This chart should prove very useful for checking store illumination.

The adequacy of the lighting will depend to a considerable extent upon the type of illumination used and the brightness pattern achieved throughout the store. Lighting types that give uniform illumination are much better than those that give "spot" lighting. For that reason, some form of diffused

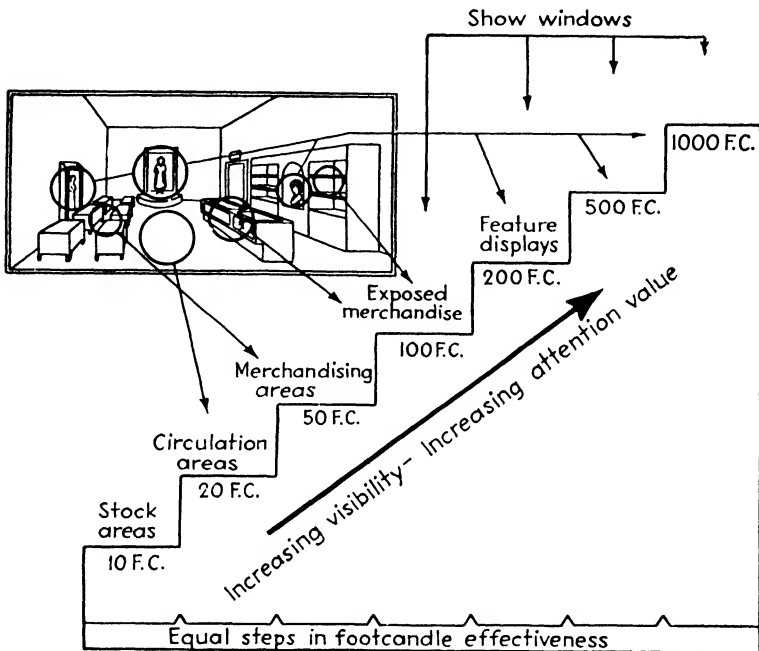


Fig. 8. Recommended illumination for stores. (Courtesy of General Electric Company; and Drug Topics.)

lighting is usually more successful than ordinary direct lighting.

*The Brightness Pattern.*—Lighting engineers are giving more and more attention "to creating a proper brightness pattern throughout the store, so controlled as to definitely direct the eyes of the customer, to affect her movements, and to compel attention to specific items or groups of merchandise."<sup>1</sup> It is possible to direct the customer's attention to

<sup>1</sup> C. J. Allen, "Emphasize the Merchandise with Light," *Drug Topics*, Dec. 30, 1940, p. 8.

certain groups of merchandise by the brightness accent or emphasis. Likewise, marked success has been achieved in swinging the flow of traffic from one side of a store to the other or drawing it to the rear, simply by varying the amount of brightness within the store.

It is necessary that merchandise be displayed under more light than that prevailing throughout the store. Items displayed in showcases and shelving should have two or three times as much light as their surroundings. If they have less, they lose their attention value; and if they have too much more, the merchandise loses its attractiveness when it is taken out of the case or shelving for examination by customers. The attention of customers is not centered on merchandise unless it is emphasized by means of bright illumination.

*Direct Lighting.*—The commonest but most outmoded type of lighting for drug stores is direct illumination from several fixtures placed in the ceiling. Few drug stores can afford the luxury of poor lighting, which is usually the result of this type. However, if overhead direct fixtures are used, they should not be spaced too far apart. It is much better to have a number of small fixtures than a few large fixtures, because the latter make the lighting very spotty. It is generally considered that overhead lamps should be spaced not farther apart than one and one-half times the distance from the floor to the lighting fixture, and in no case more than 20 feet apart, unless column lights are used. The best results are obtained when lighting fixtures are from  $13\frac{1}{2}$  to 15 feet apart and from 9 to 10 feet from the floor.

Lighting fixtures should be so constructed that they may be readily cleaned, and the proprietor should make some provision for regular periodical cleaning and renewal of electrical bulbs. No matter what the registered wattage provided by a lamp, if the globes and bulbs are not kept clean, the degree of illumination will suffer. Old bulbs lose their efficiency with age, and for proper illumination it is necessary to make renewals before the lights are actually burned out.

Direct lighting is, of course, the most economical from the standpoint of electrical current, but it is less satisfactory



than indirect or fluorescent lighting. Direct lighting tires the eyes, causes shadows, and usually produces glare.

*Indirect Lighting.*—Indirect lighting, in which the light is always reflected upward to the ceiling and then diffused downward, is more expensive than direct. Unless considerable wattage is used, indirect lighting is likely to give an insufficient amount of light for proper display and examination of goods. A form of semi-direct lighting with translucent sphere globes

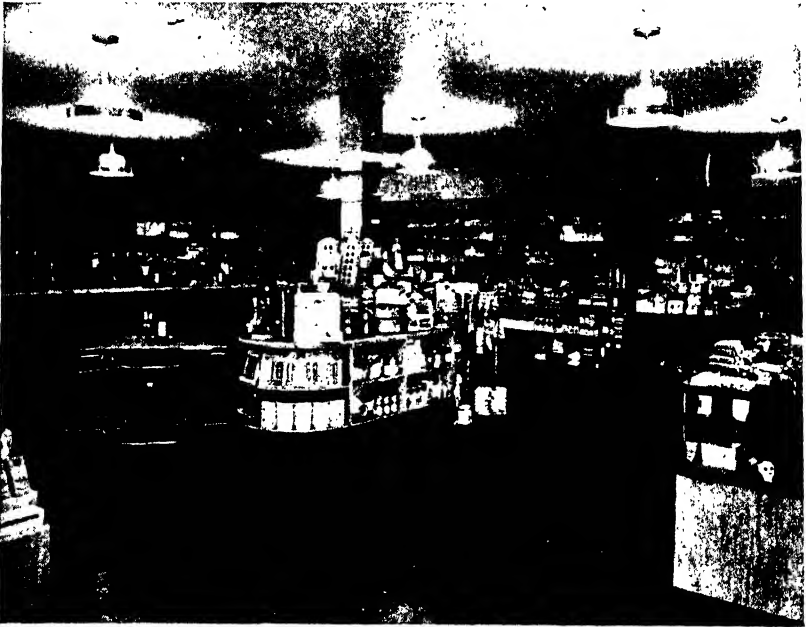


Fig. 9. An effective use of semi-direct lighting (Turner Park Pharmacy, Omaha, Neb.).

is used with success in some present-day drug stores. A photograph of a modern pharmacy with this type of lighting is shown as Fig. 9.

*Fluorescent Lighting.*—A recent lighting development that offers wide possibilities for the drug store is that of fluorescent illumination. Fluorescent lighting is not lighting from a concentrated point which is brought to a high glare, but rather it is an entire surface productive of light. Fluorescent lighting is achieved through the use of tubes that are the actual light-

producing media. Since the tubes cover a considerable area, there is much less opportunity for glare and shadows. Lighting of this type gives a soft, diffused light very closely approximating daylight. Through the use of fluorescent light, simulated daylight can be obtained over large areas of the drug store. Heretofore, actual daylight has been confined to windows and to the area adjacent to the window, but now with fluorescent light of low brightness, daylight color quality can be produced at no sacrifice in efficiency. Fluorescent lighting is particularly good for "spot" lighting in show cases, special displays, etc.

For general illumination of the store, the pharmacist has a choice in the fluorescent family of three variations of color quality. There is the crisp "Daylight," which brings the outdoors into the store, revealing colors as does natural light itself. Then there is the popular "White," producing somewhat more light per watt and with a color quality approaching that of light from the filament lamps. These two mix quite well. When the "White" fluorescent lamp is used for general illumination, the "Daylight" lamps are especially recommended for display cases of all types. Last, there is the "Soft White," which is very flattering to the complexion and makes food appear especially attractive. It is particularly adapted to the needs of cosmetic bars, luncheonettes and other more intimately treated areas. Sometimes pharmacists have found that a combination of "Daylight" and "Soft White" lamps in the same luminaries best meets the over-all needs of their stores.

Fluorescent lighting can be adapted to many different uses within the store. It is very well suited for lighting wall fixtures. The fluorescent tubing can be extended from the base of the cornice, and in that way the wall display cases can be illuminated. It is also very effective for lighting showcases. Whenever a store has low ceilings, fluorescent lamps give the ideal answer. These lamps require relatively little shielding and on low and medium ceilings this type of lamp works much better than direct lighting. Two examples of fluorescent lighting installations are shown as Figs. 10 and 11.

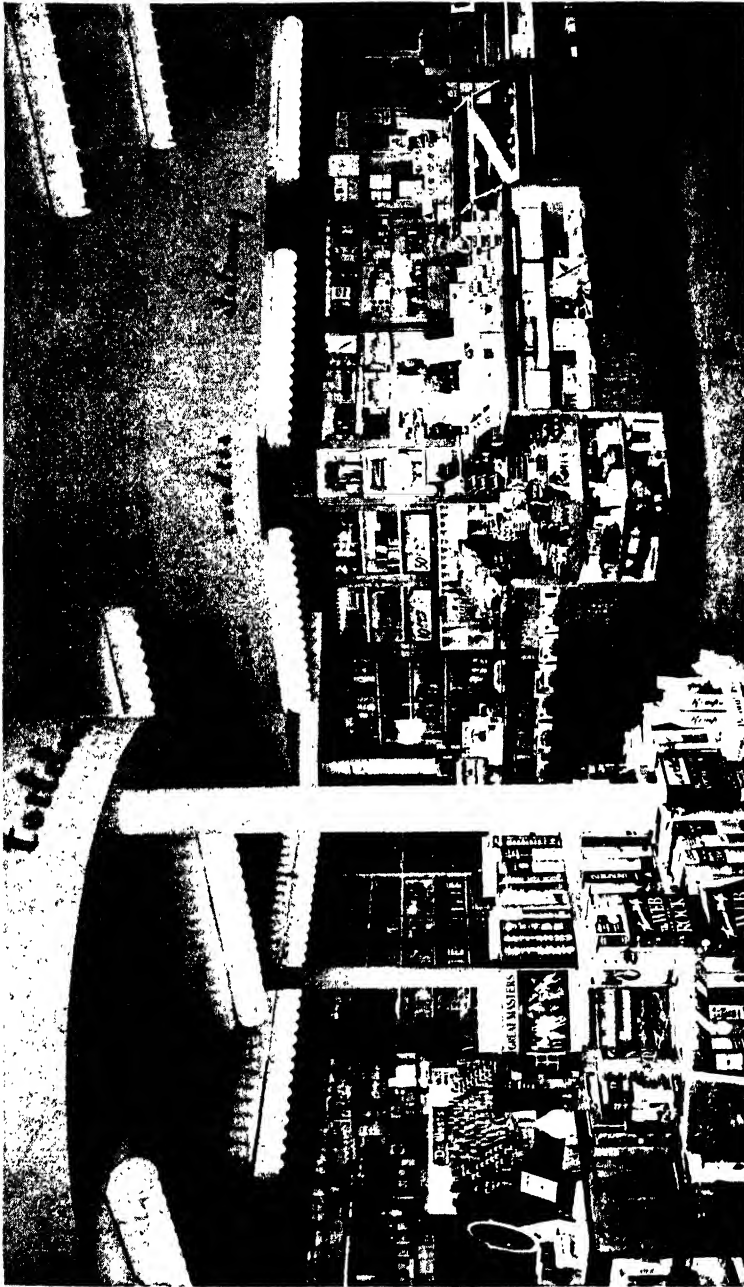


Fig. 10. A modern use of fluorescent lighting (Cleveland Circle Pharmacy, Brookline, Mass.). (Courtesy of the Grand Rapids Store Equipment Company.)

When lighting for a store is being considered, it would pay every pharmacist to investigate the possibilities of fluorescent lighting. It possesses the advantage of no glare, it gives a very high lighting efficiency, it uses a minimum expenditure of electrical energy, it produces cool light, it does not distract the customer's attention from the merchandise, and it is most



Fig. 11. Fluorescent lighting in individual units (Liggett Drug Company, New York City). This installation uses 68 forty-watt units to illuminate 2,112 square feet of floor area—a room 44 by 48 feet. The wattage is 1.28 per square foot. (Courtesy of General Electric Company.)

readily adaptable to fixture arrangements. However, it is more expensive to install. Moreover, when fluorescent lighting is used, the services of an expert should be secured. The newness of this type of lighting, combined with the many problems that accompany it, necessitates the services of someone who has had considerable experience. Some of the large fixture companies, most of the large light manufacturers, and local

utility companies are in a position to furnish this information to the pharmacist.

*Expense of Obsolete Lighting.*—It has been said that few merchants can afford the luxury of darkness, and this is particularly true of pharmacists. Many save a few pennies on electrical consumption at the expense of many dollars in profitable sales of merchandise.

Numerous examples might be quoted to emphasize the effect of adequate and inadequate lighting on store costs and profits. However, the following case is illustrative. A Louisville drug store with monthly sales of \$2,500 replaced its obsolete lighting equipment with a modern system that doubled the amount of light in the store and diffused it more efficiently. The cost of electrical consumption increased from an average of \$7 monthly to \$11.25 and the new equipment was amortized at \$5.36 on a monthly basis. This additional monthly cost of \$9.61 was insignificant when it was related to an increase in sales of 18 per cent, or \$450 monthly. There is little doubt but that the installation of the proper illumination equipment is a worth-while investment for any pharmacist.

*Show-window Lighting.*—The attraction and selling power of the show window are particularly dependent on the lighting. Poorly lighted show windows do not attract people. Therefore, it is of the utmost importance to have the windows really well lighted in order that passers-by may feel their attraction.

The show window is the outside salesman and a well-illuminated front attracts people from blocks away. A show window may present an attractive display, but it will not catch the attention of the fast traffic in the street unless it first has a compelling brightness that will make the passer-by turn and look.

The amount of light required adequately to light store windows will depend on the depth of the window, the brightness outside the store, and the type of store next door to the drug store. Downtown stores may require 200-watt lights on 12-inch centers in the windows in order that they may show up well in competition with other windows. In neighborhood or suburban areas, 150- or 100-watt lamps on 12- to 18-inch

centers can be used, depending on the brightness of the surroundings and other factors that might compete for attention. If fluorescent lamps are used, they should produce approximately the same amount of light. The entire window should have from 150 to 1,000 foot-candles, as shown in the chart (Fig. 8).

In addition to overhead reflectors, it is well to use floodlights or spotlights to attract attention to certain items of merchandise in the window. It is often well to floodlight the center feature so that every passer-by must pay some attention to it.

Reflectors in store windows should be concealed from view and should be placed out of sight above the transom or hidden behind a valance. The installation is generally more pleasing and presents a neater appearance if the units are completely concealed by recessing them above a false ceiling, placing them in a built-in box, enclosing them in a long metal case, or locating them above panels of stippled glass in the ceiling.

It would be well for every pharmacist to secure pamphlets on store and window lighting from the light fixture manufacturers or the wholesale druggist. Companies like General Electric, Westinghouse, and Grand Rapids Store Equipment Company gladly furnish this information.

**AIR CONDITIONING.**—One of the newer adjuncts to modern drugstore merchandising is provision for proper climatic conditions in the store through the use of air conditioning. By this is meant the control of the temperature, the humidity, the cleanliness, and the circulation of air in stores. Until recently, only temperature and that only in winter months has been controlled, but now it is possible to control throughout the year all the elements mentioned above.

Properly conditioned air helps the volume of drug store sales in a number of ways. Conditioning makes the store a refuge of comfort in the summer, drawing traffic from other outlets. It helps to keep customers in the store for longer periods of time and thereby increases sales possibilities. Salespeople, too, because of the increased physical comfort, are more efficient. Their minds are given more completely to their

work and less to distracting physical conditions. Eliminating smoke and dust from the air, the conditioning keeps fountain patrons in their seats longer, eating more and coming back again and again. Furthermore, the use of modern air-conditioning equipment stamps a store as progressive in its policies and constitutes a good advertisement.

Some years ago air conditioning was considered only a "gadget," to entice trade. It was usually installed only to meet competition. However, today it is considered a necessity in most large-traffic drug stores located in areas where summer heat is a problem.<sup>1</sup>

<sup>1</sup> The rapidly increasing popularity of air-conditioning equipment in drug stores is evidenced by the \$2,030,000 spent on conditioning equipment in drug stores during the year 1940, as compared with the previous high of \$282,000 in 1939.

# Drug Store Planning and Layout

## CHAPTER 6

THE PHARMACIST is vitally interested in store planning because he knows that the successful operation of his store is particularly dependent upon good physical layout. The most salable merchandise, the best trained clerks, or the most aggressive advertising cannot entirely compensate for the lack of proper layout of store equipment and goods. The store that has just grown, with little regard to the most effective use of floor space, is greatly handicapped in the competitive battle for consumer dollars.

Well-planned stores increase shopping ease, improve store appearance, make possible significant economies in operation, and build customer traffic. The result is the creation of greater customer good will and the performance of the retail functions with a minimum expense of effort and materials.

Store planning and layout are particularly important to the drug store, because of the high proportion of convenience and impulse merchandise that is carried in these establishments. Thus the strategy of drug store planning should be directed largely to the job of building sales volume by attracting more repeat patronage to the store, and by so arranging the departments that the store can capitalize on the character of the merchandise and utilize layout to increase the circulation of traffic and the average sale to each customer. This is not a task that can be accomplished by careless, hit-or-miss arrange-



ment. It can be effectively accomplished only by following the well-established principles of drug store planning that have been capably developed during the past twenty years.<sup>1</sup>

Designing a distinctive drug store that is efficient and has customer appeal need not be expensive or difficult. It can be accomplished by careful study of the problems faced and by close attention to small things that please customers and induce them to come again.

The subject of drug store design or layout falls logically under two headings: arrangement, which refers to the grouping of equipment, merchandise, and departments; and modernization, which usually signifies an attempt to keep the store abreast of progress.

### Store Layout and Arrangement

The problems associated with physical arrangement are among the most interesting and challenging that face the pharmacist. They are interesting and challenging because they are never quite solved. New refinements in store planning are constantly being made and final perfection is never quite achieved. The significance of that statement to the pharmacist is this—after he once lays out his store, he must not sit back and say, “Now I won’t have to worry about that problem any more.” Store arrangement is not something that can be settled once and for all. The progressive proprietor is constantly making minor changes in order that his store may be kept abreast of the newest and most efficient store layout developments.

**OBJECTIVES OF STORE LAYOUT.**—In planning the layout of the drug store, three ends are in view: (1) to display and arrange the stock in such a way that the maximum selling value is secured from every foot of floor space; (2) to conserve time in handling the customers and to promote both speedy and efficient attention to the customer’s needs; (3), by no means least, to secure the plan’s purpose of deliberately segregating the low-priced help on one side of the store, to serve

<sup>1</sup> “Modern Store Arrangement,” *National Association Retail Druggists Journal*, Apr. 1, 1937, p. 528.

the fountain, candy, cigars, magazines, and sundries, while the pharmacist and higher priced sales folk are grouped on the other side, where they can serve those customers desiring toiletries, proprietary medicines, drugs, rubber goods, and prescriptions. This third objective may appear to be carrying efficiency a bit too far; but in a busy store the situation that takes a pharmacist across the store to wait on cigar trade and leaves a proprietary customer to a fountain girl, who must come across the store and then in many cases turn the customer over to the pharmacist anyway, is one of gross waste.

**FUNDAMENTAL FACTORS INFLUENCING STORE ARRANGEMENT.**—The basic problem in store arrangement is how to increase store traffic. Without traffic, satisfactory sales volume is impossible. Increase traffic, and sales mount. To maintain traffic once attracted to the store and at the same time to maintain traffic circulation within the store the following factors must be given careful attention:

1. Customer convenience and facilitation of selling
2. Store operating expense
3. Store appearance
4. Store protection

**CUSTOMER CONVENIENCE AND FACILITATION OF SELLING.** “Convenience” is the key word in store arrangement—convenience for customers, convenience for the pharmacist, and convenience for the clerks. Retail stores in general, and drug stores in particular, are service institutions. Their managements must be continually alert to customer desires and needs. Other things being equal, consumers shop in those stores that provide accessible merchandise, attractive surroundings, and pleasing displays.

The primary consideration in creating convenience is to make buying as easy as possible. The customer's comfort is a basic consideration in planning pharmacies. The pharmacist finds enough buying resistance without providing more by having poor store arrangement. The proprietor should keep constantly in mind that his customers are invited guests and therefore he should do as much as possible to make things comfortable and convenient for these friends.

Just what the pharmacist may be able to do with store arrangement to facilitate buying in his store is discussed in the following paragraphs.

*Aisles.*—Aisles in stores are, first and foremost, traffic arteries. They are comparable to city streets in that their primary function is to allow persons to move speedily and without discomfort to their destinations. However, store aisles have a secondary function, which is peculiar to them and vitally important to the successful operation of the retail establishment. This secondary function is to expose to each customer as much properly displayed merchandise as possible. If aisles accomplish both of these objectives, they are properly designed.

Narrow aisles or those of the zigzag, or "snake," type should be avoided, as they make it difficult for patrons to get to the merchandise they want to buy. Besides, crooked aisles discourage shoppers from looking about while in the store. Another point to watch when laying out aisles is to see that the back of the store is not blocked by tables or chairs in such a way as to give customers the impression that trespassing in that area is forbidden.

Aisles should be broad and straight so that the movement of customers to all parts of the store may be facilitated. Since merchandise is, or at least should be, dispensed from both sides of an aisle, an aisle that will not allow two persons to shop simultaneously, one on each side, should be avoided. An aisle 42 inches wide is usually considered the narrowest serviceable aisle, and one at least 12 to 18 inches wider is much preferred.

In connection with aisles it is well to keep in mind that they should help to distribute traffic evenly throughout the store, so that congestion is relieved and shoppers have the opportunity to view as much merchandise as possible. One problem that complicates store traffic is the tendency of shoppers to turn to the right when entering the store. Some drug stores have solved this problem by moving center equipment slightly to the right. Others have met the situation by placing popular departments and items of merchandise

to the left of the entrance, and still others have employed directional floors, such as were illustrated on page 59.

If customers can be drawn to the rear of the store, they will pass more merchandise than they would if they confined their shopping to the front part. Consequently, sales can be increased by getting patrons to walk to the rear, as they then pass practically all the merchandise displays on their way in or out. Convenient aisles and attractive displays, brightly lighted, will aid by increasing traffic near the back of the store.

*Equipment.*—Equipment should be regarded as a selling tool and not as an ornament. When selecting equipment, the alert pharmacist asks himself, "Is the equipment the kind that will give me the largest possible volume of profitable sales?" It is well to have equipment that is attractive and not too costly, but the important test is: Will it help sell more merchandise? The pharmacist must remember that customers do not purchase beautiful show-cases, they purchase the goods displayed in them.

Equipment serves two useful functions: (1) to store merchandise so that it is readily accessible to customers, and (2) to display that merchandise attractively so that it possesses the maximum amount of sales appeal. Good equipment should bring as many products as possible out where they are in *plain sight* and in *good light*.

The modern trend in drug store equipment is toward low, open display units, as is shown in Fig. 12. Equipment of this type enables the pharmacist to get the maximum amount of merchandise placed within easy view of his customers. High counters, numerous showcases, and high booths give a store a crowded appearance and hinder customers in their shopping.

Some merchandise must be kept out of sight and some articles must be kept under or behind glass, but whenever possible it is best to employ fixtures that make the stock readily accessible to customers. Perfumes and stationery are examples of items that may well be enclosed in glass, but most other items should be stocked in open shelving, counters, or racks, and on tables. By employing the right kind of equipment, the pharmacist should place as much merchandise as

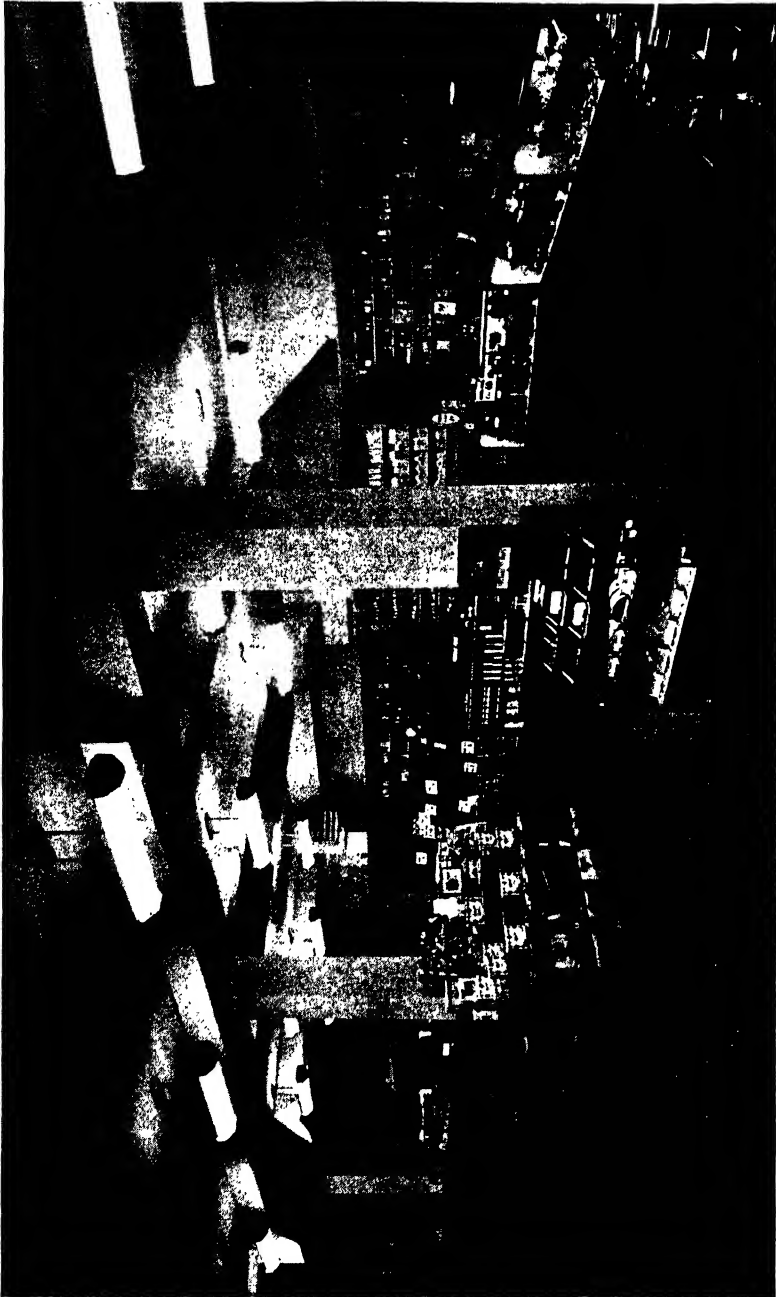


Fig. 12. A modern use of low display units (Sutliff and Case Drug Store, Peoria, Ill.).

possible within arm's length of his customers. One good method of achieving this result is to use some step-up display racks, tables, and counters, in place of too many showcases. The showcase is fine for tobacco, perfumes, and certain valuable sundries; however, most pharmacists have found that sales increase when they use equipment that permits shoppers to handle the merchandise.

Overexpensive equipment is not necessary to successful arrangement. However, the cost of equipment is more or less incidental to the final result. The primary thing to bear in mind in this regard is to have equipment that will give a store a neat appearance and enable the pharmacist to display a maximum number of goods in an effective manner. Uniformity of type, color, height, finish, and style of equipment is highly desirable in the store. Otherwise, the place of business is likely to present an unattractive and makeshift appearance.

One equipment feature which, though it sometimes adds to the initial cost, is well worth the extra investment over a long period of time is the adaptability to changes in arrangement. Equipment manufactured and assembled in units can, with a minimum of cost and inconvenience, be altered to meet sudden merchandising changes.

*Arrangement of Merchandise.*—The arrangement of merchandise within the store is closely related to the facilitation of selling and customer service. This applies to the location of types of goods in the store and to the arrangement of the merchandise within the departmental unit. It must be kept in mind that the items in greatest demand should be placed in the locations most convenient for purchasers. Tobacco, candy, periodicals, and other similar items should be located in readily accessible spots within the store.

Not only must the merchandise be arranged to suit customer convenience, but the value of the space must be given careful consideration. In general, the space near the front of the store is more valuable than that near the rear. In fact, it may almost be said that the value of space decreases in direct proportion to the distance from the front entrance. However, skillful placing of merchandise can enhance the value of the

back floor space and increase the sales possibilities by drawing customers throughout the length of the store instead of having them congregate in the front third, as is so often the case.

Before starting to arrange the merchandising locations, the pharmacist should divide his stock as nearly as possible into two groups, demand and impulse goods. Under demand items can be classified hospital and sickroom supplies, packaged proprietary medicines, drugs, prescriptions, and the like. Under impulse goods fall such items as candy, toiletries, sundries, and magazines.

In order to effect a maximum of sales, the pharmacist should expose a maximum of impulse goods to the greatest number of customers. With this in view, logic dictates that, generally speaking, impulse items be placed in the front of the store and demand items, with exceptions, in the rear of the store. Thus, when a customer comes in to buy the items he requires (demand items), he will pass through the array of impulse items, his need for which remained unrecognized until he saw the merchandise.

As far as possible, demand items should be kept on shelves, since few are sold by suggestion. On the other hand, impulse items should be kept on tables and counters on open display, or in suitable cases where they can be readily seen and examined by customers. Those impulse products that are of high value or that can be soiled or spoiled by handling should be kept under glass or beyond the customer's reach.

When one is deciding on the location for various types of merchandise, it is well to begin with departments. As far as possible all merchandise should be grouped by departments, according to whether the items therein are primarily of the demand or the impulse class. Departments should contain all associated articles, as this will result in related sales. For example, a woman purchasing stationery cannot help seeing the entire line of fountain pens when they are placed adjacent to the stationery. The result may be an additional sale, which might have been lost if unrelated merchandise had not been placed adjacent to the items that represented the customer's original concern.

The following are typical and suggested locations for various groups of merchandise carried in drug stores.

*Candy.*—Candy is an impulse item and should be placed as near the door as possible, preferably in the front island counter or the first counter on the left side. Men purchase approximately 80 per cent of the box candy that is sold and much of the bar candy. Therefore, since it is an impulse item and purchased largely by men, men should be led to pass it frequently. Next to the tobacco counter is probably the choice location. Men will walk farther for tobacco than they will for candy, so the latter should be placed between the tobacco case and the door.

*Tobacco.*—Tobacco is primarily a demand item, but it should be placed near the front of the store, as convenience is a major factor in tobacco purchases. Practically every type of outlet handles tobacco and it has been found that customers will not bother to go to the rear of the store in order to buy their smokes.

*Stationery.*—Stationery, which is largely an impulse line, should be located near the front of the store. School supplies and cheaper stationery articles can be displayed effectively on tables or counters. The more expensive stationery items, which can be spoiled easily by handling, should be placed on wall shelving.

*Photographic Supplies.*—Cameras, film, and other photographic supplies should be given space near the front, as good display is essential to the success of this department. Photographic supplies are of high unit value and require but little space for promotion. The best location for this department is usually on the right side of the store, adjacent to the toiletries and stationery.

*Cosmetics and Toiletries.*—The toilet goods department should be given preferred space. If the store is wide enough, these items should have the front space opposite candy and tobacco. However, in no event should cos-



metics be placed farther back than the front third of the store. Toiletries are profitable articles and many sales of them are the result of suggestion, so they must be displayed where they will receive ample customer attention. As in the case of stationery, the expensive items should be kept beyond the reach of customers (preferably under glass), while the lower priced items should be displayed in the open.

*Soda Fountain.*—The location of the soda fountain is one of the most difficult department arrangements to decide because of the complex problems that are involved. The average or typical drug store may find it best to place the fountain on the left side wall, just back of the candy and tobacco departments. In some few cases it may be well to have the fountain at the rear of the store. One reason for having the fountain slightly back in the store is that fountain business falls mainly into the classification of demand goods; therefore, customers will walk some distance to make purchases from this department. If they can be led to walk past displays of impulse items on the way to and from the fountain, additional sales may be made. If the fountain is near the rear, provision must be taken to remove the odors from the drug and prescription departments, so that customers' appetites will not be adversely affected. In some instances, particularly in stores making a feature of the soda fountain, it may be well to place the fountain near the front. Regardless of the location of the fountain, booths should be placed on the side or at the rear near the fountain, so that the center of the store can be utilized for island counters.

*Hospital and Sickroom Supplies.*—Hospital and sickroom supplies are demand items and should be kept in the rear of the store, with the more expensive stock in the wall shelving and the cheaper items on tables, counters, or step-up displays.

*Proprietary Medicines.*—Proprietaries and packaged medicines, being largely demand items, should be kept in the wall and near the rear. Some of the more popular items should be displayed on counters or in the center of the store.

*Magazines.*—There are two possible locations for the periodicals department, either at the front of the store near the candy and tobacco counters or at the rear near the soda booths. Although magazines are to a considerable extent impulse items and for that reason might justify space near the entrance, it is occasionally best to display them near the rear of the store, to minimize pilferage.

*Women's Department, Feminine Hygiene and Baby Merchandise.*—Articles sold primarily to women, such as, feminine hygiene products, sanitary napkins, and baby merchandise should be placed adjacent to one another and on the right side of the store near cosmetics. Merchandise of this type which is purchased almost exclusively by women should be placed on open display so that women may wait on themselves without embarrassment. If possible, a girl or woman should be placed in charge. A saleslady can discuss the various articles without the embarrassment a man would cause.

*Sundries.*—Miscellaneous sundries consisting of flashlights, thermos bottles, electrical appliances, etc., are impulse items and sell well when brought to the attention of customers. Therefore, they should be displayed as near the front part of the store as possible. They can be shown very effectively on island and counter displays.

*Prescriptions.*—The prescription department, which can be classed as a demand department, should be at the rear. Customers do not mind walking to the rear to have their prescriptions filled and, in fact, they prefer to have the department located there. The prescription department should be of the open or semi-open type, with low equipment so that customers can watch the compound-

ing process. Drugs should be kept in the wall cases near this department. Typical layouts of prescription departments with floor plans, dimensions, and elevations are shown in Chap. 15.

*Telephone Booths and Post Office.*—If the drug store includes a post office or telephone booths, they should occupy the least valuable space in the store. Customers do not mind going to considerable inconvenience to patronize these services, which, therefore, can be placed in corners at the rear. When their position is as far back as possible, the customer is exposed to the maximum number of merchandise floor displays in walking to and from them.

**EXPENSE FACTOR IN LAYOUT.**—Store arrangement must be planned so that each square foot of floor space is utilized most productively. This means a layout that will provide a maximum of sales at a minimum of expense. Usually this is best achieved by considering customer demand. The arrangement that will allow the store to operate most efficiently is often the one that is most desirable from the customer's point of view. In instances when the two demands do not harmonize, it is the responsibility of the store manager to decide how far customer service may safely be compromised in order to lower expenses.

**STORE APPEARANCE.**—A third factor to consider is that of store appearance. The pharmacist wishes his store to convey pleasing impressions to customers, as he realizes that an attractive store makes buying more pleasant and thereby enhances customer good will and draws patronage. This is particularly true of new customers, as the first impressions that they receive upon entering the store will probably be lasting ones.

Proper arrangement can do much to improve store appearance. The departments located near the front of the store must be the kind that lend themselves to neat and attractive displays. In some instances the principles of good merchandis-

ing location are modified slightly to improve the appearance of the store.

One feature that the pharmacist must emphasize is that of making customers conscious of the fact his store is a *drug* store and not a variety or department store. For that reason, the prescription section should be given prominence in the arrangement. In many cases it needs to be shown considerably more attention than the volume of prescription business might appear to warrant. Each customer entering the store must

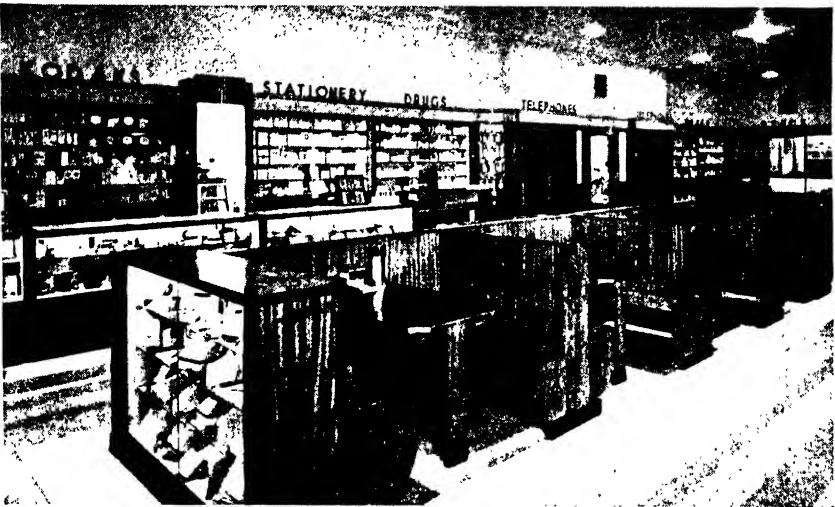


Fig. 13. Attractive use of wood lettering over merchandise groups.

be made to realize that this store is primarily a drug store and the proper emphasis of the prescription department arrangement can do much to achieve that result.

One method of enhancing store appearance and providing it with more customer appeal is to make weekly checks of the interior displays. This may not be a problem in store layout but it is so important that no discussion of store arrangement should overlook it. Many merchants fail to realize that dilapidated posters, frayed placards, or dated signs give a store a run-down appearance. In many instances such adverse effect on customers may result in a substantial number of lost sales.

A feature that will give a store a more attractive appearance and at the same time make shopping more convenient is to keep the top of wall shelving entirely free of displays and stock. This space is above the eye level and in most instances serves no useful selling purpose. It is much better to have the top of wall equipment free of everything except an occasional sign describing the type of merchandise located immediately below. Figure 13 illustrates wall fixtures with attractive wood lettering calling attention to the type of merchandise carried.

**PROTECTION AND STORE ARRANGEMENT.**—Protection occupies a significant place as one of the considerations involved in store layout. Protection relates to customer safety as well as to store merchandise, equipment, and property. A well-planned store reduces personal accident hazards and minimizes the protection problem. Low display equipment, open prescription rooms, and well-arranged showcases, counters, tables, and aisles improve customer service and make it easier for the management to protect and control its physical property. Usually, the store arrangement that facilitates customer buying is most effective in reducing the problems of store protection.

**ARRANGEMENT OF SERVICE FACILITIES.**—The arrangement of merchandise groups and selling equipment is not the only problem in the proper layout design. Careful consideration must be given to wrapping counters, cash registers, office, receiving space, and reserve storage.

The typical independent drug store doing an annual volume of from \$20,000 to \$30,000 per year can function smoothly with one wrapping counter near the rear of the store and adjacent to the prescription department. However, if a much larger volume of business is done, additional counters will be necessary.

The number and location of cash registers depend largely on the density of the store traffic, the volume of business, and the degree of departmentization within the store. If there are several employees, it is well to have at least three cash registers—one at the candy and tobacco case, one at the soda fountain, and one near the wrapping counter to serve the

remaining departments. If the store has wide aisles and is not too narrow, one or two conveniently located registers may be able to serve all departments. Almost any drug store doing an annual sales volume of less than \$25,000 will usually find three cash registers ample, and in some cases two may be sufficient.

Every drug store should have an office, separated from the selling departments. The best location is usually in the rear, and so set apart from the store proper as to afford some concealment of the manager's desk. Under no circumstances should the prescription workroom, receiving room, and office be thrown together.

Some space, preferably in the extreme rear of the store, should be set aside for receiving, opening, checking, and marking stock. Not much floor space is required for these activities and it is usually not necessary to set aside more than 100 square feet for this function.

Most well-run drug stores do not need to carry large reserve stocks, so that it is not necessary to assign much first-floor space to this function. Efficient drug merchandising presupposes a rapid turnover and this means that as few goods as possible should go to reserve stocks. Most drug store items, while rather small in size, are rather valuable, and it is much better to carry these articles on the selling floor than in a stock room. Few pharmacists really profit by carrying large reserve stocks. With very few exceptions, if an item cannot be placed on the selling floor, it should not be purchased. It is better to enlarge the selling space to carry stock than it is to provide storage space. Whatever merchandise needs to be stored can be kept in the storeroom provided for this purpose.

**WHO SHOULD DESIGN THE DRUG STORE?**—The designing of drug stores is no task for an amateur. It requires specialized knowledge so that the completed layout can incorporate all the latest developments and be devoid of serious errors. There are in this country a number of store-equipment specialists who have made drug store arrangement their life work. When encountering a layout problem, the sensible pharmacist seeks their help and advice. In many cases the wholesale druggist

has such a person in his employ and there are several store-equipment manufacturers who have able, experienced drug store designers. The assistance of these experts should be sought not only because it is invaluable but also because it is usually a service that is rendered gratuitously—at least, if the equipment is purchased from the companies rendering the service.

If it were possible to devise standardized or “canned” arrangements for drug stores, it would not be necessary to have expert aid. However, such is not the case. Each store is an individual design problem and the proper solution is usually the result of the careful collaboration of the proprietor and the store designer.

**ILLUSTRATION OF A MODEL DRUG STORE ARRANGEMENT.**—Although it is impractical to design standardized drug stores—largely because of differences in size of store, type of clientele, location, merchandise carried, etc.—it is possible to illustrate good practice by actual designs. For that reason several drug store designs are shown. Figure 14 illustrates an ideal arrangement that takes full advantage of the space and converts every element of display to its greatest utility. Perspective views of this arrangement are shown as Figs. 15 and 16. The plan shown is for the three-man store doing about \$25,000 to \$30,000 yearly in sales.

It should be noted that the store arrangements incorporate most of the features discussed on the preceding pages. The impulse merchandise departments are located near the front, and the demand departments farther back. Also, the departments are so arranged that the aisles are not easily congested and walking by clerks is kept at a minimum. Practically all the space is productive and very little is devoted to nonproductive activities.

The store illustrated in Fig. 14 has almost ideal proportions for a small store, lending itself to an arrangement that can be looked after by a minimum store force during the quieter hours. Every drug store operator, seeking to get full value out of his store arrangement, should try to follow this plan as nearly as his situation will permit. If his store has less





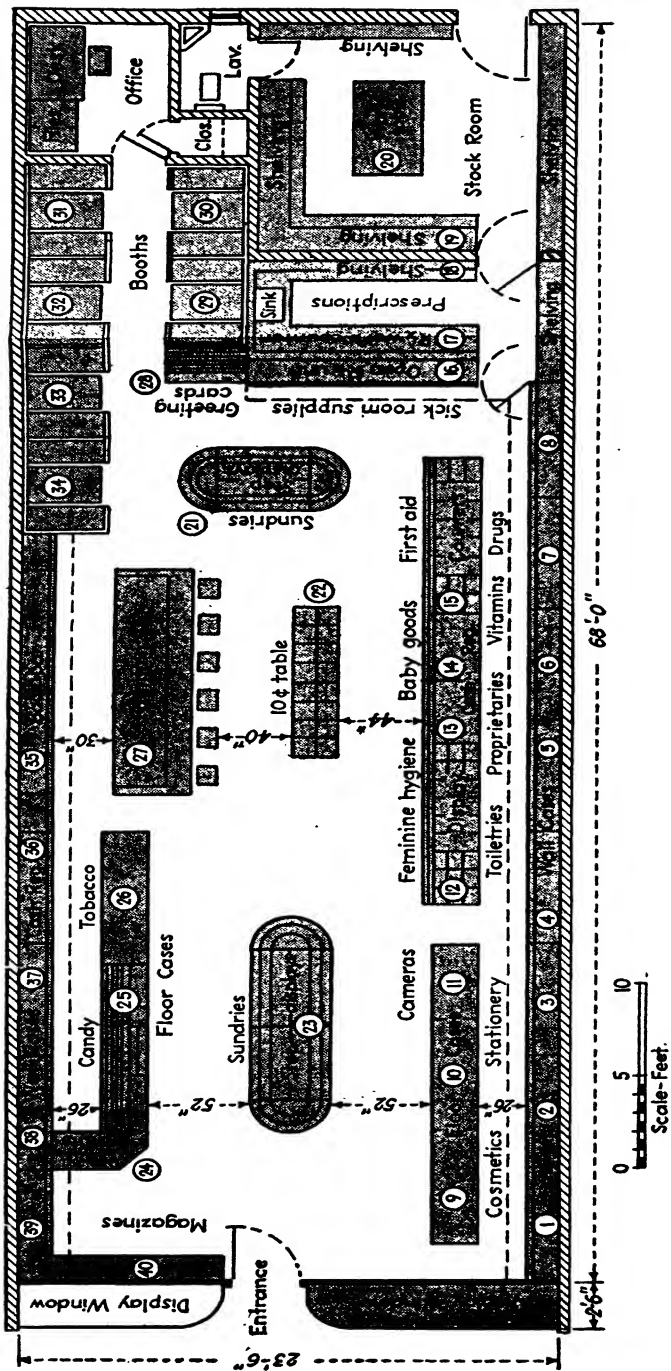


Fig. 14. Model floor plan for an individually owned two- or three-man drug store. (Drawn from a floor plan designed by the authors.)



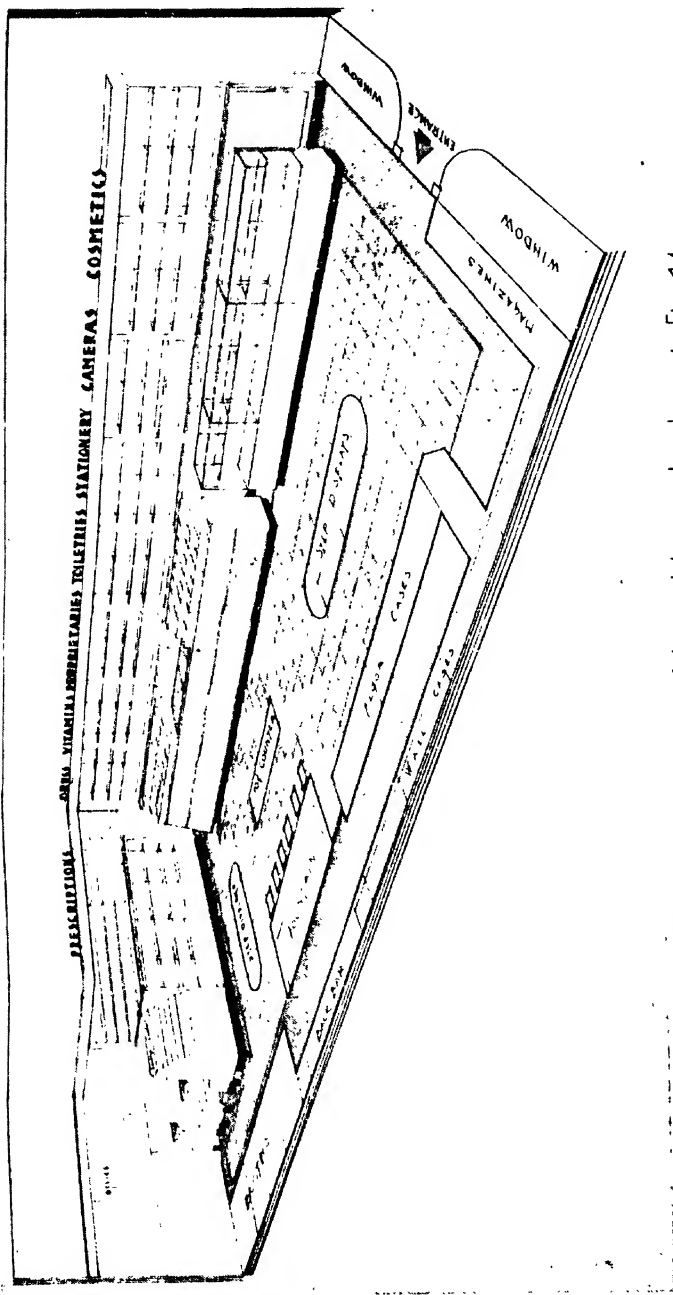


Fig. 15. Right-hand perspective of the model store plan shown in Fig. 14.

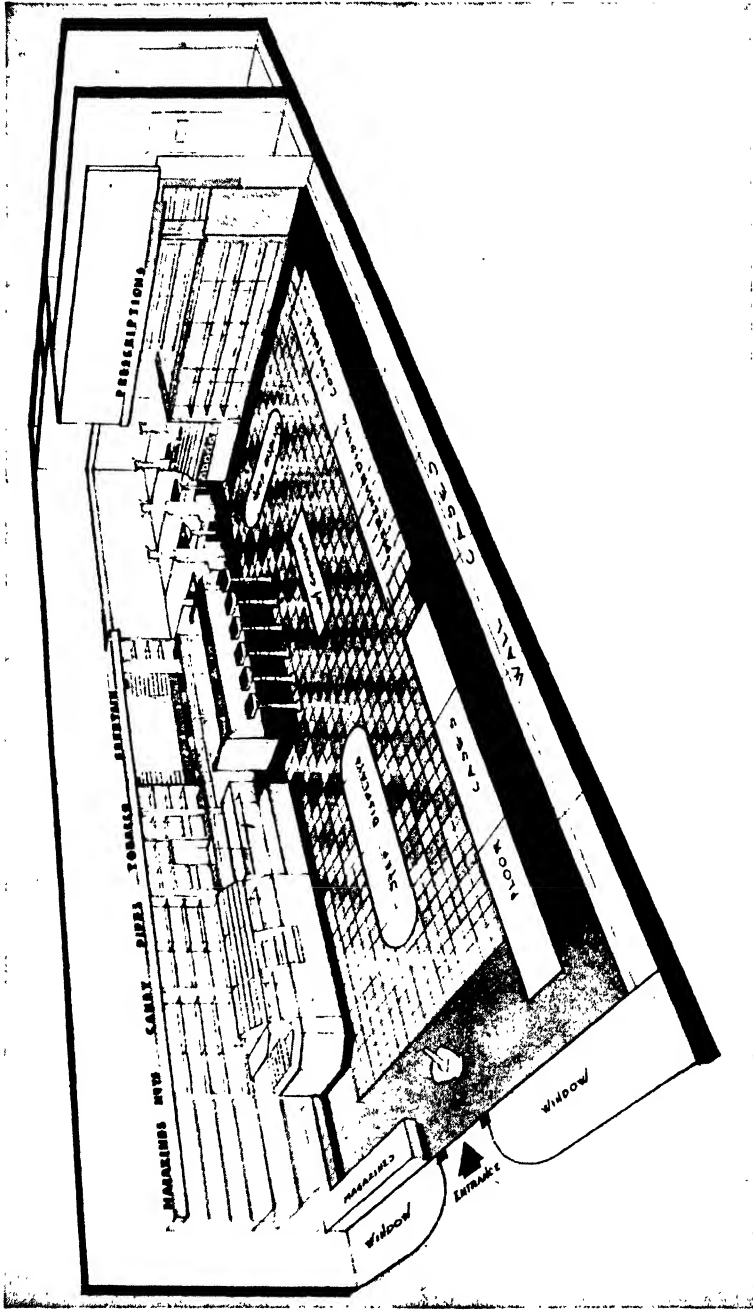


Fig. 16. Left-hand perspective of the model store plan shown in Fig. 14.

depth, some of the equipment, the soda fountain, for instance, can be shortened proportionately. Others might have to be moved to the center of the store.

There is a very definite reason for the placing of every department in this model store and an inspection of the layout should prove helpful. Upon entering this store, the customer finds the candy, cigar, and soda fountain departments to the left. They are placed there because more than 60 per cent of the people entering drug stores, patronize these departments. By having these departments placed on the left, store traffic is exposed to the influence of displays in the center of the store and on the right-hand side. Were these departments on the right, the left side of the store might well become a "dead spot."

A cash register must be part of the candy, tobacco, and nut unit, serving these and the soda fountain. If the store's business is large enough to keep a cashier on the job, she can then supervise the fountain and handle the trade on this side. The booths or tables should be placed at the far end of the fountain. The magazines are located as shown on the plate to make them readily accessible and to occupy floor space that would be difficult to utilize for other types of merchandise.

One of the most important features of this plan is that a clear sweep is provided from the door to the wrapping and merchandise counter on the right of the store. This is a vital part of the store arrangement. (1) It brings the customer fully two-thirds of the way into the store, past open displays of many merchandise items, which may remind her of needs. (2) The fact that there is activity here attracts her, and thus she is brought face to face with deliberately planned merchandise displays on the shelves that are behind this wrapping and merchandise counter. Experience has shown that fully three-quarters of a store's customers will come straight through the store to this counter if it is not more than two-thirds of the way back in the store, provided that there is no obstruction to stop them, except of course those who go direct to the soda fountain.

The cases along the right wall of the store, from the entrance, and the shelving behind them, leading up to and be-

yond the cash register and wrapping counter, are highly important from a merchandising standpoint. Here are brought to a selling focus the display and reminder value of numerous nationally advertised items.

Starting with case number one on the right side of the store, are found cosmetics and toiletries, including face powders, talc and bath powders, creams, deodorants, shampoos, etc. These products are displayed in both wall shelving and show cases on the floor. Case number three contains photographic supplies, with an attractive display in the floor case. Stationery also occupies space in case three. Cases four, five, and six contain hair tonics and other hair preparations, lotions, toiletries, and mouth washes and antiseptics. The cases standing before the shelves are open-display units, except for the cosmetic bar and photographic show case.

The shelf numbered six, almost behind the wrapping counter and cash register, carries the dentifrice stock, where every person at the wrapping counter will see the packages, and thus full advantage is taken of the consumer recognition that has been created by national advertising for these brands. More people buy dentifrices than purchase any other line in the drug store. Close by are the shaving creams and similar preparations for men. This is a highly "reminder-rated" line, and therefore must be given good display space.

At the right of the register, in open-display units in both wall and floor cases, are the mineral oils and emulsions, for experience has shown that of all the packaged medicines, this line sells to the greatest number of customers. The next case carries the vitamin products, cod-liver oil preparations, and other items of that nature. The next section back contains small package drugs, such as camphor oil, glycerin, and other items for which there is a constant call in small packages. The remainder of the cases contain baby goods, items of feminine hygiene, rubber goods, and drugs.

An open prescription department features the rear portion of the right-hand side of the store. This location is good, but some druggists prefer to give this department greater emphasis by placing it in the center at the rear. The reason for placing

the prescription department on the side in this particular store is that it places the pharmacist in a position to get into the store quickly to wait on trade. Also, most of the products that the pharmacist can handle best are placed convenient to his workroom.<sup>1</sup> The lower portion of the open prescription unit is given over to the display of hospital, sickroom, and rubber goods.

The step-up, table, and counter displays in the center of this store are strictly modern merchandising tools. They are

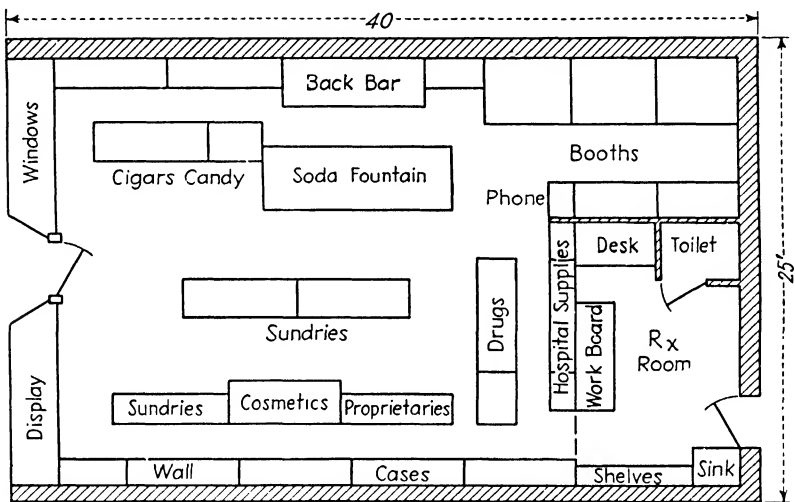


Fig. 17. Floor plan of a short wide drug store (Wilson Drug Company, Idaho Falls, Idaho). (Figure made from a floor plan of the Midwestern Fixture Corp.)

spotlights for merchandise that the pharmacist wishes to feature. They are the long-profit spots, for they carry the merchandise that means more money on the right side of the books. Displays of advertised sundries and specials in drugs, packaged medicines, soaps, rubber goods, and similar lines are given preferred promotion here. These displays should be changed frequently, the most prominent positions being allotted to those lines that the pharmacist is most anxious to push. Low-profit lines not used to increase customer traffic

<sup>1</sup> The layout of the prescription room is discussed in detail in Chap. 15.

can always be given places in the rear of the store, where space is worth less and to reach which the customer must pass by all or nearly all of the more profitable merchandise displays.

The model arrangement presented here obviously cannot fit every store. There are many variations of arrangement required by various shapes of stores, but the fundamental principles here expressed remain the same, and the closer they are followed, the better the result.

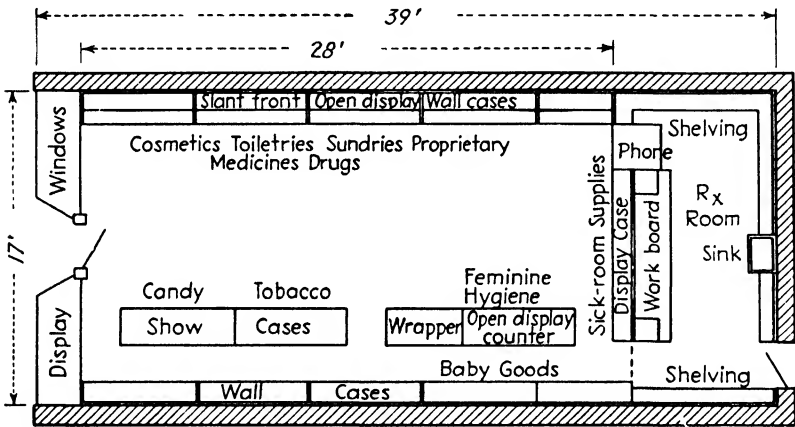


Fig. 18. A floor plan for a one-man drug store without fountain. The display case in front of the prescription room should be semi-open to allow the pharmacist a view of the store and also to permit the customers to see the pharmacist compound prescriptions.

Examples of floor plans fitting stores of various shapes are shown in Figs. 17 and 18.

## Modernization

The second phase of store layout is that relating to modernization of existing equipment—fixtures and other physical equipment. Successful pharmacists find it necessary to keep up the appearance and efficiency of their stores so that customers will return again and again to buy. The merchant who is unwilling to keep his store up to date is an easy victim to aggressive types of competition.



**DANGERS OF OBSOLESCENCE.**—The Second World War has demonstrated more conclusively than any other historical event the dangers of obsolescence. The nations that neglected to keep their defenses abreast of modern war developments met disaster before the onslaught of those countries that had modernized their weapons of attack. They failed to alter their methods or scrap their existing equipment and, as a result, they lost all. Likewise, pharmacists who through smugness or lack of initiative fail to change their equipment or methods to meet new conditions and competition face eventual failure.

With merchandising practices changing today as rapidly as they are, it is essential that each retailer keep pace with the leaders or he will find himself lost in the competitive race. It has been said that “the pharmacist’s most dangerous enemy is obsolescence.”<sup>1</sup>

The reason why good accounting practice demands that equipment be written off in 10 years is that this equipment (at least, in most instances) has served its usefulness, and is no longer of real value as a profit-making tool. Tools that are no longer efficient are wasteful if continued in use. Old-fashioned store equipment deters sales while modernized equipment definitely improves them.

**ADVANTAGES OF MODERNIZATION.**—Obviously, the real justification for modernization expenditures can be shown only on the profit-and-loss statement. Unless the proprietor can see that money spent for new equipment will increase his profits or prevent a loss, he would be foolish to proceed. However, altering a store to keep it up to date will prove decidedly profitable if it is intelligently planned and executed.

*Increases Sales.*—The foremost advantage to grow out of a modernization undertaking, therefore, is an increase in sales volume. This has been proved in thousands of instances when actual records were carefully kept. It has been found that the following average sales increases followed the installation of new equipment in some 4,000 cases that were studied.

<sup>1</sup> Rennick, Dan, “Drugdom’s Fifth Column Is Obsolescence,” *Drug Topics*, Sept. 9, 1940, p. 2.

Table. 5a.—Effect of Modernization on Drug Store Sales

<i>Kind of modernization</i>	<i>Sales increase, per cent</i>	
	<i>Store total</i>	<i>In departments affected</i>
Completely modernized <sup>1</sup> .....	49.0	....
Fountain.....	....	21.7
Open prescription department.....	....	38.3
Store front.....	27.7	....
Lighting.....	23.5	....
Air conditioning.....	22.2	....
Open-display equipment.....	....	20.4

Source: *Drug Topics*, Dec. 30, 1940, p. 3.

<sup>1</sup> Refers to a complete store-modernization job.

It is interesting to note that a complete store-modernization program produces a larger volume increase than does the installation of any one particular type of equipment. This is, no doubt, due to the fact that the impression made upon the store's customers is more effective when major changes are made. This result, however, should not discourage pharmacists from undertaking a revamping program piecemeal, because it is better to make some improvement than to put off the need for change until "Old Man Obsolescence has gotten in his work of destruction." Pharmacists must realize that the force of obsolescence never rests. It is always proceeding actively and is sure to wear away the foundations of mercantile success.

*Keeps Out Competition.*—When a chain seeks to find new locations, it gives principal consideration to two factors: (1) How much potential drug business will the new location produce? and (2) Are the pharmacists already serving that area modern merchants? If the second question is answered in the negative, the chain is more likely to utilize the new location than if the answer is in the affirmative. Chains, like individuals, are not looking for hard battles. They like to enter contests with the odds in their favor.

*Decreases Costs and Increases Profits.*—When a pharmacist is approached to invest in modernization, he invariably asks himself, "Will the investment pay me?" In most instances it is

difficult to prove specifically that the change will prove profitable, but an interesting analysis of 26 drug stores that did modernize indicates that it does have a direct and favorable effect on profits when intelligently carried out.

An analysis of Table 5b will throw light on this question.

Table 5b.—Results of Modernizing 26 Stores

	<i>Before modernizing</i>		<i>After modernizing</i>	
	<i>Amount</i>	<i>Per cent</i>	<i>Amount</i>	<i>Per cent</i>
Sales.....	\$27,650.00	100	\$36,774.50	100
Cost of merchandise.....	18,912.60	68.4	24,344.72	66.2
Gross margin.....	8,737.40	31.6	12,429.78	33.8
Operating costs.....	8,129.10	29.4	9,965.88	27.1
Net profit.....	608.30	2.2	2,463.90	6.7
<i>Breakdown of operating costs:</i>				
Salaries of proprietors.....	\$ 2,737.35	9.9	\$ 3,530.35	9.6
Salaries of employees.....	2,073.75	7.5	2,610.99	7.1
Rent.....	967.75	3.5	1,066.46	2.9
Advertising.....	138.25	0.5	257.42	0.7
Light, heat, and electricity for operating mechanical devices.....	525.35	1.9	625.17	1.7
Taxes.....	248.85	0.9	257.42	0.7
Bad debts.....	110.60	0.4	110.32	0.3
Miscellaneous expenses, including insurance, inward freight, cartage, depreciation, breakage of glassware, postage, printing, laundering, etc.....	1,327.20	4.8	1,507.75	4.1

Source: *Druggist Circular*, January, 1940.

These comparative statements give concrete evidence of the fact that modernization both builds sales and decreases costs, thereby increasing profits both ways. The average net profits of the 26 stores increased approximately three times after modernization.

It is interesting to note in connection with this study that the average investment in modernization of \$1,167 produced an average annual sales increase of \$9,124.50 and a yearly jump of \$1,855.60 in net profits.<sup>1</sup>

<sup>1</sup> *Ibid.*



(a)



(b)

Fig. 19. A store (a) before and (b) after modernization (Hyde Drug Co., Millville, Pa.). (Courtesy of the Columbus Show Case Company.)

*Pleases Customers.*—Successful merchants have learned that modernization pleases customers. People like to trade at stores that are new and up to date. Stores that give the impression of being run down are not inviting to consumers. Changing a store's appearance by modernization will make the average customer stop to look and will arouse her interest in the store. As a result, the possibilities of selling her more merchandise are enhanced.

Several good examples of the increase in the store's attractiveness as a result of modernization are shown in the "before and after" photographs as Figs. 19 and 20.

**NECESSITY FOR IMMEDIATE MODERNIZATION.**—A store that needs refurnishing needs it at once and not a year or two in the future. When a pharmacist discovers that his store has been standing still while his competitors have been making progress, the time to take action is immediately. Obsolescence is a disease that becomes progressively worse.

The pharmacist who waits until it is more convenient to make needed changes may wait too long. Considering the rate at which obsolescence eats away at business, the case may become hopeless in a comparatively short time. The drop in sales volume may dissipate finances to the point where it will be difficult to make improvements. Bankers are ready and willing to help retailers with loans for needed modernization and improvement as long as a merchant's business is showing a fair profit. However, no banker is willing or can afford to loan money to a business that is clearly showing a loss.

The necessity for modernization is made clear when one inspects the three photographs of the Zimmerman Pharmacy shown as Figs. 21 and 22. A glance at the 1890 store is sufficient to make one appreciate that this store would be hopelessly outclassed today, yet it apparently was a successful enterprise 50 years ago. The 1911 store also would operate at a tremendous disadvantage today. However, there are numerous drug stores throughout the nation at the present time that have fronts similar to this 1911 model. The 1940 store has obviously so much more customer appeal than the earlier models that it needs no stretch of the imagination to appre-

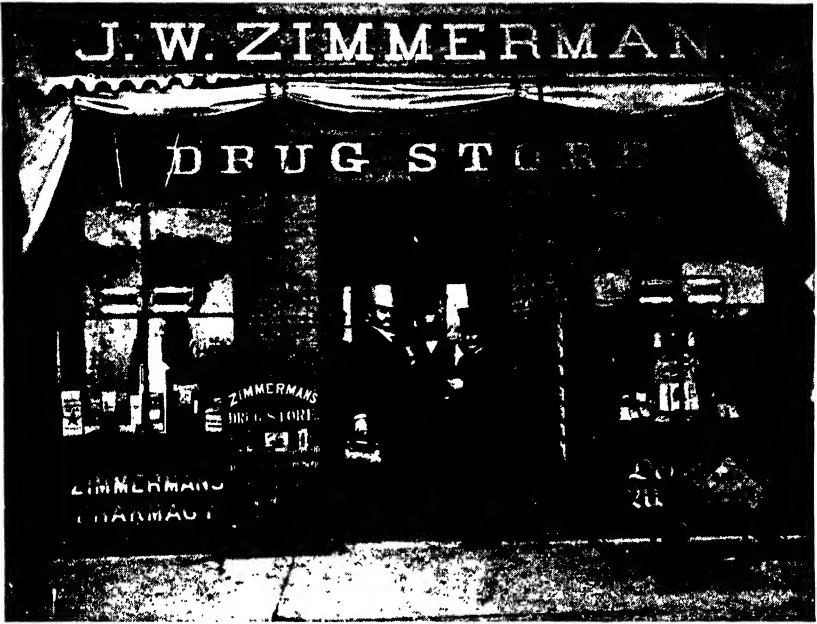


(a)

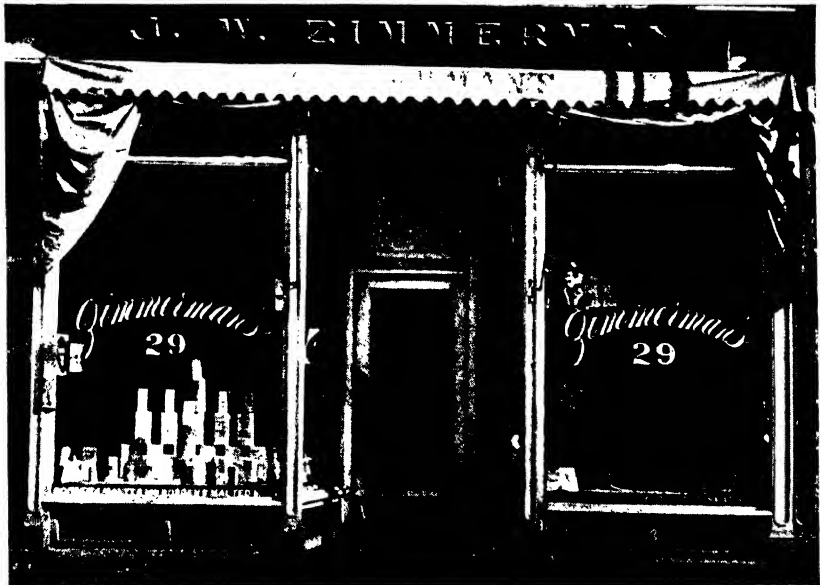


(b)

Fig. 20. The result of a complete drug store modernization program. (a) Before and (b) after modernization. (Courtesy of the Grand Rapids Store Equipment Co.)



(a)



(b)

Fig. 21. Two views of a drug store, (a) 1890, and (b) 1911 (the J. W. Zimmerman Store, Lockport, N. Y.). (Courtesy of the American Druggist.)



Fig. 22. The store shown in Fig. 21 as enlarged and modernized in 1940. (The name has been changed as the store changed ownership during recent years.) (Courtesy of The American Druggist.)



ciate the value of the change. Perhaps in another 20 years the 1940 front will be as outmoded as the 1890 and 1911 examples, and if that is true, a further remodeling job will need to be done.

**WHAT MODERNIZATION ENTAILS.**—The first question that comes to a merchant's mind when he decides to modernize is What improvements should I make? Naturally, the answer will depend on the condition of the store and its equipment. The safest procedure is to check each item of equipment.

A study made by the Department of Commerce among independent merchants in the United States may indicate the specific changes that can be made. The study showed the following remodeling needs:

- 14% badly needed new or remodeled display windows
- 20% needed their store fronts repainted or refinished
- 31% required repairing of interior walls and shelving
- 30% needed equipment rearrangements
- 24% needed new or additional lighting equipment
- 24% required the installation of new wall cases or shelving
- 19% needed repairing or refinishing of equipment
- 18% needed new floors

The above needs are undoubtedly conservative. Certainly the percentage in each instance would have to be increased greatly if the stores were to be brought up to modern merchandising standards as seen in successful establishments.

Experts agree that if pharmacists would make a determined effort to keep their stores efficient and attractive the total volume of drug business would increase sharply.

# Buying Goods That Will Sell

## CHAPTER 7

THE IMPORTANCE of good buying should be obvious. A good location, efficient personnel, and wise managerial policies may all be offset by mistakes in buying. The pharmacist who can neither plan how much he should buy, select items that will sell, nor resist the importunities of the mass of unknown or casual salesmen who visit his store cannot expect to sell goods at a profit. An old adage is perhaps better expressed when it reads, "Goods all sold were well bought." Certainly the prompt sale by normal means of a high percentage of goods placed on the shelves is the logical task of any competent retailer. Unless care is taken in buying, the amount of stock that will remain or that must be sold at prices involving a loss will be disastrously large.

The problems of buying can be helpfully analyzed by considering them under three heads, *viz.*, *what to buy*, *where to buy*, and *how much to buy*, for both the strategy and the policy of buying are encompassed under this division of the over-all problem of buying.

### What to Buy

**BUYING FOR THE NEW STORE.**—When a stock of drugs is placed on the shelves of a new store the owner cannot have the record of past experience to use as a guide. Even though he may be generally familiar with the needs of the community

or neighborhood through past experience in it, the task of determining just what should be stocked is not an easy one. He knows that he must carry a number of kinds of cough medicine, but the determination of just which of the hundreds of brands on the market will best sell in his location may be a serious problem. Certainly he cannot handle all of them. The stock list of a successful regional chain shows that 28 cough syrups in 52 sizes are carried in its warehouse stock. But a service wholesaler in the same territory recommends only seven brands of cough syrup, with two sizes for each, as being a stock sufficient to serve the average trade. If the new store is to compete with units of the chain it may perhaps be forced to enlarge its stock over the minimum just mentioned. But just how many should be added is not a simple problem.

*The Wholesaler Helps.*—The practice most strongly recommended by those who have successfully faced the problem of stocking a new store is to go to a service wholesaler and allow him to guide you in selecting *stock items* of proprietaries and sundries that sell in almost every community. The wholesaler will have a model stock or check list which will be a valuable guide to you. On it you will find the items which, in his experience, should be carried by pharmacists in his territory. Usually this list provides only a minimum stock. To it may be added as many varieties and sizes of standard proprietaries as may be desired.

Some buyers of opening stocks have been able to secure the current inventory list of a good pharmacist who is operating under conditions similar to those to be faced by the new merchant. If more than normal investment is to be made in inventory, additional lines may be stocked. But it should be remembered that when this is done the items added will necessarily be those that are not so commonly in demand as are those on the master list of proprietaries or basic sundries.

*Buying Policies.*—Similar help may be secured from the wholesaler or from one of the leading pharmaceutical houses when the stock for the prescription department is planned. But from that point on certain policies must be determined and used as a guide for buying a stock of sundries. Illustrative

is the decision as to how much space will be given to candy, for upon that decision rests the buying policy. The stock of photographic equipment and supplies must be selected at least in part with reference to available space, but perhaps more largely upon the advice of the salesmen of the house whose goods you have determined to feature. Stocks of greeting cards, magazines, tobacco, cosmetics and other toilet items, and the host of sundries that have entered the modern drug store, such as electrical goods, school supplies, and variety-store items, can be selected partly with reference to space available, partly in accordance with one's knowledge of what is selling in competing stores, and partly upon the advice of the salesmen involved.

But it is well to remember that in general the salesmen of random and perhaps not well-established products have a direct personal interest in making initial sales, which is somewhat different from the kind of interest shown by the sales manager of the wholesale concern. The latter is looking well to the future and his advice can be depended upon. He is normally a broad-scale businessman who recognizes that an attractive initial sale may be very costly if the merchant is thereby overstocked. His interest in the future of the business is far greater than is that of the representative of a single competitive line.

**AIDS TO BUYING FOR THE ESTABLISHED STORE.**—Problems of buying to maintain an established stock are somewhat similar in nature. The degree to which the advice and help of salesmen can be used varies with the men involved. Judgment and experience will enable the buyer to detect which ones may be relied upon and which ones seem to place their own interest ahead of that of the merchant. The established pharmacist, however, has some aids to buying that cannot be used in buying an opening stock.

*Experience.*—One such aid is past experience. If stock records of any kind are kept they may well be used as a guide. Reference to one's last inventory, a check of purchases since that time, and knowledge of the stock now on the shelves will enable a merchant to decide what his sales have been in such a

department as photographic supplies and to decide whether it seems wise to expand or to curtail its operations. When season letters are used as a part of or supplementary to a cost code the age of goods already on the shelves may be readily determined. But beyond this is the memory of the pharmacist. Since he is in constant touch with his stock and since to him it represents actual money, he should be alert enough to know that a certain face powder rarely seems to satisfy his customers or that a brand of cough syrup has not moved for months, although previously it did sell at a good rate when it was being promoted in his community through street-car advertising.

Past experience may be misleading unless the pharmacist notes changes in demand. Scientific developments may make his stock of vitamin products obsolete almost overnight. To hedge against this type of problem, the pharmacist must read the better pharmaceutical journals and thus keep in touch with changes in the professional side of his operations, which unless known may cause great losses in his inventory.

*Consumer Changes.*—Changes in the buying power of his community may be equally significant. Quality of toiletries most in demand varies with income of customers, as do the most popular sizes. Pharmacists in industrial neighborhoods or in one-crop farm areas should attempt to forecast the change that will follow increased or decreased income. Shifts in consumer demand that operate only slowly must not be overlooked. Cigarette smoking by women and the increased use of such cosmetics as fingernail polish are only two of the many trends that have affected the sales of the pharmacist. Another change is the increased use of vitamin products. Further illustrations would only emphasize the fact that the successful pharmacist must be alert to note these changes in demand and to adjust his purchases accordingly.

*Competition.*—Although it is dangerous to be continually behind competition and to stock only what competitors are selling, something may be learned by watching the windows and the advertisements of pharmacists who are known to be successful. It is not hard to know what success a near-by

competitor is having with an expanded line of greeting cards or with a modern stock of cosmetics carried at an artistically arranged "cosmetic bar" with modern fixtures. If such an expansion seems to be successful in his store, wisdom dictates the modernization of your stock of the same goods. If in a store whose trade is much like yours it has been found that it can serve light lunches with success, your soda-fountain policy may well be similarly changed. If crowds of school children patronize a competitor's candy department while you are not enjoying much of this trade, it is only good sense to analyze what he is doing that you are not doing. But remember that, if one is to be successful, he cannot always follow. He must lead in at least some things.

*Trade Papers.*—One of the real helps in determining what to buy or what changes should be made in basic buying policies is a careful reading of the trade papers of the drug trade. In them one finds numerous suggestions for new items, for rearranged or reemphasized departments, many of which involve dropping old items or replacing them with some that are more modern. It is rarely wise to stock a new product just because it is advertised, but equally foolish to ignore it. Keep the new products in mind. If you are a neighborhood or a rural pharmacist, discover what the leading downtown stores are doing with some of the items you have noted in the trade paper. Then decide whether these products would sell as well in your community. If so, put in an experimental stock and then buy in larger quantities only as experience suggests.

*The Want Book.*—No pharmacist can operate without the use of some form of want book. Often supplied by wholesalers of his territory, such books provide convenient pages for listing the items that are to be purchased to replenish exhausted or low stocks. They furnish a handy place in which to record such shortages as these occur or are discovered. The pharmacist should, however, look through the current lists at frequent intervals to discover which items have been listed by his clerks and which it may be best to discontinue or to order in reduced quantities. Otherwise, reordering becomes automatic and often costly, for unless thought is given to rebuying, even

staple goods will come into stock that might well not have been purchased. There should also be a section in the book in which to record customers' requests for items that are not carried. A caution on this is to accumulate and study possibilities of new merchandise before stocking it. Some customers may be eccentric and nontypical.

**CONCENTRATION.**—Successful merchants have learned that as a rule it does not pay to spread their purchases over many sources of supply. Some pharmacists patronize a half dozen or more wholesalers and also buy many items directly from producers. Others, and they are in a constantly growing majority, have learned that it is better to buy just as much as possible from one or two wholesalers and to refuse to patronize others. For this there are a number of strong reasons.

One argument for concentration is that there can thus be established a relationship between the wholesaler and the retailer which is valuable to each. If the wholesaler knows that a certain pharmacist is concentrating his purchases, he can remember him with many favors. Intelligent consideration of credit emergencies is illustrative. Supply of goods that may be somewhat hard to furnish at times is another. Naturally the wholesaler takes care of those who give him the major part of their orders.

One other forceful reason is that scattering of purchases increases the cost of doing business for both the wholesaler and the retailer. Small deliveries cost out of proportion to their dollar volume. Collection expense and credit losses may be likewise high if small sales are made, since it is difficult to check the smaller accounts with accuracy. The retailer is forced to write many checks, use many stamps, and take undue time in paying a host of small bills. It is better for him to concentrate his orders and thus escape the multitude of small nuisance transactions that arise when the opposite policy is followed.

It is stated that 100 manufacturers supply 60 per cent of the salable merchandise in the drug industry. Two or three wholesalers can supply the goods they make. There is thus abundant reason to concentrate purchases and similarly to

reduce the excessive number of brands often found on the shelves of drug stores.

## Brand Policy

Every pharmacist should have a definite policy as to the degree to which he will stress the sale of advertised brands, and as a corollary to it, the place that will be given to unbranded or privately branded goods. Pharmacists do not agree. Some believe that it is best to carry only well-known brands—*i.e.*, those nationally advertised by the producer—while others hold that under such a policy the merchant becomes only a sales place for the producer and thus, in part at least, loses his natural function as a creator of sales. The arguments presented by advocates of each point of view are so coherent and so logical as to demand consideration.

WHY ADVERTISED BRANDS?—One suggestive point made by those who favor stressing the sale of advertised brands develops the thought that the manufacturer is in a more logical position to create demand for his products than is the retailer. Operating in a nationwide rather than a merely local market, he can use the demand-creating power of national advertising to reach multitudes of buyers. Logical combinations of magazines, newspapers, radio, and outdoor and store and window display may be made to present the message of the producer to millions of possible buyers. A single retailer, on the contrary, cannot use any of these media—with the single exception of store and window display—to carry the message that he wishes to give his buyers. The latter are familiar with the asserted merits of nationally advertised antacid products and are reluctant to accept the more feeble attempts of a retailer to assure his customers that his private-brand remedy has the same merits, though sold at an even lower price.

Pharmacists know that in the majority of cases they can produce the same products as those that carry well-known national names; but seldom can they improve upon them. Frequently they are able to sell an unadvertised brand at a lower price and thus better serve their trade. But any experienced pharmacist knows that theory must give way to practice



at this point. Whether or not you believe that well-advertised products are such as will best serve your trade, you cannot get away from the fact that the majority of your customers prefer them. Accustomed to the national brand, the consumers are willing to pay more for it in perhaps the majority of cases. This being so, why attempt to go contrary to your customers' preference? Thus the argument continues.

*Merchandising Reasons.*—A number of direct, practical, everyday merchandising reasons for emphasizing the sale of advertised brands are presented by adherents of this policy. One stresses the importance of repeat sales. It is asserted that no pharmacist can hope to continue long in business unless he is able to build up a repeat business for a considerable part of his stock in trade. National brands being easily identified and well established in the minds of the consumer, lend themselves to continued purchase. The person who once becomes accustomed to the reaction of a certain tooth paste or to the taste of a particular tonic is reluctant to change to some other brand. If the pharmacist carries the brand he likes, repeat sales follow. If not, he looks elsewhere and almost always finds it. Thus a customer is lost. It is likely that he will make other purchases as well in the other store.

A third argument for the advertised rather than the private brand grows out of the demonstrated fact that national brands are usually sold in less time than are private brands. Experienced salespeople know that such a brand can be taken from the shelf, wrapped, and delivered to the customer in far less time than is involved in discussing and demonstrating the merits of an unadvertised brand to a customer who prefers one that is familiar through long use or much advertising. The practice of some drug stores of paying "P. M.'s" to clerks for selling their private brands is not entirely based on the larger profit involved. It is rather a recognition of the fact that it takes more effort—and time—to sell a private brand. One interesting study of the ability of drug clerks to influence the purchase showed that in only 27.4 per cent of the cases could the clerk exert any influence on the brand selected. But it should be remembered that, although these points are doubt-

less true when the first sale only is considered, repeat sales on the private brand may be made in just as short a time as when national brands are involved.

*Turnover.*—Experienced pharmacists know that advertised brands have, as a rule, a faster rate of turnover than does unadvertised merchandise of similar nature. Table 6 shows the results discovered by the Nielsen Company when they studied the relative turnover rates in a number of typical drug stores.

There are a number of reasons for the results shown in this table. One is that, as a rule, privately branded merchandise is purchased in much larger quantities than is the case when national brands are secured from the wholesaler.

Table 6.—Retail Stock Turn of Advertised vs. Nonadvertised Brands  
(Independent drug stores annual stock turn, 1939)

Items	Advertised brands		Nonadvertised brands		Ratio of advertised to non-advertised brands
	Stock turn rate	Days on shelf	Stock turn rate	Days on shelf	
Cold remedies.....	3.0	120	0.9	400	3.3
Laxatives.....	5.0	72	1.6	225	3.1
Seltzer-Aspirin.....	6.3	57	2.1	170	3.0
Sanitary napkins.....	7.4	49	2.7	133	2.7
Oral antiseptics.....	4.5	80	1.8	200	2.5
Hand lotions.....	3.5	103	1.5	240	2.3
Razor blades.....	4.0	90	2.2	164	1.8
Dentifrices.....	3.2	164	1.9	190	1.7
Deodorants.....	3.4	92	2.1	170	1.6
Face creams.....	2.4	106	1.6	225	1.5
Shaving creams.....	2.2	164	1.5	240	1.5
Average (unweighted).....	4.4	82	2.0	180	2.2

Source: Adapted from material presented by Mr. A. C. Nielsen before the National Wholesale Druggists' Association at White Sulphur Springs in October, 1940. Reprinted in National Wholesale Druggists' Association "Yearbook," 1940.

Because it is known that the latter can quickly supply one's needs, placing orders for more than a few days' sales is not necessary. Even if an overpurchase should be made, the recognition of a bargain will enable the merchant to reduce his excess stock by a small temporary reduction in price. But even

more important is the fact of a steady demand built up by the manufacturer's sales promotional efforts. As a rule, it contrasts very sharply with the less effective promotion that can be given to a retailer's private brand. Demand for private brands cannot be relied upon, say the advocates of national brands, for rarely are they accepted by enough people to make possible a consistent and steady demand. Peaks and valleys in the demand for unadvertised brands result in uncertain stock control and purchasing policies with resulting slow turnover, say these students of the subject.

*Prestige.*—An often-heard argument for national brands is that they lend prestige to the store that handles them. Since their quality is normally high and generally so recognized, the merchant who stocks such brands at once gains a sort of reflected glory. The names Eli Lilly, Squibb, Pepsodent, Johnson and Johnson, McKesson and Robbins, or similar representatives of quality products on the merchant's stock at once establish the fact that he can and does purchase the best products available on the market and suggest that the pharmacist is doing all that he can to serve his customers in the best possible manner. Similar in effect is the fact that when one enters a drug store that is new to him but finds some one of the above names on many proprietary articles, he at once tends to feel at home and become comfortable, for he has found an old friend in the established brand name. Such factors are hard to measure, but it is believed that there is certainly much merit in the argument that they go far in attracting trade to a drug store. It is significant that a study of 5,000 advertisements in New York City newspapers revealed the fact that 83 per cent of the drug items mentioned were branded, while the average for all items was only 20.5 per cent.<sup>1</sup>

Finally, it is asserted that many pharmacists who have featured private brands have had some difficulty in securing the high degree of uniform quality that is so necessary in products that affect the health. Produced in relatively small

<sup>1</sup> Brisco, N. A., and J. W. Wingate, "Buying for Retail Stores," p. 470, Prentice-Hall, Inc., New York, 1937.

quantities and often not under as careful inspection conditions as are nationally branded products, retailer brands are hard to control as to exact quality. There is greater difficulty in establishing repeat demand because of this fact, it is asserted.

*“Friendly Faces.”*—A further cogent reason for a policy that features advertised brands is the effect on the customer of seeing in a store the brands with which he is familiar. Often they have been a part of his life for many years. When he sees them on the shelves or in open display he knows that the store is carrying the goods he likes. To him they are “friendly faces” and may mean almost as much as does the face of an old friend encountered in a strange city.

Furthermore, it should not be overlooked that the names and trade-marks of nationally branded goods are familiar to the customers, since they encounter them almost daily in the pages of newspapers and periodicals. It has been estimated that, as a group, national advertisers of drug products spend more than \$8 per day per drug store to feature their products to the consumers. They spend this \$8 to invite people to buy in your drug store. They initiate sales that cannot be consummated, and thus yield a profit to the pharmacists, the manufacturer, and the consumer, unless the goods are available when the purchase-minded consumer goes to the drug store to secure them.

**CONTROLLED OR EXCLUSIVE AGENCY LINES.**—A special application of buying policy arises in connection with decisions as to what, if any, controlled or exclusive agency lines should be handled. A number of manufacturers follow the policy of permitting but one pharmacist in a city—or in an urban buying center—to handle their lines of pharmaceuticals or proprietary medicines. Some producers of sundries follow the same policy.

The advantage of having control of the sales in a market area should not be overlooked. If a demand is built up by the promotion of the manufacturer, by the efforts of the merchant, or by a combination of the two, the pharmacist profits from that fact, since he is less likely to be compelled to share sales with directly competitive pharmacists in his immediate

market. When he controls the sale of the product, repeat sales tend to be made by the pharmacist who made the first sale. Moreover, in general, the margin on such merchandise is somewhat better than on competitive lines, since direct price competition is not so vigorous. One possible drawback is the necessity of carrying a minimum inventory established by the distributor, or of certain quotas, if the agency is to be retained.

**WHY FEATURE PRIVATE BRANDS?**—The advocates of private brands are not without arguments of merit. One of their most significant points is the admitted fact that private or unbranded merchandise can be purchased and priced in such a way as to yield a larger gross profit. Some even go so far as to say that the net profit involved is definitely greater. Other experienced pharmacists, while admitting the fact of larger gross, would not agree that the net is more attractive. They point out that the rate of turnover, the clerk time involved in making the sale, and other factors above enumerated must be considered before assuming that because the gross margin is less on advertised brands the net must be correspondingly smaller.

A number of factors account for the differentials in profit involved. One is the practice of many cut-rate drug stores of selling many nationally advertised and widely accepted proprietaries at a small markup, under the well-known loss-leader policy. To meet such competition the independent-service pharmacist was forced to price the same goods at the same price, or at a price level that would not yield a normal or necessary profit. Doubtless this has been true in the past for many lines of advertised commodities. But it is believed that the advent of the fair trade laws has done much to change the situation in such a way as to favor the independent, or service pharmacist. Some go so far as to state that fair trade has made private brands both unnecessary and unwise in the typical drug store. Others do not agree with this strong statement.

A second reason favoring the promotion of private brands is that they give their owner control over the demand that has

been created. A pharmacist may feature a national brand for many months, give it fine window and store display, and push it in sales when the brand is not specified. When he does this, he is building up prestige for the national brand, not for himself or for his store, as when private brands are given similar promotional effort. The result is that when a competitor cuts prices or otherwise features the advertised brand, he is cashing in on the prestige that the first pharmacist has assisted in building for it. No one but the owner can sell the private brand. Hence, he can control it. The prestige that is built up over the years is his. Many believe that this fact justifies the promotion of private brands. In short, it is better to build store prestige rather than national-brand prestige.

The advent of fair trade has had many effects upon the retail drug business. One not to be overlooked is the change of policy that it has brought about in the sale of drugs by department stores. Unwilling to sell nationally advertised lines at fair trade prices, they have developed a long line of privately branded items, many of which compete with national brands carried by the independent pharmacist.

The consumer movement has emphasized the fact that many drugs may be purchased as staples rather than in the form of nationally advertised proprietaries. Both of these developments have tended to destroy consumer confidence in national brands. This can be restored only by good merchandising by the retailer and perhaps, above all, by his ability to show, when the wisdom of buying them is questioned by the consumer, wherein there is real value in the proprietary lines.

**THE POINTS OF VIEW SUMMARIZED.**—No general rule that should govern the establishment of a brand policy can be stated. It is evident that the same policy cannot be applied to all products. It is relatively simple to secure standard products and simple labels from wholesalers for such products as milk of magnesia, epsom salt, or even shaving cream, ephedrine, or antacid products. The problem is entirely different when vitamin tablets are privately branded. Only large organizations can undertake to sell them.

The policy of the wholesaler also should be considered. If he is regularly manufacturing certain standard products and can furnish them to the pharmacist in quantities not greater than those involved when national brands are purchased, it may be wise to secure somewhat larger gross profits by featuring a few such items. But it is believed that the typical neighborhood, small-city, or rural pharmacist should not go beyond this point in the development and promotion of merchandise bearing his label rather than that of the manufacturer. In fact, stocking any private brand is a highly questionable policy for the typical retail pharmacist with annual sales of \$20,000.

### Where to Buy

The establishment of definite policies as a guide to buying is an essential part of good merchandising for, like other business policies, they help to keep the business operating in a consistent manner. One of the most important of such policies relates to sources of supply—specifically: Should the pharmacist make his purchases from wholesalers or from manufacturers who sell direct?

**DIRECT BUYING.**—A number of arguments favoring direct buying must be considered. One is that sometimes the price on comparable merchandise is lower than that offered by wholesalers. But, as a rule, the differential is not of importance until quantities larger than those that should be purchased at one time by the average pharmacist are involved. Very often there is no price advantage. A second argument is that certain desirable brands can be secured from manufacturers' salesmen, since the wholesalers do not or cannot handle that merchandise. But unless a policy of noncooperation with wholesalers is known to have been established by the manufacturer, the pharmacist should ask himself the following question, "If this merchandise is as good as is claimed by the salesman, why does not my wholesaler handle it?" The answer is usually found in the indifferent or uncertain qualities of the goods involved, when they cannot be purchased from a wholesaler.

A third argument favoring direct buying is that a few manufacturers sometimes offer through their direct representatives special deals that cannot be secured from the wholesalers. This is not often true, for wise manufacturers do not undermine in this way their essential distributor, the wholesaler. But at times the concession is an extra discount, sometimes as great as 7 per cent on the list price.

**AGAINST DIRECT BUYING.**—Pharmacists who buy direct usually find that their inventory is larger than that carried by those who concentrate their buying with wholesalers. It is inevitable that this should be so. Salesmen from manufacturers come less often than do those from the wholesalers, and they try to make sales that will last until they call again. The special deals that they push are often tied in with larger than normal purchases. The effect of excess inventory on profits and on markdowns and obsolescence is too well known to need additional emphasis at this point. Illustrative is the fact that the turnover rate of toothbrushes—an article usually purchased in deals from manufacturers' representatives—is normally as low as two, a rate much lower than that characterizing other similar articles purchased from the wholesaler.

Direct selling often leads to overstocking, since the manufacturer's representatives do not always have as direct an interest in the business well-being of the pharmacist as does the wholesaler. To the manufacturer he is only one of thousands of pharmacists. To the wholesaler he is one of a few hundred who must succeed if the wholesaler is to find a continuing outlet. Your authors found a tragic example of the result when they visited a city drug store and were shown a basement, or reserve, stock of hundreds of items that was great enough to supply this pharmacist for 6 months or even longer. Similarly bad are the great stocks of certain dental products found in hundreds of stores, which are often as great as the sales over a 2-year period. Pressure from the manufacturers' salesmen is the admitted cause. The pharmacists do not realize that they might secure identical goods for practically the same price from a near-by wholesaler, who



would carry their inventory for them and would make deliveries as requested and almost at any moment.

A second objection to direct buying is that delay in delivery is usually inevitable, since the goods must, as a rule, come from a distant city. If the policy is regularly followed, stocks must be great enough to permit of this delay. But it should not be overlooked that the cash-discount period starts when the invoice is dated at the office of the manufacturer—not at the office of a near-by wholesaler. A factor often overlooked but none the less important is that direct buying, if carried very far, would take so much of the pharmacist's time as seriously to interfere with his selling or professional duties. Even in the normal store, where the practice of direct buying is not common, salesmen are often a nuisance, for they take time that should be given to customers.

The salesman of the wholesaler should and usually does know the brands that are best for the stores in his territory. He knows what other stores similarly situated are selling and in what proportionate amounts. The manufacturer's salesman cannot possibly know about the goods of competitors. His advice cannot be intelligent on this vital point, even though it might by some stretch of the imagination be held to be disinterested.

On some points the two suppliers stand on an equal footing. One is in sales helps, such as store or window displays. The wholesaler can furnish just the same ones that the manufacturer's salesman recommends, except in the rare case of nonuse of the wholesaler. They each have the same merchandise, in the same packages, and often at the same price. Since this is true, the pharmacist should decide which source of supply ought to be patronized, and then hold to his decision.

**HOW THE WHOLESALER HELPS.**—The drug wholesaler is an indispensable institution in the drug trade, for without him not many drug stores could long operate. His services to the independent druggist are so varied and so vital as to deserve comment and some elaboration. It is wise to note them, for it is believed that the cultivation of the type of mutual relationship that should exist between the wholesaler

and the pharmacist is in part dependent upon a full understanding of how each serves the other. It is furthermore suggested that retail pharmacists should think of their dependence on the wholesaler before they place many orders for direct delivery by manufacturers.

One of the outstanding services of the wholesaler to the retail pharmacist is that of assembling in one common and convenient place the products of the 5,000 or more manufacturers of pharmaceuticals, proprietaries, and allied goods sold in the modern drug store. The buying task of the retailer would be impossible if he were forced to make contacts with even the number of producers represented on his shelves. The buying function of the wholesaler is not easily performed, for obviously it involves determination of what products will be demanded by customers of the wholesale house, when they will be needed, and in what quantities. To accomplish this, the wholesaler must reject the offerings of perhaps more salesmen than are given orders, for he must select and reject if he is properly to perform the buying or assembly function.

The wholesaler serves by buying in quantities larger than those that can be purchased by a retailer. Thus he secured the economies of quantity discounts, low buying expense, and freight rates based upon quantity shipments. The wholesaler buys in quantities, breaks bulk, and passes the commodities to the pharmacist in any quantity he specifies, even though—as is very often the case in this industry—orders may be as small as one-twelfth of a dozen.

*Other Services.*—One of the worth-while services of the wholesaler to the retailer is prompt delivery of the goods that he buys. Particularly is this true in the case of pharmaceuticals needed for prescriptions or to meet the needs of neighborhood physicians. Even a few hours' delay might be greatly embarrassing. Prompt delivery depends upon complete stocks in the wholesale house and adequate organization of their physical delivery. Only the well-established service wholesaler can be depended upon to meet both requirements.

A rapid rate of stock turn, that vital factor in retail profit making, is greatly stimulated by the availability of a complete

stock and quick delivery service, for the pharmacist may then safely follow a policy of keeping a very low inventory and making quick replacements as they are needed. The relationship between turnover and the size of the inventory should always be remembered when the pharmacist is tempted to make overpurchases in order to secure an attractive discount.

The wholesaler often assists the retail pharmacist by extending credit terms that enable him to weather a time of financial trouble. Because of his intimate and continuing acquaintanceship with the retailer and with his ability to succeed or fail, the wholesaler is usually much better able to determine the wisdom of credit granting than the manufacturer could possibly be. Many a retail pharmacist has been helped in times of trouble by assistance from his wholesaler.

Yet other services characterize the relationship of the drug wholesaler to his customers. One grows out of the fact that he makes the first adjustment for unsatisfactory merchandise or first authorizes the return of goods that seem to be defective. The manufacturer is at a distance; the wholesaler is close at home and is thus the logical instrumentality for making such adjustments. Finally, the wholesaler serves through the timely and effective advice given by his salesman and by executives of the house on the everyday operating problems of the retailer.

Before he gives way to temptation to go over the wholesaler's head by buying from other sources of supply, the pharmacist should consider these factors, which in part explain the function of the wholesaler.

**BUYING THE RIGHT AMOUNT.**—Many inexperienced retail merchants fail to realize the importance of making a careful adjustment between buying policies and current sales. Some buy too much stock; others buy too little. One has excess inventory and resulting lower profits. The other misses sales because he cannot supply consumer demand. The A. C. Nielsen Co. once studied the effect on sales of not having just what the consumer asked for. It was found that when the pharmacist does not have the size requested, 28 per cent of the buyers take another size, 12 per cent take another brand

in the desired size, 33 per cent go elsewhere, and apparently 33 per cent do not buy at once at any place. It is significant that the pharmacist misses 60 per cent of his possible sales. Some merchants, therefore, establish a buying policy designed to prevent ever being out of any wanted item. Inventory carrying costs, turnover rate, markdowns, and losses from the wear and tear of time are all affected adversely when such an extreme policy is followed.

Other pharmacists have learned from experience that sales are lost when they do not have the brand requested. The same study disclosed the fact that when the preferred brand is not available, 22 per cent of the customers take another brand, 46 per cent go elsewhere, and 22 per cent apparently do not buy anywhere at that time. Thus prospective sales, amounting to 78 per cent seem to be lost, for only 22 per cent can be shifted to competing brands. Since it is obviously impossible to stock every possible brand and to meet every variation of taste, some guiding policy is essential.

**BUY EXPERIMENTALLY.**—No druggist can be expected to succeed if he does not experiment with some new lines from time to time. Customer demands change. New products of merit reach the market. A selection must be made on the basis of what the pharmacist thinks will appeal to his customers. But just at this point some buyers make a mistake, for they *overorder* on new items. Impressed by the discount when a dozen or a half gross is ordered, they launch out into an experiment which, if unsuccessful, leaves costly unsold stock in its wake. It is far better to forget the extra 10 or 15 per cent until the product has demonstrated its salability in *your store*. Then, and not before, is the time to take quantity discounts.

# Buying the Right Quantity

## CHAPTER 8

**A**FTER decisions are made as to kinds, brands, and assortments of merchandise to be stocked the pharmacist has the problem of determining *how much* to buy. This is one of the most difficult as well as one of the most persistent problems in any retail business. In the drug store, with its wide range of merchandise and multiplicity of items, the problem is particularly acute.

Buying the right quantity is important to the success of the store in a number of ways. Among these may be mentioned the important bearing that the quantity bought has on the efficiency with which capital is used in the business, *i.e.*, the amount of funds tied up in inventory. On the other side, the adjustment of quantities bought will have much to do with the store's ability to supply customers' wants without being "out of stock" from time to time on the items the store is supposed to carry.

In stocking the new store, the determination of the quantities to be purchased will need to be made on the basis of general knowledge of desirable quantity assortments for drug stores of similar size and location. Initial model stock plans and wholesalers' recommendations will be chiefly relied upon, as explained elsewhere in this book.

But as the store operates for a period, sales are made and stocks must be replenished. Decisions as to quantities to buy

for replacement must constantly be made. To these decisions the operator of the going store can bring to bear specific information and experience. Adequate records should show him what goods this particular store can sell and at what rate they have been selling in the past. This is the significant factor in determining how much merchandise should be bought. The quantity purchased must be adjusted to the rate of sale.

## Turnover

As a measure of the rate of sale, the concept of *turnover* has been developed. One of the first steps in introducing scientific methods into retail merchandising was the recognition of the fact that all goods do not move from the shelves of the retail store at the same rate of speed. Some sell quickly; others linger for weeks or months. Soon the term "turnover" was applied to the concept. Later it came to be defined as the rate at which goods are sold. Australians refer to it as the "pace" at which goods move from the shelves.

CALCULATING THE RATE OF TURNOVER.—Turnover may be expressed mathematically as the number of times an article is sold and replaced in a given period, usually a year. Thus when a merchant reads that he should secure a rate of turnover of six, he should interpret that figure as meaning that his annual sales should be six times the average inventory of all his stock at retail price. Although the rate varies tremendously for different items, the general over-all concept is useful.

One word of caution should be applied to the calculation of the turnover rate in a retail store. It is that, although either of two methods of figuring the rate is accurate, a mixture of the two methods is very misleading. The rate of turnover may be determined by use of either retail or cost prices. But when one base is chosen it must be used for both inventory and sales.

A specific case will show the difference. Pharmacists have often heard that a stock of \$4,000 should give sales of \$20,000. It is easy to see that the turnover rate is five. This is accurate only if the stock is \$4,000 *at retail*. If the pharmacist does not remember this rule and proceeds to divide his sales, \$20,000, by the *cost* of his inventory, in this case about \$2,700, he will

get a turnover rate of about 7.5. Although it might be a very comforting feeling to have such a figure in mind, it is very misleading. If inventory at cost figures is to be used, sales must be reduced to cost. Thus after reducing \$20,000 to costs, one gets about \$13,500, which when related to inventory costs of \$2,700 gives a rate of turnover of five. This is exactly the same result that appeared when the retail value was used in each case. Either base may be used, depending upon whichever base is the more convenient, but the pharmacist must *be consistent*. The formula is  $\text{Sales} \div \text{average inventory}$  (*i.e.*, the arithmetical average of the Jan. 1 and Dec. 31 inventories.)

**WHY KNOW TURNOVER RATE?**—Since it takes some numerical calculations—and accurate records—if a pharmacist is to know the rate at which his stock turns, it is only fair to ask what he gains by knowing the facts. This must be considered from two points of view.

*Turnover of Stock as a Whole.*—The first is that of the turnover rate of the stock as a whole. What good does it do to know that a stock turn of five was secured? To this there are two answers. One is that it is essential to know how the rate of turnover compares with rates that are normal for other business of the same general type. Thus, if the pharmacist discovers from trade papers, governmental reports, or association data that a group of drug stores like his have a rate of five and he is getting but four or even three and one-half, he at once knows that a danger signal has appeared and that he must give due heed to it. He should ask himself whether there are any reasons why he should turn his stock more slowly than do other pharmacists operating stores similar to his, *i.e.*, those in suburban neighborhood or downtown locations. If he can discover no valid reasons, his next step is to find out how his turnover rate can be brought in line with that of good merchants.

The second reason for knowing the turnover rate of stock as a whole is that the pharmacist may then make comparisons with his own record in past years. If he learns from his annual statements that his turnover rate has decreased several tenths of one turn or even one or more turns in a single year, a

definite danger sign is right before his eyes. He should heed it and discover what is happening *in his own store*. Are sales decreasing while the inventory remains the same? This often happens. If his inventory is on a minimum basis for effective service to his customers, perhaps not much can be done in adjusting buying policy. But knowing the fact helps him plan. Many times it is seen that too great an inventory is being carried and reductions can be made to conform to reduced sales.

Even more, the knowledge of a declining rate of stock turn will often emphasize the fact that buying policies are not in accordance with good merchandising and the turnover rate has suffered. Perhaps, too, he has succumbed to the lure of quantity discounts and resulting large stock has cut the rate of turnover on significant items in his stock. This shows up in the general figure. True enough, this may be justified by the quantity rate. Comment on how to decide this is found in a later section of this chapter.

*Why Know Individual Item Turnover.*—The ultimate goal of scientific use of the idea of turnover rates would be that of knowing just what rate applied to every item of stock and thus to be able to compare cigarettes with each shade of lip stick or each brand and size of laxative. But such an idea is impractical. Too many records would be necessary. The typical pharmacist must, therefore, resort to classifications of his merchandise and to use of a knowledge of the rates at which classes turn. It is highly useful to know that the turnover rate in the tobacco department is, or should be, about 25 times, while in sundries one may expect a rate of only four times. Buying policies, pricing technique, and sales-promotional devices should, in part at least, be determined by the relative rates involved and by the pharmacist's knowledge of what these rates are *in his store*.

**USE OF TURNOVER RATES.**—Knowledge of the rate at which the principal items or classifications turn enables the merchant to adjust the quantity he buys to the rate at which the goods may be expected to sell. It is even more helpful to know the rate of sale of items inside each classification. If



the pharmacist knows that some items or classifications are turning once each month, he should certainly not buy more than a month's supply, for replenishment should be possible in that time or even less. But if the rate of turn is twice as fast as in cigarettes, tobacco, and the cheaper candy lines, the quantity purchases should be adjusted to the size of the origi-

### Causes of Slow Stock Turn

- Buying too much at a time
- Lure of large discounts for big quantities
- Seasonal changes
- Too many brands
- Buying from too many sources
- Too many end-sizes
- Wrong colors, materials, etc.
- Wrong prices or too many prices
- Failure to take frequent physical inventories
- Handling goods no longer promoted by the manufacturer
- Shopworn articles
- Uninterested and untrained salespeople
- Lack of salespeople's knowledge of stock
- Lack of proper stock-control records
- Failure to find out what customers want

Source: "Better Retailing," published by the National Cash Register Company, Dayton, Ohio.

nal packages and to the time between the calls of the salesmen from whom the goods are secured. Although this principle, if carried to the extreme, would indicate purchases of such items every week or even oftener, the common practice of paying wholesalers but once every 30 days allows the retailer to buy in quantities that can be more efficiently supplied by the wholesaler—*i.e.*, a month's supply, or approximately that much.

One of the lessons gained from an analysis of the policies of many successful pharmacists is that it is and should be possible to increase the average rate of stock turn in the drug stores of America from less than three to at least five times a year. If this is the goal to which plans are adjusted, it means that the average inventory must not be more than *two months' sales*. If sales are \$20,000 annually, the inventory must be limited to an average of about \$3,300 at retail or \$2,300 at cost.

To do this, many pharmacists will have to reduce their stock in line with the policies suggested later in this chapter. But if it is done correctly, the reward will be a definite increase in net profit.

THE SALES FORECAST AND ITS EFFECT ON TURNOVER.— One of the most effective methods of avoiding too slow a turnover rate is to buy only what can be sold within a reasonable length of time. Some pharmacists try not to purchase any items (except prescription ingredients) that cannot be sold within 60 days. Others work to a 90-day limit, while unfortunately the vast majority have no definite policy on this point. However, it is hardly possible to avoid slow turnover unless one knows what can be sold in future periods. The first step, therefore, in securing satisfactory stock turn is a forecast of sales.

Sales forecasts are of value not only in preparation for buying suitable stocks of goods and avoiding slow turnover, but also in planning to meet the expenses of the store. Clerk hire, promotion expenditures, and other costs are directly dependent upon estimates of sales expectations. Buying the right quantity begins, then, with carefully prepared estimates of what goods, in what quantities, and at what prices the patrons of the store are likely to buy. Mistakes, if they are made in these estimates of consumer demand, are sure to prove costly.

Estimates of what consumers will want and buy may be drawn from several sources, but for most pharmacists the most practical is the record of past sales. In the case of the drug store that has been in business for a number of years, its

records of past sales constitute one of the most effective bases for estimating future sales. Records of past sales by lines for given periods of time are by no means all that is needed to determine what and how much shall be purchased in the future, but they may serve as very useful guides to such estimates. In the absence of major population or income changes since the same period last year, it is reasonable to expect that the number of bottles of mineral oil or the number of packages of absorbent cotton sold in the corresponding period this year will be about the same. Last year's sales can, therefore, serve as a guide for next year.

In order to avoid purchasing merchandise that cannot be sold in a reasonable length of time, pharmacists should keep records of past sales by months or weeks and refer to them when placing new orders. For example, if a Christmas sundry order is under consideration, the sales of this same type of merchandise the previous year should serve as a guide for the present year. Unless there has been a change in consumer income or buying habits, the pharmacist would be unwise to order more merchandise than he sold the past year, unless his sales volume for the entire store has increased. In the latter event, the new order should bear a definite relationship to the increased sales volume of the entire store.

**TURNOVER AND PRICE.**—An important section of the next chapter is devoted to the relationship between turnover rates and price policies. It is sufficient at this time to say that the relationship is close and direct, for a desirable net profit is almost as often the result of proper adjustment of price to turnover as of any other one factor. The secret is simple. It is merely that of recognizing that a quickly turning item can and usually must be sold for a smaller markup than one that turns only twice or three times a year. The exact procedure will be disclosed in Chap. 9.

**THE GAINS OF QUICK TURNOVER.**—A number of specific gains result from a quick sale and replacement of goods. One is that the storage costs are reduced. Less shelf room is needed. Room is made available for increased display space and thus a secondary gain follows—increased sales of the goods

that are properly displayed. The cost of cleaning and dusting is somewhat reduced when only a small stock is carried. The investment in inventory is always reduced when a policy that results in stocking less goods is put into effect. Capital tied up in idle stock cannot be working for the merchant. Even more significant is the fact that when capital is idle, interest on it continues. The pharmacist fails to give the portion of his capital that is invested in unsalable merchandise a chance to earn profits when he so handicaps it.

A second gain from quick turnover is that loss from style obsolescence is reduced. If goods are stocked and quickly sold, their style factor does not become a liability. Quick turn also reduces the number of items that must be sold at less than the original price because they are shopworn. Seasonal goods, especially, should not be purchased in quantities beyond those that may be expected to sell during the season. Christmas merchandise, Easter cards, marbles, kites, and sunburn remedies are illustrative of hundreds of seasonal items in the drug store. When these are carried over to the next season the idle capital tied up in them costs so much as to make it difficult to make any net profit on them.

A further reason for stressing quick turnover is that clerks lose interest in goods that have lingered on their shelves. If they know that these things have been there for some time, they are likely to believe that no one could possibly be interested in them. No attempt is made to display such merchandise or to suggest it to customers. A case in point is seen in the shelfworn and generally unattractive combinations of razor blades and shaving cream that have been found in many drug stores months after the end of the World Series of 1940, which was broadcast by a manufacturer of shaving essentials. Clerks no longer gave them display or tried to sell them in any way. Windows and store display were naturally used for timely merchandise. Yet it is doubtless true that more than one merchant has all of his possible net profit from that deal in the few packages that remained months overtime.

In summary, let it be said that there is abundant evidence that one of the basic problems of the retail drug world is that of making a better adjustment of stock to sales, *i.e.*, increasing

the average turnover rate. The idle capital on the shelves of the stores of the nation, if released for investment in merchandise that will sell, would yield a profit that would turn many drug businesses from a loss to a profit. Idle merchandise means idle dollars. Idle dollars cannot possibly make a profit.

### A Good Rule

When selecting brands or lines of merchandise, stock brands or lines that

1. You have had calls for by customers
2. Have consistent and dominant advertising to consumers
3. Offer you a liberal profit
4. Have prospects of reasonable turnover
5. Have a convenient source of supply
6. Have quality and hold a promise of repeat business
7. Will satisfy your customers
8. Are put out by a company that supplies you with sales-stimulating material

(Courtesy of the American Druggist.)

But if the reader of this book merely gives a mental affirmation to this proposal, nothing beneficial will result from it. It is only when a merchant looks into his stock, notes the goods that have been there for months—or years, in too many cases—and makes plans for selling these goods that any benefit can result from knowledge of the facts. The selling plans that will be necessary are varied. In some cases the items should not be replaced when sold. In others, one may not be able to wait for a sale to solve the problem but will need to hasten the sale by cutting the price and perhaps cutting it again and again until a sale is made. If after this takes place the goods still do not move, it may be better to put them in the furnace or give them to the junkman than to give them

shelfroom. But again let it be said that any effective program for bettering the rate of stock turn must be dependent on *knowing the facts*.

**HOW TO GET A GOOD STOCK-TURN RATE.**—A rate of turn that will yield a profit is, in part at least, the result of the adoption and application of good buying and merchandising policies. One is the right policy on national *vs.* private brands. No general statement may be made on which type of brand is best.<sup>1</sup> It is safe to say, however, that in general the wide use of private brands reduces the rate of stock turn. For this there are at least two reasons. One is that, as a rule, it is unnecessary to buy relatively large quantities when national or manufacturers' brands are featured. If the pharmacist has a wholesaler place a special label on Milk of Magnesia, he usually buys several times as many bottles as if he were to buy the popular and well-advertised brands. Unless he makes a sizable purchase, the wholesaler will not use the special label; but a national brand may be secured three or six bottles at a time, if that is wise.

The other reason for the slower turn of private brands is that rate of sale is usually less. They are not in as common demand as are the better known national brands. There are many exceptions to this rule, but it is so widely applicable that any salesman who attempts to sell the pharmacist an unknown or privately branded item should be placed on the defensive at once. He should be forced to *prove rather than to assert* that his goods will sell at a good rate and that the pharmacist will not be left with unsalable merchandise representing all or most of his profit. Typical is the case of a pharmacist who invested \$300 in a private-brand assortment of remedies that he had never before heard of and then wondered why he had trouble in meeting his regular bills from his wholesalers. Later, the same merchant refused to accept a 5 per cent discount for a quantity purchase because, as he said, he could not afford it.

A second closely related policy is the one that determines how many brands shall be carried and what range of sizes shall

<sup>1</sup> See Chap. 7 for discussion of the factors to consider.

be offered. This policy should be the result of trial and error. By experimenting one can tell what brands his customers will buy in quantities sufficient to give at least a normal rate of turnover. Help can be secured from wholesalers, as shown in an earlier chapter; but experience expressed in a model stock program is the best determinant of a good brand and size policy.

*Model Stock and Turnover.*—Many progressive pharmacists have found that they can learn from the experience of department store operators who follow the principle of *model* or *basic stocks*. Such a stock is determined in the following manner: A survey of existing price lines is made and relative sales are determined. If a stock of women's hosiery is being planned, it is generally discovered that the sales tend to center around three basic prices. Thus, in one store most of the past sales may have been in the lines selling at \$0.69, \$0.89, and \$1.00, with some extra-quality items above the latter figure and some below.

*The Plan Illustrated.*—The idea of the basic stock is well illustrated by the experience of one successful pharmacist who has established as his model or basic stock of cold remedies the following items:

*Cough Drops*

Bunte  
F and F  
Ludens  
Smith Bros.  
Vicks

*Inhalants*

Benzidrine Inhaler  
Sinoze  
Vapex  
Vapo Cresolene

*Rubs*

Albatum  
Baume Bengué  
Mentholatum  
Musterole  
Vick's Vaporub

*Cough Syrups*

Cremulsion  
Foley Honey and Tar  
Pertussin  
Pinex  
Pisos  
Rem

*Nasal Oil and Jelly*

Hart's Ephedrin  
Mistol  
Kondon  
Vicks Vatronol

*Tablets*

Corax  
Four Way  
Grove L. B. Q.  
Hill's Cascara Quinine

It is not asserted that just this stock should be carried by all pharmacists. Brands must be adjusted to local demand. Some of the above proprietaries should be on the shelves of almost any drug store, wherever located. Others may well be eliminated and the total stock reduced or other locally preferred brands may be substituted. Not all should be carried in all sizes. The most rapidly moving brands should doubtless be in three sizes. Others may be carried in only two sizes, or even one. Purchase and the number of units carried must be adapted to varying rates of sale. A careful study of this stock list or model stock as to brands will show just what is meant by the principle of a basic stock and how one may be established for this important sector of the proprietary department. But after that has been done, it is necessary to watch both the advertising policy of the manufacturers whose stock is carried and the sales of each item that the pharmacist is carrying. Otherwise, one may find that he is carrying dead stock.

DISCOUNT AND TURNOVER.—One of the greatest limitations to rapid turnover is the existence of the quantity-discount policy used by manufacturers and wholesalers. It is good when it is used properly. Often the savings made by buying in a quantity that will yield an extra 5 or 10 per cent discount offsets the cost of the added investment in the goods and the loss from shelf wear or obsolescence. But the reverse very often happens, too. The salesman stresses the amount of the discount or the free goods offered in the deal and, of course, does not emphasize the other factors that should be considered. The result may be a stock of toothbrushes or cosmetics sufficient to last for as long as 2 years. The merchant thinks of the free goods, the salesman of his commission, and neither one considers the cost of carrying the inventory until it is sold—if that time ever comes.

To show how this works, consider the case of an item that sells 144 units on an average inventory of 10 units. Thus the stock turns 14.4 times a year, or a little more than once each month. It can therefore be purchased in dozen lots approximately monthly. Set the reorder point at 4. Even if no more are sold before the new dozen arrives, the stock will be only



16. Thus a minimum of 4 and a maximum of 16 gives an average inventory figure of 10 units on hand at all times. When this number, 10, is divided into the annual sales, 144, the result is 14.4 turns per year, or a very satisfactory rate. If a net profit of 3 per cent on sales is attained, there will be realized \$4.32 on the sale of 144 units at an assumed retail of \$1 each.<sup>1</sup> The capital invested in the merchandise, 10 units on the average, is \$6.67 if the markup is the customary  $33\frac{1}{3}$  per cent. This net profit, \$4.32 on an investment of \$6.67 is attractive, since it is 65 per cent on the capital invested.

Consider then the result of succumbing to the lure of an extra 5 per cent if three dozen lots are purchased. This reduces the stock turn to 6.54, and there is on hand an average of 22 units.<sup>2</sup> The net profit remains the same, \$4.32. But to it must be added the \$4.80 quantity discount, for 5 per cent was offered on a purchase of \$24, *i.e.*, 36 items selling at \$1 with a markup of  $33\frac{1}{3}$  per cent. The total gain is thus not \$4.32 but \$9.12, which, unless one remembers the entire story, is an attractive profit. But we must note that it is on an investment of \$14.67 in 22 units.

A comparison of profit on invested capital is in order. In the first case—dozen purchases once each month—the net was \$4.32 on an investment of \$6.67, or about 65 per cent return on the invested capital. The other case, 3 dozen purchases once every 3 months, involves an investment of \$14.67 and a return of net profit plus discount of \$9.12, a percentage of 62 per cent. It is clear that in this case the 5 per cent quantity discount just about offsets the added cost of carrying the inventory. But unless it is certain that there will be no diminution in the demand, no loss from shelfworn goods, and not much additional cost for storage space and care of stock, the purchase is not wise. The merchant should insist on 10 per

<sup>1</sup> The item of merchandise in question must be priced in such a way as to yield less than the normal net profit in well-operated drug stores, *i.e.*, 3 per cent rather than the sought-for 5 per cent. For each dollar in sales made at a net of 3 per cent there must be sold a dollar's worth of merchandise that yields 7 per cent.

<sup>2</sup> The calculation is as follows: The same reorder point of 4 is minimum stock. The maximum is 40. The average number of units is 22. Sales of 144 divided by 22 give the result, *viz.*, 6.54.

cent quantity discount in such a case, if he undertakes the additional risk involved. The story may be condensed in tabular form as follows:

Table 7.—Does It Pay to Take Quantity Discounts?  
(Case of item selling at \$1 and costing \$8 per dozen. 5 per cent off in 3-dozen lots. Based on a 3 per cent net profit on the sale of the item)

<i>Purchase</i>	<i>Average stock</i>	<i>Average investment</i>	<i>Profit and discount</i>	<i>Profit on capital invested, per cent</i>
Dozen lots.....	10 units	\$6.67	\$4.32	65
3-dozen lots.....	22 units	\$14.67	\$9.12 (\$4.32 plus \$4.80)	62

**TOO MUCH EMPHASIS ON TURNOVER?**—It is entirely possible to overstress the importance of getting a good rate of turnover. Doubtless many merchants have done this, but a study of drug store operations suggests that the danger is not widely spread. For every pharmacist who has gone too far in getting turnover there could easily be shown at least 100 other merchants who do not seem to recognize the importance of the principle involved.

Just what are the dangers or losses? One is that in an effort to speed the rate of turnover the merchant may starve his stocks, with resulting inability to supply customer needs because he is too often out of stock. Sizes and brands are not available as needed. Customers gain the impression that the pharmacist “never has what I want” and tend to go elsewhere. Reference to the A. C. Nielsen Company survey of what happens when stock is not available, as given in Chap. 7, shows that the merchant may lose as much as from 60 per cent to 75 per cent of such potential sales. If so, he is paying too great a price for an attractive rate of turn and should give careful reconsideration to his buying policies. Being out of stock is only one of many ways in which stores may get a reputation for poor service, but it is one that can and should be corrected, for the price one pays is out of line with the gain from more rapid movement of stock from the shelves.

Another loss that sometimes follows overemphasis on high turnover is the cost of too frequent buying. If the wholesaler is forced to deliver certain items every week or even more often, a burden is being placed on him that he is not justified in assuming. Moreover, he must add his increased costs to the pharmacist's price, for he has no other way of recovering them. The pharmacist may pay more than he saves if he has overstressed turnover. Buying in too small quantities places an added cost—or at least more work—on the pharmacist himself, for he must check invoices and arriving goods, and perhaps pay bills, much too often.

Similarly, if one buys in quantities that are regularly less than original packages, an additional cost is placed on the wholesaler, *viz.*, the expense of the broken package room. It is recognized that many proprietaries must be so handled, for they sell but infrequently and dozen or even half-dozen lots are far too great for the average pharmacist.

In the case of tobacco, candy, packaged crackers sold at the fountain, and similar items, which are delivered regularly by small wholesalers operating from their own trucks or cars, weekly refreshment of stock is not too frequent. In many cases such wholesalers call twice a week. They deliver, collect cash, and depart, and thus save the expense of book entries by the wholesaler and of handling many invoices by the retailer. The basic point is that buying policies must be adjusted to the sale-and-supply background of each item handled.

**A TURNOVER POLICY.**—Recognition of the above turnover factors has led to adoption of certain definite policies by many successful pharmacists. They may now be presented as specific recommendations for action.

The first is that a time limit should be set on each class of stock items. No goods should be allowed to remain in stock after this time has expired unless special effort is being made to sell them. The common limit is 60 to 90 days, for service pharmacists. Some items may remain longer; others will move in much less time; but in general any merchandise that does not move in 60 days should be under definite suspicion. In

the case of a proprietary, the wise course may be to place its name in the column of the want book that comes to the attention of the owner before reorders are placed. He can then exercise judgment as to whether it is necessary to carry such a slow-moving item. Sundries and specialties that have not moved in 60 days should be given special display. Often the price should be cut at the same time. Experiments may be made before the price is reduced; but if then the goods are not selling, the pharmacist should recognize that a certain loss is involved and that it may be lessened by taking a timely price cut and avoiding a much deeper one on at least a portion of the stock. The 60-day rule is, therefore, recommended in general, with specific exceptions from it for some items. But on each class a time limit should be set and enforced.

*The Date Code.*—The elapsed time in stock can be determined for each of the items in the stock by marking the date of acquisition on each package in code. Thus, if six units of an item are placed in stock in May, 1941, the code "5/41" would be marked on each package or bottle. If it is desired to conceal the meaning of the figures, the order of the digits may be reversed; thus "5/41" might be expressed as "145." Inspection at any later date will show just how long the item has been in stock.

## Purchase Control

A very important problem in drug store management, which is frequently overlooked, is the necessity for controlling purchases. The secret of a greater gross profit lies to a large extent in keeping inventory down. Therefore, to get the most out of his investment in merchandise, the drug store proprietor should buy only enough to take care of the sales volume in his particular store. This prevents an overstocked condition, results in quicker turnover, and reduces overhead.

*SALES ANALYSIS.*—The first step in realizing such a condition is to analyze store sales over a period of, say, a year. This will give a picture of the amount of merchandise necessary, on the average, to satisfy the store's customers. As a result, the proprietor need not have his shelves filled with

Drug Purchase Control Card  
 Month \_\_\_\_\_ 19\_\_

Date	Daily		Month to date			
	Sales	Purchases	Sales	Purchase quota (65% of sales)	Actual purchases	Over and short
	(1)	(2)	(3)	(4)	(5)	(6)
1	\$100 00	\$120 00	\$100 00	\$ 65 00	\$120 00	+\$ 55 00
2	100 00	30 00	200 00	130 00	150 00	+ 20 00
3	100 00	35 00	300 00	195 00	185 00	- 10 00
4	100 00	100 00	400 00	260 00	285 00	+ 25 00
5	100 00	140 00	500 00	325 00	425 00	+ 100 00
6						
7						
8						
9						
10						
11						
12						
21						
22						
23						
24						
25						
26						
27						
28						
29						
30						
31						
Total						

Monthly Calculation of Gross Profit

Net drug purchases		Net drug sales	
Actual inventory first of month		Deduct—cost of sales	
—add			
Total		Gross profit	
Actual inventory end of month		Gross profit—per cent	
—deduct		of sales	
Cost of sales			

Fig. 23.

“dead” items, nor need he carry an inventory far in excess of his requirements.

After the pharmacist has put his stock into so efficient and desirable a condition, he can keep it so almost without effort by merely limiting his purchases to a certain per cent of his sales. For example, if the store owner desires a gross margin of 35 per cent (on selling price), the inventory can be kept in line by limiting the buying to 65 per cent ( $100 - 35$  per cent) of sales.

**A USEFUL FORM.**—A daily check on sales and purchases is essential to the success of the control. For this purpose a purchase control card is adequate and admirably suitable. In the average drug store three such cards would take care of the situation—one for the drug department, one for the cigar department, and one for the fountain. Where sales records are not kept separate for these three classifications, one or two control cards will be sufficient.

Figure 23 illustrates such a drug purchase control card. Under columns (1) and (2) are listed daily sales and purchases of proprietary medicines, prescription drugs, cosmetics, sundries, etc. On the cigar purchase control card, candy, cigarettes, and magazines may be included. Columns (3) and (5) contain the additions of the daily figures in columns (1) and (2). Column (4) is the controlling factor. It indicates the amount of purchases that can be made without overbuying. For example, if a gross profit of 35 per cent is desired, the upper limit of purchases is 65 per cent of sales (column 3). Therefore, if sales are \$1,000, the purchase quota is \$650. Column (6) shows the amount that column (5) is above or below column (4). This sum indicates how much is available for buying or to what extent buying must be curtailed.

In the illustration used in Fig. 23, the proprietor has bought \$100 more than is warranted by his sales. This is his warning that he must either curtail his buying or increase his sales to a point where his quota of purchase (column 4) and his actual purchases (column 5) are more nearly the same.

# Pricing to Yield a Profit

## CHAPTER 9

ONE OF the outstanding qualities of the successful merchant is his ability to adjust the price level of his merchandise to the conditions of his immediate market. The task is not easy. It cannot be solved by adopting a policy of adding a uniform percentage to the cost of all goods or by thoughtless imitation of a competitor's pricing policy. Absence of a policy is just as bad as use of a wrong one. A knowledge of buyer psychology, income levels, relative strength of competition, and the probable reaction of consumers to different price policies must all be combined if the problem is to be correctly solved by the individual pharmacist. Ultimate prices are the result of careful balancing of many factors, which together determine the most effective price, *i.e.*, the one that in the long run will yield the greatest net returns to the merchant. The present chapter is, therefore, devoted to a presentation of certain of these factors and the considerations that should govern their use.

### Price-governing Factors

**BASIC PRICE POLICY.**—Every pharmacist must decide whether he will emphasize service or price. Is a cut-price policy to govern his operations or shall stress be placed on such factors as location, store personality, the professional

qualifications of the owner, and other similar factors, which take the emphasis away from price? Some pharmacists go all the way and use the "pine-board" appeal by reflecting it in their equipment, their store layout and display, their service, and their prices. Others approach the older concept of the ethical pharmacy modified by the necessity of merchandising many nonprofessional items. Others attempt to follow a middle-of-the-road course of action.

Adoption of a cut-price policy means that it has been decided to emphasize turnover in an attempt to sell many units at a smaller net profit per unit rather than fewer units at a larger net profit per unit. To a degree, operating costs can be reduced, for the price appeal in part takes the place of other advertising, attractive store layout, and service features such as complete stocks, free delivery, and sometimes credit. If costs are reduced for these reasons, the resulting prices are justified by the reduction in expenses. The unfortunate aspect of the situation is that many pharmacists merely cut prices and do not make any corresponding reductions in costs, nor do they assure themselves that their trade will respond to cut prices to a degree that will increase volume enough to justify the cut-price policy.

**WHEN TO CUT PRICES.**—Stores located in areas of low income may find that it is wise to operate on a cut-price basis and to make that fact thoroughly known to their trade. Low-income consumers, who cannot afford to pay prices based upon service merchandising, will go to cut-price stores outside their neighborhood if necessary.

A second market situation justifying the policy is the presence of a near-by active cut-price competitor. He may be the manager of a chain unit or an independent pharmacist. Do not make the mistake of thinking that all independents stress service or that all chains are price cutters. Perhaps this was true at one time but it is far from a safe assumption today.

A third condition arguing for cut prices is the personal preference of the store owner for that type of merchandising. Some pharmacist-owners really prefer to operate on that



basis, for they feel happier and perhaps safer if they know that their prices are on the low level. Often their particular ability is that of mass merchandising rather than of sales on the semi-professional level, which involve more time and more individualistic adaptation to the needs of the customer. Such merchants prefer to wrap a half dozen packages of price-reduced tooth paste rather than to spend time, intelligence, and mental energy in building up creative sales of higher priced cosmetics or instructing customers how to use vitamin products. They like the music of steadily ringing cash registers, even though the net result may not be different. It is believed that too little emphasis has been given to recognition of these basic personality differences and to selection of a store location that will allow the pharmacist to give vent to his preferences. Neither type of merchant can gain the greatest happiness or financial reward if he is forced to operate the kind of store that does not appeal to his own ideas of good merchandising.

A fourth factor, which is in part encompassed in those just mentioned, is the kind and degree of competition. If a city neighborhood of fair to good incomes has only price-cutting stores, there may be an opportunity for one that emphasizes other appeals. If a county-seat-town type of market has only service stores, a price-appeal unit may be effective. If competitors are of the older generation and tend to make adjustments of policy but slowly, there may be an opportunity for a store that makes a different appeal.

**MUST A CHOICE BE MADE?**—The above discussion has purposely been based upon the assumption that a store must be strictly of one type, *viz.*, cut price or service. This is, of course, not always true. There is a middle ground for some merchants. Yet it is very often dangerous to carry water on both shoulders when setting prices. If you do, you may end up with a price level that appeals to neither type of buyer. In an attempt to make low prices possible, you may reduce your service and the ability of your clerks to such a point that the trade which prefers quality and service appeals will be driven away. If you try to compromise with these costs

you will very likely end up with a price level that is not low enough to reach the price buyers.

Certain practices are illustrative of the problem. If a pharmacist covers his windows with streamers emphasizing cut prices, the quality trade may feel out of place in the store. If he crowds his aisles with tables stacked high with miscellaneous variety goods, the trade that likes the atmosphere of the older type of ethical pharmacy may be turned away. But unless he does these and many other things that are a basic part of cut-price merchandising, he cannot get the volume that is essential if his prices are to be low.

The advent of fair trade legislation has in part solved this problem. There still remains the necessity of determining whether it is best to sell at fair trade minima or to set prices somewhat above these levels. Considerations affecting this policy will be treated below.

### Nonmathematical Price Determination

Although it is always necessary to keep in mind the average markup or gross margin, *i.e.*, gross profit that is being attained, there are many articles in the drug store that are priced without use of a mathematical calculation and, in fact, without even knowing exactly what margin is being obtained. Usually the pharmacist is fairly safe in such cases, for the manufacturer, when he established his minimum selling price, had in mind the margin that the pharmacist must attain. But often the gross profit suggested is less than the pharmacist desires. Sometimes it is less than average but is offset by better than average turnover. Almost as often, this is not true. It is, therefore, strongly urged that all pharmacists should take time to check the margin they are getting in the types of cases now about to be described and at least know the facts.

**HABIT OR CUSTOM.**—Many drug items always sell at a standard even-money price, such as 5 or 10 or 25 cents. They are so priced almost automatically. The only question that arises is whether as part of the general policy of the store they shall be sold at a very definitely cut-price basis. Five-

cent packages of gum or candy bars are illustrative. Unless they are to be sold at three for a dime, the price is evidently 5 cents. No attention is given to markup. All one can do is to hope that the price is satisfactory; but if it is not, the pharmacist can do nothing except handle the candy or the gum, for his patrons demand it—at the habitual price. Even then, it is worth taking time to make a simple calculation and discover that a candy bar at 3.1 cents wholesale gives a gross profit of 38 per cent when sold at 5 cents, but only 7.0 per cent when it is sold at three for a dime.<sup>1</sup> Even if the pharmacist could get an extra 10 per cent for a quantity purchase, the gross profit would be only  $16\frac{2}{3}$  per cent. There is a serious question as to whether the average pharmacist can or should attempt to handle candy on this profit basis, even if full value is allowed for the sales-building power of the cut-price appeal.

**SUGGESTED PRICES.**—Prices suggested by manufacturers often have an important influence upon the price actually placed on the goods by the pharmacist. Perhaps since the advent of active price cutting these prices have come to mean less, as they are neither the prices printed on the packages nor those at which the goods can be expected to sell. The real selling price is something below, for most pharmacists must adopt a price-cutting policy of some degree. It is important to remember that when a manufacturer's salesman quotes the margin that the pharmacist will make on a deal or special offer, he is usually basing it on either the full retail list or the manufacturer's suggested price and not on the price that competition will allow him to get. It is worth while to watch this, since the difference is often so great as to make the salesman's claim misleading.

**MINIMUM PRICES.**—The fair trade laws of the various states reinforced by the Miller-Tydings Federal law are already influencing the pricing policies of all pharmacists, whether they be followers of price cutting or of the older type of appeal. For years the non-price cutter believed that it was useless to try to meet the prices asked by price cutters, for these prices—in some cases at least—were so low as

<sup>1</sup> See pp. 149-150 for a discussion of methods of computing markup percentage.

to make it impossible for the neighborhood or suburban pharmacist to meet them without suffering disastrous results. Although the deep price cuts usually applied to only a few items, the effect of the cuts was much broader, for many consumers believed that similarly low prices prevailed throughout the store. When they noted the higher prices asked for some articles in the non-price cutter's store, they were likely to conclude that his general price level was much higher than it really was.

Thousands of pharmacists who realized this fact stressed factors other than price by emphasizing the convenience of their location, the quality of their service, the personality of the proprietor, and the other intangible but nevertheless real motives that, they hoped, would guide patrons to their store.

**EFFECT OF FAIR TRADE.**—But now—and it is the first time—pharmacists as a whole can cope with the practices of the price cutters, for a floor has been set under many retail drug prices. The operation of the fair trade laws has led to an equality of opportunity never before enjoyed.<sup>1</sup> But the opportunity is at the same time a challenge. The call is so to plan the buying and selling policies of every drug store as to make it possible to sell at the fair-price minima established by the various manufacturers, when those minima are so set as to provide a markup in line with the cost of selling the item in question. If this is done, the price comparisons made on identical merchandise by consumers will join the things of the past.

Some pharmacists have objected to selling at fair-price minimum figures, since they assert that under the plan manufacturers have taken over control of their pricing policies. There may be some justification for this point of view when thought is directed to *minimum prices only*. But when it is remembered that the pharmacist is just as free as he ever was to set the maximum price, the objection vanishes. The

<sup>1</sup> An exception must, unfortunately, be made in the case of the three states and the District of Columbia where fair trade is not in operation. It must also be remembered that hundreds of drug store items, including many proprietary medicines, have not yet been placed under fair trade contracts.

Druggist's Research Bureau found in the Ostlund-Vickland survey that it is far more common practice to sell at minimum prices. Moreover, only the merchandise under fair trade is affected. Hundreds of other items may be sold for whatever the judgment of the merchant dictates. If he desires to sell them for less than they cost, he is free to do so. If he prefers to sell only relatively few items, but sell them at a highly satisfactory margin, he may do just that. There is still plenty of room for the use of pricing as a factor in merchandising strategy.

*Markups on Fair Trade Items.*—It is worth while to examine the markup actually obtained on fair trade items when they are sold at the minimum established by the manufacturers. The following table is suggestive, since it shows the results when markup is calculated for a considerable list of fair trade merchandise, the items being taken at random from the Ohio Fair Trade lists and selected in such a way as to give representation to the various departments of a pharmacist's business. The cost price in each case was supplied by a representative wholesaler.

Although many fair trade items do not yield the normal markup that is expected by the retail pharmacist, it would seem that in view of their comparatively rapid turnover and the ease with which they are sold, the pharmacist is justified in carrying them at the fair trade prices indicated by the manufacturer. But the very low markup shown for several of these items cannot be justified by any method of cost or markup calculation.

To the margins indicated in Table 8 must be added quantity discounts. In most cases they are either 5 per cent on dozens or on one-quarter dozen, *i.e.*, quantities that any normal pharmacist should be able to buy. To this may be added a cash discount of 1 or 2 per cent offered by the wholesaler or the manufacturer. It must be remembered that these discount percentages are on cost, not on retail, and hence cannot be added directly to the markup percentages shown above. Such discounts are, however, a significant addition to the net profits of the pharmacist and help to bring fair trade

Table 8.—Markup on Selected Fair Trade Items\*  
(Ohio, November, 1940)

Item	Full retail list selling price	Retail fair trade minimum	Wholesale selling price	Markup based on fair trade minima	
				Amount	Per cent
<b>Toiletries:</b>					
Toothbrush.....	\$0.25	\$0.23	\$0.158	\$0.072	31.3
Tooth paste.....	0.50	0.39	0.333	0.057	14.6
Mouth wash.....	0.75	0.59	0.50	0.09	15.2
<b>Proprietary medicines:</b>					
Laxative.....	0.40	0.31	0.27	0.04	12.9
Purgative.....	0.60	0.49	0.40	0.09	18.4
Tonic (16 oz.).....	1.09	0.98	0.76	0.22	22.4
<b>Sundries:</b>					
Watch.....	1.50	1.50	1.00	0.50	33.3
Thermos bottle.....	1.00	1.00	0.69	0.31	31.0
Cameras.....	1.25	1.07	0.79	0.28	26.2
<b>Cosmetics:</b>					
Hair tonic.....	0.83	0.73	0.55	0.18	14.7
Face powder.....	1.00	1.00	0.65	0.35	35.0
Lotion.....	0.50	0.39	0.367	0.023	5.9
<b>Prescription supplies:</b>					
Insulin.....	0.95	0.85	0.57	0.28	32.9
Vitamins.....	3.00	2.69	1.80	0.89	33.1
Inhalant (4 oz.).....	0.60	0.51	0.40	0.11	21.6
<b>Candy and tobacco:</b>					
Candy.....	0.05	0.03 $\frac{1}{3}$	0.031	0.023	6.9
Cigarettes†.....	0.17	0.16	0.14	0.02	12.5
10-cent cigar.....	0.10	0.09	0.07 $\frac{1}{3}$	0.0167	18.6

\* Prices in this table are based on purchases at full wholesale list and in such small quantities as  $\frac{1}{2}$  dozen. See following paragraphs for the effect on margin of larger purchases.

† Includes Ohio tax of 2 cents per package.

margins up to a more reasonable gross profit. Certain it is that the new gross margins are far more attractive than those obtained by thousands of retail druggists who attempted to meet the offers of the vigorous price cutters before the advent of fair trade.

*Summary.*—The justification of setting prices at the fair trade minima, provided the minima are adequate, may be summarized as follows. For the first time in recent retail history, all pharmacists are placed on the same level as to minimum retail prices—*i.e.*, the lowest that may be charged.

The service pharmacist can enjoy the appeal of the same level of prices as that offered by the price cutter, if he will adopt the fair trade minima where necessary.

According to a study published late in 1940 by the Druggist's Research Bureau, the net effect of minimum price maintenance under the fair trade laws was a decrease of about 1 per cent in the general level of all prices charged by the retail pharmacists for the products covered by their survey.<sup>1</sup> Some prices were raised to meet fair trade minima; others were lowered because the pharmacist was no longer compelled to make up on the price of unknown merchandise the loss incurred by an attempt to meet the offers of the deep price cutters. Furthermore, the survey showed that fair trade has not brought about fixed or universal minimum prices, since there is still a variation in prices in stores of various types and sizes.

## Mathematical Price Determination

Although many prices are set by other than strict mathematical means, it is essential that the pharmacist know how to proceed to obtain a desired percentage markup when the cost price is known. In addition, it is wise to be able to check the gross margin obtained by pricing according to habit, custom, fair trade levels or any other form of non-mathematical pricing.

**COST AND PRICES.**—The starting point in mathematical pricing is the cost of the merchandise. Cost is what is paid for the goods, less discounts, plus any delivery costs, *i.e.*, freight or express paid by the pharmacist. Thus, if a gross of tooth paste is billed at \$21.60 with terms of 2/10 net 30 and an express charge of \$0.85 is paid by the pharmacist, the true cost is \$22.02 if the bill is paid within 10 days. Many merchants make the mistake of not securing a true cost. They proceed as though the billed or invoice price were the true cost. Since the net profit of most pharmacists is less than 5 per cent of their sales, it is easily possible that the difference

<sup>1</sup> Ostlund, H. J., and C. R. Vickland, "Fair Trade and the Retail Drug Store," Druggist's Research Bureau, Chicago, 1940.

between final profit or a net loss may be the result of incorrect figuring of the cost of their merchandise.

If we assume an expense ratio of 28 per cent of sales for the store into which the tooth paste is shipped and the desire is so to price it that it will yield a profit of 5 per cent, it will be necessary to gain a markup of 33 per cent of the retail price. The selling price is composed of two elements—the merchandise cost and the markup, or gross margin. The following formulas may be helpful to the person who is thinking for the first time of the mathematical procedure involved in pricing:

Retail selling price = cost of merchandise plus markup  
 Cost of merchandise = retail selling price minus markup  
 Markup = retail selling price minus cost of the merchandise

If the merchant knows cost and markup, it is not hard to get the desired retail price. If we revert to the example of the gross of tooth paste costing \$22.02 and assume that a markup of 33 per cent is desired, what will be the retail price? The calculation is simple. If expense and profit equal 33 per cent, the cost must be 67 per cent of the retail price, for together they equal 100 per cent. A simple division follows. The cost \$22.02, is 67 per cent of the retail selling price. Divide the cost by .67 and the retail price is revealed. In this case it is \$32.86 for the gross, or just under 24 cents per package. When the three necessary elements are known, it is always possible to know what retail price will yield the three—cost, expense, and profit.

**A WARNING.**—Many inexperienced merchants have made the mistake of computing markup on the cost rather than on the retail price as the base. It is well to remember that modern retail practice always uses the retail price as the base. For this there are a number of reasons. One is that the total of all retail sales is the most commonly available figure in the average store. Expenses are almost always based upon it. If a commission is paid to retail sales clerks, it is on the retail price as a base. Allowances to customers are made on the



same base. If, therefore, the retail price is used as the base for planned profit, expenses, commission, and allowances, it must be used as the base on which markups are figured. Thus it is and always should be 100 per cent, and the cost should be a smaller percentage, the exact percentage being determined by the desired markup.

*A Common Mistake.*—A simple example shows the result of figuring expenses on one base and markup or gross margin on another. If it is known that \$1 has been paid for an article and if it is known that expenses and planned profits will be 20 per cent, the inexperienced merchant is inclined to believe that the asking price should be \$1.20. He arrives at this conclusion by adding to the cost 20 per cent of the cost, *i.e.*, 20 cents in this case. The result will be a deficit of 4 cents, since expenses and profits, 20 per cent of asking price, will be in this case 24 cents. The merchant should have divided the cost—\$1—by 80 per cent (100 per cent less the planned markup of 20 per cent). If this had been done he would have known that the proper asking price would be \$1.25, and he would then have had 20 per cent of the selling price as gross profit, which would cover all expenses and yield the net profit as planned.

**MARKDOWNS.**—Merchants should not overlook the fact that it is almost always necessary to take some markdowns before goods are sold. Some staple items are rarely, if ever, reduced in price; other lines almost always have some remnants that can be more quickly sold by a downward price adjustment. Rare is the merchant who has not purchased some merchandise that does not fit the needs of his customers and must therefore be sold at a loss. The probability of markdowns must be considered in any strictly mathematical basis of pricing. It is necessary to determine from past experience about what they have been and add that percentage of sales to the expense-and-profit total that is planned for the store. Usually the markdown percentage in the normal drug store will not be more than 1 per cent, but if even this small amount is overlooked, it will be reflected in reduced net profits when a strictly mathematical procedure is followed in pricing.

One of the attractive features of selling fair trade merchandise at minima is that no markdowns are involved, other than the lower prices permitted by statute for closing out stock, damaged goods, etc., since the laws usually permit the seller to take such merchandise back rather than to allow the price to be cut below the established minimum.

## Markup Variations

Every merchant knows that it is not possible to price merchandise strictly in accordance with the mathematical formulas just presented. One group of reasons was presented earlier in the chapter, *i.e.*, those dealing with habit-and custom-suggested prices, fair trade prices, and the strategy of meeting competition.

**COST VARIATIONS.**—There is a second basic reason why mathematical procedures do not furnish the complete guide to pricing practice in the retail drug store. It is that any attempt to use a single simple expense ratio as a determinant of what markup must be secured leads to distorted prices, since it is based upon the assumption that the cost of stocking and selling all items is the same. Every pharmacist knows that rarely, if ever, are two articles sold at the same out-of-pocket expense and at identical expense in time and effort. Turnover rates vary. The relative space taken on the shelves is not in accordance with dollar volume. Depreciation and obsolescence are not the same. The time taken in the actual sales varies significantly. In some departments several attempts are made for every sale that is consummated, while in others few sales are lost. A time and duty analysis of retail pharmacists made by one of the authors of this book showed, for example, that only one in two attempts to sell therapeutical appliances succeeded, while 99 of every 100 attempts to sell tobacco or newsstand items were successful.<sup>1</sup>

Many attempts have been made to measure the cost variations just mentioned and to furnish the pharmacist with

<sup>1</sup> Nolen, H. C., C. M. Brown, and Jack Angerman, "Time and Duty Analysis of the Retail Pharmacist," *The Journal of the American Pharmaceutical Association*, July, 1940.

a scientific basis for pricing, *i.e.*, one that will adjust his markup to the cost variations involved. Recognition is usually given to the factors that are here considered and that forbid strict adherence to a mathematical basis of markup determination. It is suggested that if the pharmacist will follow the tables and formulas given to him by these scientific price analyses, he will increase his profits.<sup>1</sup>

Experience has shown that all such studies are extremely useful and that if they are analyzed and applied to the conditions existing in his own store, the pharmacist can and will gain much from a thorough understanding of the cost differentials there presented. But experience further shows that costs of handling and selling vary so greatly in different stores as to make it impractical to present a detailed procedure of that type in this book. The desirability of careful adjustment of prices to varying costs of selling is granted. But at the same time it is hoped that this manual may be so practical that the pharmacist may be able to use it as a guide for his everyday operations.

**TWO GUIDING PRINCIPLES.**—It is believed that only certain general guides can be followed in mathematical price determination. The first grows out of the fact that the pharmacist cannot look upon the gross margin on any one item as the guiding factor in his pricing policy. For good reasons these must vary to a tremendous degree in the same line of goods. This must be recognized and followed. A proprietary that has been used for years as a price football cannot carry the same markup as one that has never been the victim of price appeal. This fact is recognized by manufacturers when they are setting price minima, for they know that these articles cannot be at once restored to full profitability. They, therefore, indicate a minimum price that will yield less than normal margin. But the same manufacturers in some cases announce a minimum price on other parts of their line—usually slow sellers—which

<sup>1</sup> See, for example, a series of articles in the *Druggist's Circular*, beginning in January, 1940, and continuing for several months. Also note the procedures advocated in the very useful booklet released some time ago by the Curtis Publishing Company, "Merchandising by Addition."

tends to offset the relatively lower prices on those items that have been featured by price cutters in the past.

When this situation is expressed in the form of a principle, it is that gross margin must be considered as the *average for a group or a department*. Sometimes this is stated by using the term "use-group." The thought is, for example, that the over-all markup on cosmetics should be somewhat higher than the one that must exist for the store as a whole, if expenses are to be made and a profit realized. Thus some cosmetics may carry only 25 per cent, while others have a 45 per cent markup. If they sell in equal quantities, the average is 35 per cent—enough to satisfy the typical pharmacist.

The second principle is that *recognition must be given to varying rates of turnover*. Applied in its fullest extent this would mean that the rates of each item must be known and prices accurately adjusted to turnover variations. But it is entirely feasible to know that certain classes of merchandise turn at varying rates. Tobacco and candy can be moved 12 times a year, or even oftener. Prescription stocks will rarely be sold more than twice a year. Others, such as cosmetics, if properly merchandised, may yield a turnover of three or four. It is not asking very much when it is suggested that every pharmacist should know the basic facts of turnover for his different departments. If he does not, his wholesaler can give him definite assistance.

It is often convenient to be able to ascertain in an easy and quick manner the percentages on cost that are equivalent to a desired gross margin expressed as a percentage of retail. Thus if it is known that expenses are 28 per cent and it is desired to net 5 per cent, it will be proper to plan a gross margin of  $33\frac{1}{3}$  per cent of the retail selling price. Reference to the table below will show that this is equal to 50 per cent of the cost. Other desired margins may be similarly determined.

**TWO METHODS IN PRICING.**—There are two methods used in applying the two principles: (1) to adjust the markups according to turnover rates for classes or departments; (2) to adjust the markup to the varying classifications of merchandise—*i.e.*, classes, use-groups, or departments. If the

Table of Equivalents

<i>Margin per cent of selling price</i>	<i>Markup per cent on cost</i>	<i>Margin per cent of selling price</i>	<i>Markup per cent on cost</i>
4.8	5.0	25.0	33.3
5.0	5.3	26.0	35.0
6.0	6.4	27.0	37.0
7.0	7.5	27.3	37.5
8.0	8.7	28.0	39.0
9.0	10.0	28.5	40.0
10.0	11.1	29.0	40.9
10.7	12.0	30.0	42.9
11.0	12.4	31.0	45.0
11.1	12.5	32.0	47.1
12.0	13.6	33.3	50.0
12.5	14.3	34.0	51.5
13.0	15.0	35.0	53.9
14.0	16.3	35.5	55.0
15.0	17.7	36.0	56.3
16.0	19.1	37.0	58.8
16.7	20.0	37.5	60.0
17.0	20.5	38.0	61.3
17.5	21.2	39.0	64.0
18.0	22.0	39.5	65.5
18.5	22.7	40.0	66.7
19.0	23.5	41.0	70.0
20.0	25.0	42.0	72.4
21.0	26.6	42.8	75.0
22.0	28.2	44.4	80.0
22.5	29.0	46.1	85.0
23.0	29.9	47.5	90.0
23.1	30.0	48.7	95.0
24.0	31.6	50.0	100.0

first of these methods is followed, the pharmacist should arrive at a situation closely resembling the following minimum schedule:

- a. A margin of 25% of retail in departments or classes that yield a turn of at least six times a year
- b. A margin of 28% when the turnover rate is 4
- c. A margin of  $33\frac{1}{3}\%$  when the rate is 3 or from 3 to 2
- d. A margin of 40% on all goods or departments that have a turn of 2 or less each year

Other pharmacists approach the problem in just as simple a manner by following a general rule for pricing items in each

department—*i.e.*, they plan to secure at least the percentage indicated from the department or class as a whole. One such markup distribution is

- a. Sundries,  $33\frac{1}{3}$  to 40%
- b. Cosmetics,  $33\frac{1}{3}$ %
- c. Proprietary medicines, 21%–28%
- d. Candy,  $33\frac{1}{3}$ %
- e. Tobacco, 15%
- f. Fountain, 40% to 50%
- g. Photographic supplies,  $33\frac{1}{3}$ %
- h. Magazines, newspapers, 25%
- i. Controlled lines, 50%
- j. Vitamins,  $33\frac{1}{3}$ %
- k. Surgical dressings and hospital supplies, 40%
- l. Prescriptions—Priced to yield a markup of about 40% on the ingredients plus the cost of the pharmacist's time consumed in filling the prescription figured at \$1 to \$2.50 per hour

It must be emphasized that few, if any, items in each of these departments will carry the exact margin indicated. The price-determining factors are so various and so vital as to make this improbable. Moreover, it is unnecessary, since this plan of pricing is based upon *departmental averages rather than individual prices*.

If the pharmacist who operates a medium-sized store with normal competition and normal buying power will follow this general procedure and will at the same time give his careful thought to setting the best price on each individual item, his pricing problem will be greatly simplified. He must always remember that when price setting is no longer important he will cease to be a merchant and become only a warehouse operator. Successful pricing is at the very heart of successful merchandising.

# Sales Promotion: Advertising and Store Promotions

## CHAPTER 10

VITAL to the success of any retail store is the careful planning, execution, and conduct of those activities that have to do directly with the store's customers—the selling side of the business.

Other activities, such as buying, stock control, store maintenance, financial and operating control through careful keeping of records and analysis of the information these records yield, are also functions essential to profitable retail operation. In a drug store, moreover, the privilege of rendering a professional and scientific service in the compounding of prescriptions is at once a prime requisite and the factor that differentiates it from every other retail business.

Yet, with drug stores as with other retail businesses, the way in which selling activities are performed is often the determining factor in business survival, and probably the single most important factor in profit making. Selling may make or break the business. No drug store, no matter how efficient its internal administration or how excellent its prescription service, can continue as a going business for long unless it is able to attract a sufficient flow of customers to give it the volume necessary to cover the unavoidable costs of doing business.

## Promotion Defined

The term "sales promotion" has been developed to describe all those retail store activities designed to sell more merchandise at a profit. It is a more inclusive term than advertising, or publicity, or display, since it embraces all these as well as over-the-counter selling.

To the modern drug store, sales promotion is the spark plug of its operations. It makes the store a vital force in the community. Its purposes are

1. To attract new and old customers to the store.
2. To induce customers to buy more merchandise.
3. To maintain and even advance the store in its competitive race.

The essence of successful sales promotion is the *coordination* or *integration* of all those activities that contribute to making sales. In this and the following chapter, the divisions of sales promotion that include advertising and display are treated. The division of personal selling is so important in drug store operation that it is treated as practically a separate subject in Chaps. 12 and 13. But the alliance of personal selling with outside sales promotion efforts must not be overlooked. Promotional publicity may cost hundreds of dollars. Yet publicity cannot be effective unless its promotions are enthusiastically supported by a well-informed sales force, on whom it depends to close the sales. Publicity and over-the-counter selling must be coordinated if either is to reach its highest effectiveness.

Special promotional methods and principles for each of the several important kinds of drug store items and lines are discussed in detail in subsequent chapters.

## Promotional Strategy in Drug Stores

**DETERMINING THE STORE'S OBJECTIVE.**—The kind and amount of sales promotion—in general, the whole sales-promotion policy—of any drug store depends upon prior



decisions as to the basic policy of the store. Sooner or later every pharmacist must make a choice as to what kind of store he wishes his to be. This choice, which is the fundamental one of general merchandising policy, is discussed elsewhere in this book. The factors in that choice are not of significance here, but the alternatives may be reviewed with reference to their effect on sales-promotional activities.

With respect to sales promotion, three fairly well-defined types of drug store operation may be discerned.

*The Exclusive Professional Pharmacy.*—A drug store may be operated exclusively (or primarily) as a prescription and medical supply and appliance store. This type of store is so different in location, operating and control problems, and promotion problems that discussion of its management is beyond the scope of this volume. Suffice it to say that the promotion done by stores of this type is almost entirely among doctors. It secures volume not so much by general consumer advertising or consumer appeals, as through the more direct methods of detailing doctors. The control over volume possessed by such a store is of an entirely different character from that in a merchandising store. Growth may be slow, as it is attained by word-of-mouth advertising by customers and by medical recommendations. Promotion, as generally conceived by merchandisers, does not concern such stores.

*The "Traditional Drug Store."*—The great bulk of all drug stores have been of the type that might be characterized as the "average operation." Prescription service is featured, but the complete variety of customary drug store items is handled. Prices are set for nearly all items with strict reference to their cost, although a few "specials" may be advertised each week. Emphasis, however, is on the quality of the merchandise; and excellence of service, courtesy, care, attention, integrity, and convenience are featured. Fountain business is usually treated as simply another department.

Such stores are located, in the main, in neighborhood areas or in the central business districts of the smaller cities. As a rule, advertising, display, and aggressive selling are adopted as

fleeting and uncertain policies. Sales promotion as a regular, planned, hard-hitting policy is contrary to the usual practice of such stores. It is not correct to say that promotion does not seem important to them. It is done, sometimes rather effectively. But sales promotion of the kind developed with such success in other retail lines has not been part of the operating policy of the "traditional drug store." It has been a force rather passively accepted but not used to its full effectiveness, even in the promotion of service and other "patronage" qualities, which are the keystone of this type of operation.

*The Promotional Store.*—A newer type of drug store operation is that which has featured an aggressive and competitive type of selling as the cornerstone of its operations. Advertised goods are widely and continuously featured at low prices. A constant stream of special promotions is maintained. The fountain is merchandised to attract trade. The windows feature price merchandise in mass display. Open mass display is widely used in the interior. Banners, posters, streamers about "values," "special buys" are everywhere—often the customer is greeted with a carnival atmosphere of pennants, posters, and impelling displays of merchandise.

In this group of stores are found practically all of the chain units and, since the advent of fair trade, a growing number of individually owned stores.

These, then, are the alternative operations open to the pharmacist. He must determine what kind of store he has at present and what kind of store he wishes to have at the end of a period of years. Upon the type of operation he chooses as his objective will depend the nature and amount of sales promotion that he undertakes. In building a sales-promotion program it is extremely important that the pharmacist set out with a full understanding of the requirements the chosen operation imposes on sales promotion. A conscious knowledge of his basic store policy—the general pattern of his operation—will enable the pharmacist to keep his promotion style consistent, and to fashion his advertising, display, and selling activities in the form best adapted to the end in view.

**OBJECTIVES OF PROMOTION.**—It is well to keep in mind the principal objectives of a sales-promotion program. One of the foremost of these is the purpose of developing emphasis on this one store, as the source of drugs, or *the development of the habit of buying at one store*. This habit grows out of the conviction that a particular store—your store—excels all others. Hence, the emphasis should be on the store and its advantages and not on merchandise alone, for competing pharmacists handle most of the lines that you offer or others that, in the minds of most of your customers, are interchangeable with those lines. Drug store advertising should, therefore, always contain store building appeals keyed to the patronage motives of consumers, such as convenience, store prestige, merchandise selection, attractive prices, and the personality of the proprietor.

The second objective of sales promotion is that of *getting many patrons*. Obviously, success can come only when a large body of people prefer the store that is being promoted. Thus, store promotional activities must have wide coverage and reach many people, and as a rule, reach them frequently. But it is well to remember that advertising that extends outside the store's real market is largely wasted. City newspapers, for example, have a definite limit as carriers of copy for most neighborhood drug stores.

The third objective is that of *getting more dollars from each customer*. The average sale of drug items is small, for it is limited by the nature of most of the merchandise carried. Display and better selling by the clerks—activities described in succeeding chapters—are the methods used to attain this desirable result. But it is well for the proprietor to keep in mind the dangers of a small average sale and to be constantly alert to discover and apply methods for increasing it.

## Advertising

Advertising is the division of retail sales promotion that reaches out beyond the store. It tells customers and the people desired as customers that this store has what they need and want, and invites them to come and buy. Retail advertising

is the *publication* of information and persuasive appeals about the store and its merchandise, in some medium that reaches consumers. Before the advent of the radio, it was aptly termed "salesmanship in print." The pharmacist should regard advertising, not as a secret art, but as a competitive sales tool, to be employed simply and directly to attract business to his store. Drug store advertising can be planned, prepared, and used to produce results, by any pharmacist who will work at it intelligently and persistently. That the results obtainable are worth the time and effort advertising requires is indicated by the fact that more drug stores are using advertising today than ever before in the history of the retail drug business. In 1940, 30.2 per cent of all drug stores in the United States were advertising in newspapers. Newspaper space used by drug stores increased 7.6 per cent from 1929 to 1939.

In addition to the growing appreciation of the value of advertising, a principal factor in the use of advertising by more drug stores, is the fair trade laws, for pharmacists can now employ price advertising without fear that stronger com-


### What Good Advertising Does for the Drug Store

1. Builds a reputation for the store and its services
2. Creates and increases confidence and good will
3. Increases customer traffic and the sales volume of the store
4. Keeps alive people's interest in the store between buying visits
5. Identifies the store with certain merchandise, prices, and services
6. Increases net profit by increasing sales, speeding turnover, and spreading expenses over a larger volume of business

petitors will reduce prices still further. It has been stated that, because of fair trade, people who once drove 20 or 30 miles for their drug store needs now find prices just as good at home.

**KINDS OF DRUG STORE ADVERTISING AND THEIR USE.**—All varieties of drug store advertising can be grouped into two broad classifications—institutional and promotional. As was

*There Is No  
Substitute for Quality*



● Sickness is a great leveler. All the world is related when illness comes. Prince and pauper have the same desire—to get well. This cannot be accomplished by cheap medicines, designed to cure everything from water on the brain to housemaid's knee. When ill, you must have a remedy to meet your own exact requirement. Consult your physician. Then bring his prescription to us for compounding. We are prescription specialists.

High Street Drug Co.  
1600 N. High St.  
Phone-K1-5854

Fig. 24. An institutional advertisement promoting prescription service. (Courtesy of Eli Lilly Company.)

indicated earlier in this chapter, the basic character of the advertising that the drug store does is determined by the character of the store, but for most drug stores both kinds of advertising will have to be used.

**Institutional Advertising.**—Advertising that is designed to sell the store as a place to buy when the reader desires merchandise, is known as institutional advertising—an example of which is shown in Fig. 24. It seeks *ultimate* business. Institutional advertising seeks to attract regular customers

rather than one-time purchasers, to build general good will for the store.

This is attained in two principal ways: (1) By emphasizing the variety and completeness of the store's selection of merchandise, and the exclusive and superior character of the merchandise and service. Prescription sales are a good example of the use of institutional advertising in this way. Particular merchandise or items cannot be featured; prescription advertising must emphasize service features. (2) By stressing the conveniences and advantages offered by the store to make shopping easier. Store location, delivery service, charge-account privileges, store cooling systems, etc., are examples of the subject matter of this variety of institutional advertising.

Most drug stores find it necessary to use institutional advertising to a considerable degree. The promotional problems of drug stores make it essential that the *store*, as well as merely merchandise and prices of items, be featured. However, institutional advertising is more difficult to prepare than is promotional copy. The most severe disadvantage of its use is the difficulty of measuring results, since institutional appeals do not seek immediate response. This kind of advertising can be evaluated only by means of a study of the trend of the store's business over a considerable period of time.

*Promotional Advertising.*—This type of advertising is used by drug stores to produce *immediate* sales. It features specific merchandise at specific prices and urges the reader to buy on specific days. A good example of promotional advertising is shown as Fig. 25. The results of promotional advertising can be measured by the daily or weekly sales figures.

The introduction of promotional advertising in connection with leader merchandising in drug retailing has had probably a more sweeping effect than any other development in the drug business, in the past two decades. Consumers have been made price conscious; they have been conditioned to expect promotional advertising of drug store items. With this type of drug store merchandising and promotion assuming such importance, most drug stores find it necessary to follow the

**CULTER'S CULTER'S CULTER'S CULTER'S**

Pri. Trade Mark - Right Reserved to Limit Quantities

**LIFESHOT SOAP**  
1 for **11c**

**IVORY SOAP**  
Box of 1 Large  
10c

**LAVA SOAP**  
Free Dish  
3 for **17c**

**Bath Size FALSO OLIVE SOAP**  
4 for **26c**

**WOOD-BERT SOAP**  
4 for **16c**

**Large P & G SOAP**  
25 for **25c**

**FELS NAPHTA SOAP**  
4 for **14c**

**Large LIFE FLAKES**  
4 for **35c**

**Small IVORY FLAKES**  
4 for **35c**

**Large CLEPRO FLAKES**  
4 for **33c**

**32c DIALO For Dishes**  
18c

**32c SARTI FLUSH**  
1 for **35c**

**32c WINDOX GLASS CLEANER**  
1 for **25c**

**32c BOBBY PINE**  
1 for **5c**

**11 oz. BUBBLE BATH**  
**10c**

**32c COTY LIPSTICK**  
Small Shade  
**50c**

# IG GOO-GOO GLUG!

**MEANING.. YOU CANT GO WRONG.. IF YOU**

**SHOP AT**

For the Sniffles  
**CLEANSING TISSUES (SOOS)** 14c

50¢ 8 1/2oz PHILLIPS MILK & MAGNESIA 18c

Keep a bottle handy  
**ASPIRIN TABLETS** 7c

30¢ VICK'S Vapo-Rub 27¢

30¢ GILLETTE THIN BLADES 27¢

50¢ JERGEN'S LOTION 39¢

**MAKES BETTER COFFEE**

**DRIP COFFEE MAKER 79c**

4 Pure Enamelled  
4 Cup Size  
4 Easy to Clean  
4 Durable  
4 Sanitary

**FREE**

15¢ Half & Half Smoking Tobacco 7c

14 oz. Union Leader Deep Food 49c

5 lb. Hunt Club 2 1/2 Mida Truss 34c

10 oz. Borax 8c

15c Babbitts Lye 8c

100 Paper Napkins . . . 8c

10c Probak Jr. Blades 2-5c

**FREE**

PERODONT TOOTH PASTE

TOOTH POWDER

TOOTH BRUSH

**BABY NEEDS THESE**

8 oz. Nursing Bottles . 2c  
Mennen's Baby Oil . 43c  
50c Q-Tips . . . . . 24c  
3 lb. Blue Karo . . . . . 17c  
50c Pabulum . . . . . 39c  
\$1.20 Similac . . . . . 88c  
85c Dextri-Maltose . 63c

60¢ MAR-OIL SHAMPOO 24c

30¢ EDWARDS' OLIVE TABLETS 17c

65¢ PINEX FOR COUGHS 54¢

**Blustery Weather TOILETRIES**

Box of 100 HALIBET LIP BAL CAPSULES 79¢

30¢ FROSTILLA Hand LOTION 39¢

4 oz. CITRO CARBONATE (UPJOHNS) 57¢

4 oz. SILE 57¢

10¢ MUJOL 79¢

60¢ EDNA WALLACE HOPPER Restorative CREAM 49¢

COMMERCIAL PEN and PENCIL 5¢

98¢

Hand Brushes Stationery 19¢

MISTOL DROPS 23¢

2 OZ BOTTLE

PREP SHAVING CREAM 2.39¢

30-3111-11-11-11

VASELINE HAIR TONIC 63¢

30¢ BISOLOL POWDER 79¢

Hand Can Opener 9¢

25¢ 5111-11-11-11-11 CATOR OIL 14¢

1-MINUTE FEVER THERMOMETER CASE 49¢

32c Size AFTER SHAVE TALK 9c

5 1/2 oz. EPSOM SALTS 14c

**GERBER'S STRAINED or CHOPPED FOODS**

Limit of 5c each

**COMPACTS**

**By Evans**

- Military with Lipel
- Jewel Created
- Mesh Pouch
- Single-Double
- Renewal Strips and Designs
- 15mm Values

ON SALE AT **97c**

**CIGARETTES**

Popular Brands

**\$1.37 etc. 14c etc.**

**PACQUINS**

Hand Cream

Large \$1.00 Size 79c

Others 39c & 23c

**PACQUINS HAND CREAM**

A luxurious cream in ev-ery three but price. Delicately exquisitely scented - ideal after exposure and the roughening chores that busy hands must tackle

**Save! Buy KOTEX**

(Patented Item)

Regular, Jumbo, Super

**30 NAPKINS 48c**

Fig. 25. An effective promotional newspaper advertisement.

trend of other advertising in certain details. If a store's customers are receiving daily papers that carry other drug store advertising of the promotional variety with prices featured, no amount of exclusively institutional advertising will get customers into the store to buy the same branded items at prices entirely out of line.

**WHAT TO ADVERTISE.**—Prices must be in line, and under fair trade, the stage is set for this achievement. The significance to advertising is that *the fact that prices are in line* must be borne home to the customer in the store's advertising. This cannot be done by reiterating "Low prices," "Our prices are as low as any," etc. The advertising must contain specific product mention and prices, *as well as* the institutional story that will help to bring patronage to this particular store in preference to another, which has the same low prices.

Such use of promotional advertising does not mean that every advertised price of competitors must be matched on every item throughout the store. It does mean that selected items, from a fairly wide assortment of lines, be featured on a price basis from time to time as a part of the store's advertising.

Promotional advertising is not confined to the featuring of "cut prices." It includes the promotion of merchandise at established price levels, identifying this merchandise with the store, and thus assuring regular business rather than spasmodic business. It includes the implementing of special promotions and special events for the entire store, or for departments, in which the emphasis is on merchandise for a particular reason or a particular need, instead of on price. The accession of a new line of merchandise and the advent of the winter season with the accompanying demand for cold remedies, vitamin concentrates, etc., are examples of occasions for this kind of promotional advertising.

**DETERMINING HOW MUCH TO SPEND FOR ADVERTISING.**<sup>1</sup>—One of the first questions that will arise in planning an adver-

<sup>1</sup> "Advertising" is used here as synonymous with sales promotion, since accounting practice is to charge costs of all kinds of promotion activities (except personal selling) to an account called "advertising."



tising program is How much, in total, should any store spend for advertising? The results of the experience of drug stores as a whole may be helpful in settling this question. The 1939 Dun and Bradstreet "Survey of Retail Operating Costs"<sup>1</sup> reveals that the average amount spent for advertising by *profitable* drug stores of all types was .9 of 1 per cent of net sales. Nonprofitable stores appropriated slightly less for advertising—.8 of 1 per cent of net sales.

While these figures serve as bench marks and are helpful for comparison, it must be remembered that they represent the *average* practice of *all* stores—large advertisers and small advertisers alike. Thus the advertising expenditures of the profitable stores covered in the Dun and Bradstreet survey ranged from .4 to 1.3 per cent of net sales. It is not possible to say from the figures thus far available what the *ideal* limits of expenditure are. Almost all other retail stores, except grocery stores, spend a larger proportion of their net sales for advertising than do drug stores. With drug stores being transformed from the "sit-back-and-take-it" type of retail institution to aggressive merchandising and promotional stores, it is probable that advertising will require an increasing proportion of the net sales in the future.

Probably a better principle to follow in determining the expenditure for advertising is *to spend enough to do the job for your store*. Thus the problem is to determine what the *minimum* cost of an effective advertising program will be. The amount spent for advertising is not an unproductive expense. Advertising has a definite job to do in every drug store. If this is done right, it is a productive *investment* and not an expense. This investment should be big enough to do the job you wish to do—no more and no less.

The opinion of those who have made a careful study of retail drug store operations may be instructive in this connection:

Any drug store worthy of the name can afford to spend from one to two per cent for advertising. If you have spent only one per cent and want to increase your volume, double your expenditure and you will increase

<sup>1</sup> See Chap. 24 for further discussion of these research data.

your sales. This is assuming that you will see to it that you have a good reason for advertising and good means of doing it.<sup>1</sup>

*A Minimum Advertising (and Promotional) Program.*—If the drug store adopts the “objective-and-task” method of determining the amount to be spent for advertising for any given year, the problem can be approached logically and

Table 9.—Cost of a Minimum Promotional Program for a Drug Store

<i>Kind of promotion</i>	<i>Explanation</i>	<i>Approximate annual cost</i>
Newspaper advertising or handbills.	The minimum to be effective is insertion or circulation once every 2 weeks. Size of newspaper ad used to determine cost is 2 col. × 10 in. Handbills will cost about the same. Range in cost given is according to size of circulation of newspaper under upper limit set at largest circulation average <i>pharmacist</i> can afford (see Table 11)	\$130–\$310
Direct mail:		
1. Detailing doctors by mail.	30 doctors, 6 times a year, cost of postage, letterheads, envelopes, typing, addressing, etc. (Inserts furnished by pharmaceutical supply houses)	20
2. Special mail promotions to selected customers.	500 customers, 6 times a year cost of postage, letterheads, envelopes, multigraphing, addressing. (No allowance for special printing as inserts used are furnished by wholesalers and manufacturers)	120
Window and store display: Show cards. . . . .	Window designed every week; assume using manufacturers' displays ½ of time. Thus 26 sets of cards, 2 cards to set, in round numbers 50 cards; store cards for miscellaneous special displays—30 cards; total, 80 cards @ \$1 each	80
Sets and props. . . . .	Wide range of possibilities, from crepe paper to more elaborate panels, backgrounds, etc. Absolute minimum cost	25
Total promotion (advertising) cost		\$375–\$555

<sup>1</sup>“Getting The Most Out of Your Advertising,” *National Association of Retail Druggists Journal*, Jan. 7, 1937.

systematically. The pharmacist will then inquire: "How much do I *need* to spend?" and "How much can I *afford* to spend?"

Table 9 gives an illustration of the *minimum* dimensions of an advertising and promotional program for a drug store. This program assumes consistent advertising (which is indispensable to success) and the use of both newspaper or handbill advertising and direct mail, but it makes no provisions for the host of other types of advertising that might be done. It includes only the out-of-pocket costs of advertising materials, with no provision for the cost of time spent by employees in planning and executing the program. With the possible exception of direct-mail promotions to customers, the program detailed in Table 9 probably represents the *minimum* program that should be contemplated if any effective advertising is to be done.

As has been indicated, the cost of such a minimum program to drug stores with very small sales volume is in excess of the percentage of net sales that has been spent for advertising in the past. To large stores the cost of a minimum program of this kind is somewhat below the customary appropriations made to date. Such a showing is the reverse of the actual trend in expenditures for advertising as sales volume increases. The rule has been that the larger the store, the larger is the percentage of sales spent for advertising. This apparent contradiction of actual practice is due, of

Table 10.—Cost of a Minimum Program of Drug Store Promotion, as Percentage of Net Sales, by Size of Sales Volume

<i>Annual Sales Volume</i>	<i>Percentage of Net Sales</i>
\$15,000	2.5 -3.7%
22,500	1.7 -2.0
30,000	1.25-1.85
50,000	0.75-1.11

Source: Derived from Table 9.

course, to the fact that the percentages in Table 10 are calculated on the basis of a *fixed* amount of expenditure for a *minimum* advertising program. Actually, the larger drug store does *more* advertising than the minimum program detailed above, while very apparently the smaller stores have fallen sadly below this minimum.

**DETERMINING WHERE TO ADVERTISE. MEDIA.**—Although many kinds of advertising media are available for drug store use, only the more important of these channels that carry the advertising message to the consumer can be considered here.

*Newspapers.*—The principal medium for retail advertising is the newspaper. It makes daily contact with most consumers and reaches them when they are in a buying frame of mind. The average consumer uses the newspaper as a shopping guide, keeping informed on the trend of fashions, the new merchandise available, the prices at which it is available, and the places where it can be bought.

The newspaper is thus a powerful selling force for retail stores. However, not all drug stores can avail themselves of the advantages of newspaper advertising. The reason is simply that, for some drug stores, newspaper advertising is too costly. This is true because of the fact that the newspaper has a wide coverage reaching into the general trading area. The extensive coverage is waste circulation to the drug store whose trading area is limited to a neighborhood or to a small section of the city.

Thus, most of the drug advertising in newspapers is done by the stores located in the central shopping sections of smaller cities; by chain and multi-unit drug store organizations that have stores distributed over the city, or enough units in the downtown shopping section to secure the sales volume necessary to permit newspaper advertising; or by groups of individually owned drug stores, which advertise cooperatively through the auspices of wholesalers or buying organizations. Other drug stores—*i.e.*, neighborhood stores, stores with local-area trade in the downtown sections of large cities—are barred from the use of the newspaper as an advertising medium.<sup>1</sup>

The selection of the newspaper as an advertising medium, therefore, is a problem almost exclusively for the downtown

<sup>1</sup> The neighborhood newspaper, which has limited regional circulation, may be used successfully by drug stores of the type mentioned. However, reader interest in such media may be low and the pharmacist should closely check results from such advertising.

drug store in the smaller and medium-sized cities. Some aid may be given by Table 11. Knowing his sales and his news-  
Table 11.—Minimum Cost of Advertising in a Newspaper, by Size of Circulation\*

<i>Circulation of newspaper</i>	<i>Approximate rate per column inch</i>	<i>Approximate cost of advertising</i>	<i>Approximate annual sales volume necessary to justify newspaper advertising if 1 per cent of net sales is spent</i>
500	\$ 0.25	\$ 130	\$ 13,000
1,000	0.30	156	15,000
1,500	0.35	182	18,200
2,500	0.45	234	23,400
4,000	0.55	276	27,600
5,000†	0.60	312	31,200
8,000	0.75	390	39,000
10,000	0.85	442	44,200
15,000	1.10	605	60,500
20,000‡	1.35	735	73,500
25,000	1.60	832	83,200
50,000	2.25	1,180	118,000
100,000	3.25	1,690	169,000
500,000	11.25	5,850	585,000

\* Assuming (1) That advertising is done every two weeks. This is the bare minimum frequency with which advertising should be done to be effective. Weekly insertions would be better. (2) That the size of the average advertisement is 2 columns by 10 inches (20 column inches). This is about as small as a newspaper advertisement should be, on the average, to be effective as a *promotional* advertisement.

† Probably the largest newspaper in which average-size drug store properly located can advertise.

‡ Positively the largest newspaper in which average-size drug store properly located can advertise. Requires expenditure of 2 per cent of a sales volume of \$36,750.

paper's circulation, the pharmacist, by studying this table, can get some idea of whether he can afford to do newspaper advertising. Before drawing final conclusions, he should check his own newspaper's display-advertising rate, as the rates used here are necessarily only approximations.

It should be emphasized again that the fundamental consideration in determining whether to do newspaper advertising is the *extent of the particular store's trading territory*. Even though sales volume and newspaper advertising costs are in harmony, it may still be possible that newspaper advertising is not advisable for the store, if the bulk of its sales are drawn from only a portion of the area covered by the newspaper's circulation.

Pharmacists who use newspaper advertising should investigate the possibility of securing a contract rate. As advertising in any medium must be continuous to be effective, the newspaper-advertising budget might just as well be planned and contracted for in advance, so that a lower rate may be obtained. This means, of course, that advertising must be concentrated in *one* newspaper, when more than one is available. The volume of newspaper advertising that the pharmacist can do is not large enough to permit dividing it among several newspapers.

An important feature of newspaper advertising—one that is a definite advantage to the busy pharmacist—is the fact that the advertising staffs of most newspapers render a real and helpful service in making cuts, preparing copy, and furnishing illustrations for advertisements appearing in their papers. The newspaper has found that to help its advertisers do a better job works to its own advantage. Pharmacists should take full advantage of these services, which are available to them without charge.<sup>1</sup>

*Handbills.*—In 1940 an increasing number of drug stores regularly issued handbills. Together with direct mail, handbills are the logical advertising medium for the pharmacist who is not able to use newspapers. A handbill is very much like a newspaper advertisement printed by itself and distributed by the pharmacist rather than through a newspaper. The advertisement shown as Fig. 25 would make an effective handbill. However, the handbill lacks the attention value

<sup>1</sup> The following concerns supply advertising cuts for pharmacists at low cost:

*Drug Topics*, 330 W. 42d St., New York.

Meyer Both, Michigan Ave. and 20th St., Chicago.

Metro Associated Services, 275 Seventh Ave., New York.

United Advertising Companies, Inc., 207 N. Michigan Ave., Chicago.

Rolland System, 36 E. 18th St., New York.

Drug Advertisers Service Co., 116 E. 18th St., New York.

Whitman Printing Co., 1719 Fifth Ave. Pittsburgh, Pa.

Fair Trade Merchandising Associates, 549 W. 52d St., New York.

Holes Advertising Press, St. Cloud, Minn.

Clarence B. Keemer, 680 Seward Ave., Detroit, Mich.

Advertisers Exchange, Inc., 381 Fourth Avenue, New York.

Arco Mat Service, 41 Union Square, New York.

that the news and feature content gives the newspaper. On the other hand, the distribution of handbills can be controlled—limited to the area which will do the store the most good. Moreover, the handbill claims some advantage over publication advertising in that it does not come into competition with other advertisements and with news material for reader attention.

The very fact that handbills have become very popular with drug stores as well as with stores of other types is one reason for exercising extreme care in using them. It is possible that the community may have developed an unfavorable feeling toward advertising matter dropped on front porches, stuffed under doorknobs, or sometimes illegally placed in mailboxes. If this feeling is strong enough, the result may be more than mere disregard of the material. There may be active resentment of the practice and people may show it by not trading with the offending store. The circumstances with respect to this situation should be investigated before handbills are distributed extensively from house to house.

Another item that calls for care in connection with house-to-house distribution of handbills is the manner of their distribution. Unless people you fully trust do the distributing, many pieces of such advertising may go to waste and leave you wondering why they are not bringing results. It is important, also, to ascertain the right trading radius for effective distribution of handbills. This can be done by studying a record of the store's deliveries and by experimenting with distribution to wider areas and keeping a check on sales.

In addition to their being given house-to-house distribution, handbills can be distributed at the store. They may be placed at the cash register with a sign reading, "Take one," or they may be enclosed in all packages that go out of the store.

Handbills can be produced by a number of different processes. Mimeographed handbills are inexpensive and can be used with success if care is taken with the stencil so as to make the sheet neat and attractive. A messy, amateurish advertising piece may defeat its own purpose. It may be more

practicable in the long run to take the copy to a good letter shop and let them make the stencil and produce the copies.

Many small newspapers and, of course, job printers can produce printed handbills for the pharmacist. The cost of a specially printed handbill may be prohibitive, however, for the cost of composition may be disproportionately high in relation to the number of copies that the drug store wishes to distribute. A better plan is to secure a supply of standard, or "syndicated," handbills, imprinted with the store's name. Many wholesale druggists publish handbills for their accounts. Several advertising service companies<sup>1</sup> also specialize in preparing handbills, copies of which are sold to many pharmacists all over the country.

*Direct Mail.*—Letters, post cards, booklets, and other printed material sent through the mail to customers and prospective customers supply an excellent advertising medium. Direct mail is more dignified and receives more attention than does the handbill. It is more likely to secure the readers' undivided attention than is a newspaper advertisement. Direct mail is perfectly selective—mail can be sent to those chosen as the best prospects. Although direct mail is more costly than either newspaper advertising or handbills, this is not a disadvantage if it yields results.

Nonpromotional stores have usually found direct mail more successful than have promotional stores, undoubtedly because of the wider patronage of the latter stores and the fact that direct mail itself, being personal and private, is well adapted to the kind of institutional and professional appeals that the nonpromotional drug store can use successfully. Drug stores in neighborhood areas or in small cities can use direct mail to best advantage. Larger stores in downtown

<sup>1</sup> Some of these companies are

Advertisers Exchange, Inc., 381 Fourth Ave., New York.  
Fair Trade Merchandising Associates, 549 W. 52d St., New York.  
Holes Advertising Press, Inc., Higer Building, St. Cloud, Minn.  
Clarence B. Keemer, 680 Seward Ave., Detroit, Mich.  
United Advertising Companies, Inc., 207 N. Michigan Ave., Chicago.  
Whitman Printing Co., 1719 Fifth Ave., Pittsburgh, Pa.



sections may use direct mail to supplement newspaper advertising, to promote special merchandise, etc. Direct mail is particularly well adapted to professional promotions.

For the retail pharmacist who uses direct mail, the sales letter with or without printed enclosures is probably best suited to his purposes and to the size of his advertising appropriation. Specially printed broadsides, folders, pamphlets, etc., are too expensive in the quantities the average pharmacist can use. Enclosures furnished by wholesalers and manufacturers may be used, however.

The sales letter is important in drug store advertising, for it can be made to reflect the personality of the pharmacist and of his store. The letter should be personal. It should be simple, direct, and as brief as possible. It should be written in the natural language you would use if you were speaking rather than writing your message.

Most direct-mail letters are "processed" in some way—multigraphed, mimeographed, or printed. The multigraphed letter, with name and address carefully filled in, is the best imitation of a typewritten letter. Processed letters can be individually signed by the pharmacist. Unless the list is very long, this should be possible.

Some pharmacists have used government post cards—printed or processed—with good effect, to carry short messages about special events, new merchandise stocked, seasonal items, services available, and even as a series to build good will. Post cards are inexpensive and easy to handle.

The heart of any direct-mail campaign is a live mailing list. Lists of customers can be obtained from charge-account records, from prescriptions filled, from records that have been kept of deliveries made, from records of the store's circulating library, from prize contests held by the store, etc. Lists of prospective customers can be obtained from city directories, telephone directories, church and club rolls, and a host of other sources.

Direct-mail advertising pieces should be mailed so that they will reach the recipient at a time when most people do not get mail. Thus days early in the month, near the first,

should be avoided, and Mondays as well. Mail to housewives should be timed to reach them on Wednesday or Thursday afternoon, while mail to men should be received by them on Friday afternoon or Saturday morning.

*Radio*.—Few drug stores use radio advertising. From the standpoint of the average pharmacist it is, as an advertising medium, subject to the same disadvantage as the newspaper—it has wasted coverage. The disadvantage is more marked in the case of radio, for the listening area of even the smaller local stations is often hundreds of miles.

Only a drug store that holds the dominating position in its community should consider radio advertising. Where radio is used, it is usually limited to spot announcements on local stations, of course.

One store in western Washington has used 1-minute spot announcements delivered at 12:15 P.M. daily for several years and is enthusiastic about the results obtained. A steady increase in store traffic and daily sales is believed to be due in part to letting the public know in a modern way that the store is ready to serve them with modern merchandise.

*Novelties and Miscellaneous Media*.—Such “give-away” items as calendars, almanacs, rulers, blotters, fly swatters, fans, etc., have found favor among pharmacists. Imprinted with the name, address, and telephone number of the store, they may serve as excellent builders of good will, of the “reminder” variety. The important consideration is to make sure that the item issued is useful and will, therefore, be kept by the recipient. Also, care must be taken to confine distribution of it to established customers. Because of the limited nature of the advertising message that can be placed on novelties, they are not particularly effective in converting casual customers into habitual ones. Gratitude is not a significant consideration in placing patronage. Advertising novelties are to be used as auxiliary and distinctly secondary media only. They cannot take the place of other forms of advertising.

Billboards, road signs, etc., are not for the average pharmacist except in the small towns, since they are insufficiently

selective for the market of the average city drug store. However, attractive signs on the store's delivery car, which confines its travels to the trading area of the store, may be useful.

## Preparing the Advertisement

The technique of all advertising—in fact, all selling and display activities—rests on well-established principles of human psychology. While the pharmacist cannot be expected to become an advertising technician, he should have an understanding of these fundamental psychological principles.

**PSYCHOLOGICAL STEPS IN THE BUYING PROCESS.**—The object of all advertising is to persuade people to buy. Some advertising seeks immediate response; some, a response at some later time.

In either case, the first move is to arrest attention. This is accomplished by color, emphasis, striking illustrations, head lines, appeals that strike a sympathetic chord in the unconscious mind of the reader, etc. Once the attention is secured, the contents of the advertisements must be so arranged, the theme or appeal so emphatic or so adapted to the latent interests and desires of the reader, that the psychological process leading to conviction and action will be set in motion. In much retail drug advertising it is customary to short-circuit this psychological sequence, on the assumption that interest in, desire for, and conviction about certain products have already been established by manufacturers' advertising and habitual use. Nevertheless, the drug store has the problem of interesting and convincing buyers about the desirability of buying at one particular drug store.

It is a good idea to check advertising against the following points:

1. Does it arrest attention?
2. Does it develop interest in, and desire for the product advertised and in the store?
3. Is it convincing?
4. Does it impel to action?

**PREPARING THE LAYOUT.**—The pharmacist who prepares his own newspaper advertisements or designs his own handbills will need to have regard for the arrangement of the units in the advertisement. The layout is simply a sketch or a plan of the arrangement of the advertisement. Like the plan for a house, it enables the advertiser to visualize the appearance of the finished product and provides the guide for those who are to execute the plans and build the product.

In making a layout, ability to draw is helpful but not essential. Even rude sketches will supply the guide that is necessary. Headlines can be crudely lettered, blocks marked off and designated as the location of illustrations and copy. The steps in making an advertising layout are as follows.

1. Determine the over-all size of the advertisement. Rule a rectangle of these dimensions on a large sheet of paper. Use paper large enough to provide margins, as you will wish to indicate instructions on the margins.
2. Letter in (use heavy pencil) the headline you wish, usually at the top of the rectangle.
3. Rule blocks for copy. Fill in with horizontal lines to indicate lines of type. Don't attempt to write the copy in this space. Key the copy blocks with the copy prepared on separate sheets.
4. Mark off space for illustration. Paste in the illustration you wish to use, or if it is not available, draw a rough sketch of the idea you have in mind, or describe on a separate sheet the illustration desired.
5. Letter in or paste in the store "logotype" (the signature), clipped from previous advertisement.
6. Indicate on the margin the style or kind of type face you wish to have used, or better yet, allow the printer to make a selection.

*Layout Design.*—Drug store advertising should employ the principles of good layout design. The plan should be simple, unified, and employ as few units as possible. If a large number of items are listed ("omnibus" ads), the items should be *grouped* in blocks. The advertisement should not be crowded

or have a helter-skelter appearance. The layout should give the advertisement eye appeal. The *design* aspect of the advertisement can be employed to arrest attention. Thus illustrations, lines of bold display type, unusual but pleasing arrangements are all useful. The layout should arrange the units of the advertisement so as to direct the movement of the reader's eye through the advertisement in the order and sequence desired. This is accomplished by emphasis, by juxtaposition of the elements in such a way as to provide continuity of attention in the order desired.

In laying out a newspaper advertisement, care should be taken that the advertisement is a self-contained unit—that it is separated by its composition or by mechanical devices, such as rules, borders, etc., from other material on the page.

The physical elements of the advertisement that enter into layout construction can be used to achieve a distinctive character in the advertising. Thus, the same distinctive type can always be used, the same general style of layout may be adhered to for most occasions, a distinctive logotype can be secured, distinctive decorative borders, etc., can be maintained. This is important to the drug store, as its advertising should always be identified with the particular store and the promotions not confused with those of competing stores.

The kind of layout used will depend upon the type of advertising done. Many-unit, or omnibus, advertisements are used for store-wide promotions where price is featured. Related-item advertisements are similar in layout character

Table 12.—Relative Extent of Use and Sales Results of Different Kinds of Drug Store Advertisements

<i>Kind of advertisement</i>	<i>Relative extent of use, per cent</i>	<i>Per cent of increase in sales obtained</i>
Omnibus.....	49.9	19.5
Related item.....	19.1	24.2
Special event.....	13.6	21.4
Professional.....	11.1	14.0
Single item.....	6.3	16.2

Source: Study by E. R. Squibb and Sons.

but the items featured are all related products—baby goods, camera supplies, etc. The single-item advertisement is used for institutional advertising to feature a single important product. Professional advertising is of this same character. The layout is simple and emphasizes a single important feature.

**WRITING COPY.**—In most drug store advertising of the promotional kind, little or no persuasive or descriptive copy is used. The prices featured and the timeliness of the items are depended upon to carry the appeal and draw results. For most drug store merchandise this is a sound position, as the merchandise is well known and is bought frequently by consumers. However, as fair trade becomes more effective, the price appeal alone will probably not be sufficient to accomplish the *store-patronage* job that retail advertising should do. There will, therefore, probably be a greater need in the future for institutional and promotional copy that sells *ideas* as well as listing merchandise and prices.

A few salient precautions in copy writing for retail advertising will, therefore, be given.

*Hints on Good Copy.*—All institutional copy must be based on one idea, developed briefly and arrestingly in the advertisement. Institutional copy must catch and reflect the particular personality and character of the store and its personnel. Thus institutional copy should have a direct conversational character. Promotional copy is of two kinds—bargain copy and regular price line or special-event copy. Bargain appeals for drug store items need little copy, as is indicated above, but the other type of promotional copy must be developed carefully, to produce convincing and lasting impressions in the customer's mind.

Good advertising copy is difficult to write. The best procedure for the pharmacist who prepares his own copy is to picture a typical customer listening in to what he has to say and to set down his ideas as he would develop them in conversation. Then he should go through the copy and cut it down, picking out one or two salient features and concentrating on them. Retail advertising copy must be brief and to the

point. It should be made long enough to develop the central idea, but the copy should be confined to one or two points.

It is essential that drug store advertising of all kinds shall be built on the principle of "talking to the reader about himself." The copy should approach the readers from *their* interests, leading them into the idea that the copy writer wishes to present.

Above all, in preparing advertising one should not try to be clever. Advertising should not be designed to entertain people, but to get *results*. Advertising that attracts attention *solely* to itself is not good advertising. The object of advertising is to attract attention to the things advertised. This does not mean that real humor and distinctive touches are to be barred from advertising. It means, rather, that such developments are only a means to an end.

**SOME IMPORTANT THINGS TO REMEMBER ABOUT ADVERTISING.**—In any advertising program the source of advertising ideas is of extreme importance. Therefore every pharmacist should keep an "idea file" for advertisements. Clip newspaper advertisements of competitors, chain and independent alike; save outstanding examples of handbills and direct-mail pieces that come to you; clip articles and suggestions from trade papers; keep articles and materials furnished by wholesalers and manufacturers. From all these sources you can obtain ideas that will be valuable in preparing advertising for your own store. They will be helpful in providing copy suggestion, basic promotional ideas, and examples of form—*i.e.*, layouts, typography, illustrations, etc.

Besides, every pharmacist should keep a scrapbook of his own advertisements. The date of publication or distribution should be indicated on each advertisement. Drawing upon this file, from time to time, you can repeat the good advertisements (or the salient features of them). The bad ones will serve as examples of what not to do.

Finally, the pharmacist must keep in mind that there are limitations on what advertising can do:<sup>1</sup>

<sup>1</sup> Adapted from Edwards and Howard, "Retail Advertising and Sales Promotion," Chap. 1, Prentice-Hall, Inc., New York, 1937.

1. Advertising cannot sell merchandise that people do not want to buy.
2. Advertising cannot sell merchandise without the full coordination and support of all other divisions of sales promotion, as well as the support of all other operating functions of the store.
3. Advertising has little chance to succeed unless it is used continuously.

## Store Promotions

Advertising is the means by which the message of the store is carried to consumers. The occasion and subject matter of the messages are another branch of sales promotion that should be given consideration by the pharmacist.

**STORE-WIDE PROMOTIONS.**—Store-wide promotions (as distinguished from departmental or related-merchandise promotions, which are considered in detail in later chapters) are of many kinds. The only limit to them is the pharmacist's ingenuity and the consideration of the proper frequency with which such events should be staged.

*Examples.*—One type of store-wide promotion is that built around holidays. These occasions provide a means of introducing special decorative motifs in advertising and of creating colorful atmosphere in the store through special decorations and displays. Particular merchandise can be selected to tie in with the holiday event, and appeals can be based on the suitability of the merchandise for the occasion.

Similar considerations apply to store promotions related to the seasons of the year. For the drug store, seasonal promotions afford probably the best means of successively featuring nearly the whole array of merchandise stocked. Many items can be related to seasonal needs of consumers at some time during the year. The beginning of each season in its turn also provides motifs for attractive and colorful store decoration.

A list of holiday and seasonal events will be found at the conclusion of the following chapter, in conjunction with the



description of the Coordinated Sales Promotion and Advertising Plan for drug stores.

**SPECIAL SALES.**—Special sales of various kinds are promotions that can be either store wide or limited to chosen lines. The appeal in these promotions is, as a rule, the bargain appeal. Special-sales promotions may be clearance sales, mark-down sales, 1-cent sales, etc. However, special sales may be based on the idea of special purchases of merchandise at savings that can be passed on to consumers.

**STORE BUILDERS.**—Another type of promotion is the “store builder.” This may be continuous promotion extending over a longer period of time than the promotions discussed above. Examples are the prize contests of various kinds, the “bank night” variation of “drawing the lucky number” developed by drug stores, the use of the “trade card” on which the amount of successive purchases is punched until a total is reached that entitles the holder of the card to purchase premium merchandise at a special price. The purpose of all these promotions is to increase customer traffic, not to attract attention to particular merchandise as in the case of other promotions discussed.

# Sales Promotion: Window and Interior Display

## CHAPTER 11

ADVERTISING, window and store display are all forms of sales promotion. All three are essential to effective drug store operation. They represent successive steps in the strategy of attracting customers *to* the store, bringing them *into* the store, and stimulating them to buy when they are *in* the store. The object of all is to sell goods. Advertising reaches beyond the store as an announcement, invitation, and interest- and action-arousing force; display *shows the goods* at the point of purchase and thus brings action to a climax, leading directly to the sale. Thus, display has been referred to as “piping in” the force of advertising.

All these sales-promotion media should be coordinated by the drug store, *i.e.*, focused or concentrated around the particular merchandise, events, or promotion “themes” that the store is featuring for the particular period. It has been stated that tying up window displays with advertising, for example, yields, not twice the results that would be obtained from the use of either one alone, but *three and four times* the results in sales. This is because of the cumulative effect gained from repeated emphasis on given merchandise and appeals.

Since display holds so important a place in the chain of efforts to sell goods, every pharmacist should have a full understanding of the basic principles of good display. Merchandise display is not simply “exposing” goods, but consists of

dramatizing their advantages in such a way as to catch the attention and interest of customers, and to exert a powerful selling force. To drug stores particularly is display important as the nature of the merchandise is such—many small items, low unit price, bought on terms of convenience and impulse—that reminder and impulse merchandising is imperative. Moreover, the fair trade laws place a premium on good display by the average pharmacist, as many stores carrying drug items are devoting more selling and display effort to nationally advertised brands. Effective store and window display, arranged to secure the greatest amount of profitable attention, places the smaller-volume pharmacist on a better competitive footing with the larger store.

**ADAPTING DISPLAY TO THE STORE'S POLICY.**—In drug store merchandising there are two characteristic display styles, corresponding to the two important types of drug store operation discussed in the previous chapter.

Merchandising or promotional drug stores characteristically use “mass” displays, in which quantities of merchandise are packed or banked in windows and on store-display equipment; streamers, banners, and pennants are posted conspicuously; prices are always featured; the whole atmosphere created by the display is one of bargains, specials, “cut prices.”

In contrast, the “institutional” or quality displays used by the better “traditional” drug stores are more restrained and dignified; displays are orderly, simple, uncrowded; merchandise is featured but frequently also, services, prescriptions, etc. are emphasized; special promotions may be frequent but they are handled in a way that is not obtrusive; the whole atmosphere created by the display is of quality, dependability, service, professional integrity.

In their extreme expression the two styles of display are distinctly different. The display itself does much to convey the character and fundamental policy of the store. Hence it is important that display practice be closely studied in relation to the basic objectives, reputation, and atmosphere desired for the store. As suggested before, these objectives will

be influenced by the location of the store; the surrounding competition; the age, class, or type of customers; etc.

The important thing is that general display style be fitted to the store objectives and consistently adhered to as a *ruling* policy. Nevertheless, it would seem desirable in the case of window displays—which, for example, may be of the institutional type—that the other style be used occasionally. Thus, a neighborhood drug store, that is primarily a service store with a well-rounded business, might adopt the orderly, simple display style as the basic policy, but occasionally use promotional windows featuring quantities of merchandise at low prices. As for the interior display, it will hardly be possible to shift the display arrangement from time to time, from the more traditional type to the mass display style. The better policy is to strike an in-between course, planning the arrangement in such a way as to take full advantage of all the benefits of open display, but keeping the general atmosphere and tone more orderly and dignified, less strident, than that created by extreme promotional display.

## Window Display

The drug store's show windows and store front are the outward badge of the store's character. They express the store's personality. Show windows have three functions:

1. To give the store character
2. To display the merchandise and the professional service available
3. To invite and bring people into the store

The progressive retailer in all lines regards his windows as one of his most important store assets. He sees in his window a first line of appeal to the passing purchasing power from which he must draw his trade profit. His margin of success in the competitive race may easily depend upon his ability to make effective use of window-display space.

Evidence that this view of the importance of window-display space is not exaggerated may be found in the fact that in large department stores as much as \$50,000 to \$200,000 a

year may be spent for window displays. Moreover, window space is regarded as so valuable that department stores charge rental against the departments that display merchandise in the windows, in the same way that the departments are charged for advertising space in newspapers. R. H. Macy & Co., Inc., large New York department store, has valued its window space (28 windows) as high as \$150,000 per year. A large department store in St. Louis charges its window display space to departments at the rate of \$1 per running foot per day.

To drug stores, particularly those in shopping districts, window displays are especially important because of the large proportion of "impulse" merchandise that is carried. Effectively handled, the windows can be directly productive. For example, one group of drug stores sold \$174,000 worth of chocolate bars in 4 months through window displays. A Providence, R. I., store of this group sold 6,000 washcloths from a single window display in two weeks. In a test made in one of the leading Boston drug stores, 827 boxes of chocolates were sold in 10 days through a single window display. The only sign in the window read "\$1 a pound and worth it."<sup>1</sup>

Another point that must be remembered is that every drug store, regardless of its location, pays a premium for window-display space as a part of the rent for the store room. There are two ways of gaining a notion of the value of window-display space in a particular store.

1. Determine the average number of people passing the store in a business day, and base the value of the window space on the "circulation" the windows achieve, much as magazines base their charges for advertising space on the amount of circulation secured. Large-volume stores are even accustomed to figure the value of a store location on such pedestrian traffic figures. A Schulte chain store executive has said that, in their experience, 10 per cent of the people who pass a drug

<sup>1</sup> Cf. Hurst, A. E., "Displaying Merchandise for Profit," pp. 12ff., Prentice-Hall, Inc., New York, 1939.

store (downtown location) will enter, 6 per cent will buy, and the average sale will be \$0.60. If the traffic figures are known, computation will reveal the approximate volume of business that the store can be expected to do in a year.

2. Figure the store rent per square foot. Multiply this figure by the window footage, and then by a figure (ranging from about 5 to 10 or more, depending on the location of the store) determined by estimating the proportionate preference of the window-show space to the rest of the store space.

A little figuring of this sort by even the smaller drug store will serve to bring home the importance of the show window and the importance, therefore, of utilizing it to best advantage. If the window space is thus viewed as a valuable asset capable of yielding high returns, and one which, moreover, is being paid for anyhow, the task of arranging window displays will cease to appear as a chore. Instead of there being an attitude of merely "keeping the windows filled and looking fairly presentable," it will be clear that the window space is to be "exploited" for all it is worth!

Now, since every drug store window is basically the same—a floor, a background, and lights—the fundamental problem in window display is *to make your display different*. A distinctive window is shown in Fig. 26. The thing that makes one window distinctive and *arresting* is the breath of life that the individual responsible for its decoration breathes into it. Individual imagination, ingenuity, *showmanship* pay prompt dividends in window display. But being different is not enough. The window must conform to basic principles of display, otherwise it might be arresting but in a shocking and repelling, instead of an *impelling* way. Moreover, few pharmacists are blessed with the faculty of showmanship.

Therefore the problem of window display in the individual drug store becomes one of knowing the hallmarks of good display and practicing the rules that will produce effective windows. The individual pharmacist does not have to be a

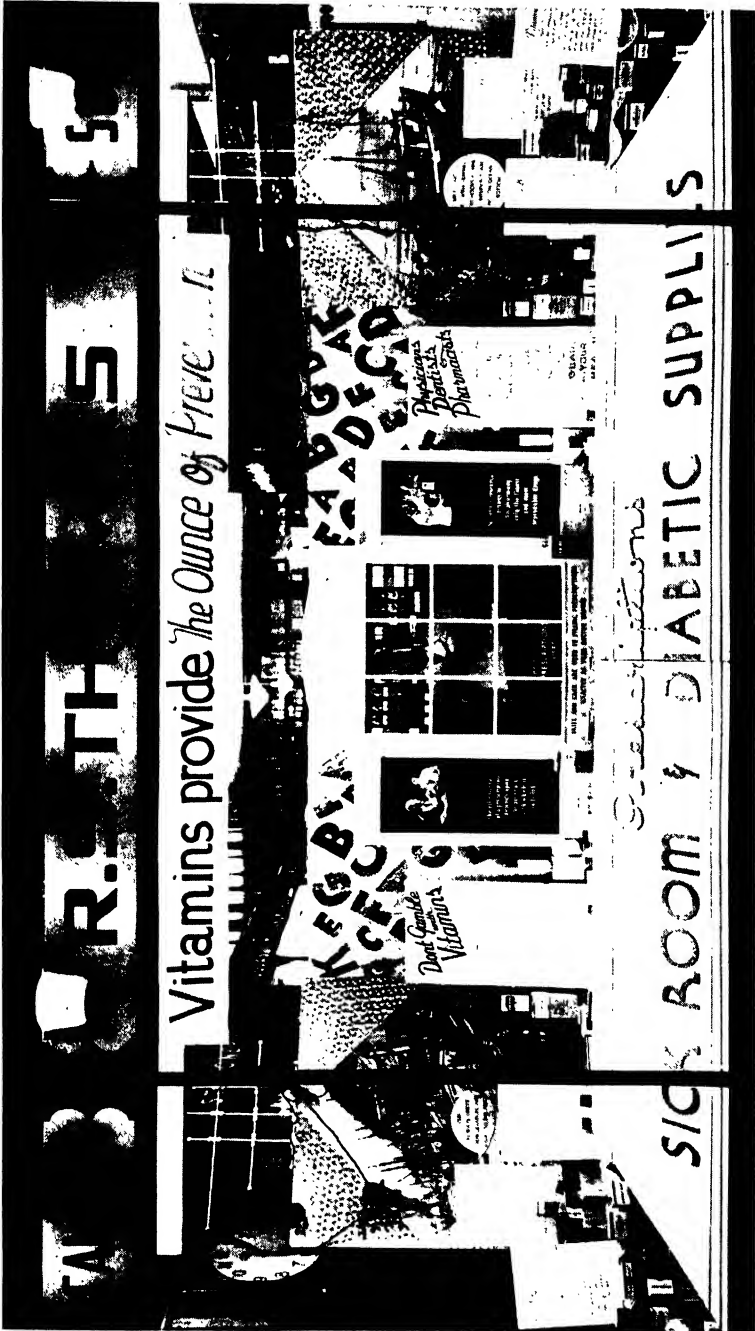


Fig. 26. A distinctive window featuring professional services (R. S. Thomas Drug Store, Chicago, Ill.). (Courtesy of National Association Retail Druggists' Journal.)

creative artist in his own right to produce successful window displays. He must have regard, however, for the principles of good form, of planning, and procedure.

We begin, then, with the constants or elements with which the drug store window-display man must work.

**THE PHYSICAL UNITS IN WINDOW DISPLAY.**—In preparing window displays there are certain fixed units or elements which must be so arranged or combined as to produce a pleasing effect, which will have attention value and selling power. The selection and treatment of these items, as well as their combination, will have much to do with the effect obtained.

*The Window Setting.*—In display parlance, the walls and floors of the window, against which the merchandise and decorative materials are displayed, are known as backgrounds. Backgrounds are important, as they may add to or detract from the central figure of the display, the merchandise. This means that backgrounds should be exactly what the name implies. They serve only as a setting for the merchandise. They should be unobtrusive, rather than intrusive.

Wall backgrounds may be permanent or temporary. Permanent wood-finished window panels are expensive, and they are hardly desirable in any event as the color of the finish may not always harmonize with the display. Dark backgrounds are not advisable for deep windows, unless the merchandise and display materials are all in the lighter shades and plenty of lighting is provided. Mirror panels at the backs of windows are to be avoided as they reflect distracting movements from the street. In drug store windows where permanent backgrounds are used it is best to keep them in a fairly light neutral shade—for example, neutral gray or buff.

Temporary or movable background panels are the most effective kind for use in drug store windows. Common wall-board painted in flat solid shades can be used to excellent effect. The advantages of movable background panels are that the colors can be changed easily, they can be variously decorated, they can be used in different positions to change the size of the window space, thus effecting changes that relieve the monotony of the windows and excite fresh interest



in regular passers-by. Moreover, movable background panels can be used as mounts for small items, the panel being prepared prior to the installation of the display. Crepe paper may be used in a restrained way to provide background effects. However, it should be used flat, primarily. Crepe-paper streamers, festoons, rosettes, fringed draperies, etc., in brilliant colors tend only to distract attention from the central theme of the display.

The floor of the display window may be finished in a variety of ways. A light hardwood finish may be used, or the floor may be permanently covered with monochrome carpet in a neutral shade, or with plain linoleum. Temporary effects may be gained by the use of fabrics, wallpaper of a suitable design, corrugated paper, or crepe paper. The main point is to keep the floor unobtrusive, letting it serve as a background only.

The ceiling, when it is visible, should be lighter in color than the walls; otherwise it will tend to give a top-heavy appearance.

*Window-display Fixtures.*—Fixtures or “props” for the display of merchandise are of extreme importance in the arrangement of drug store windows because of the uniformly small size of most of the items of merchandise to be displayed. Fixtures or pedestals are indispensable to secure graduated heights and groupings, which make for attractive arrangement. An investment in suitable fixtures will soon pay for itself as, of course, the stands or other fixture devices will be used over and over again.

Fixtures, which may be purchased from window-display houses, may be obtained in wood, metal, and glass.

As simplicity of arrangement and effect is one of the desirable objectives in drug store window display, fixtures that are excellently adapted to this purpose may be built of wood or wallboard. These pieces consist of simple units, which may be used separately or combined in many different patterns, much as building blocks are arranged by children. One system consists of a series of cubical boxes, in graduated sizes, which may be placed in the window separately or in combina-

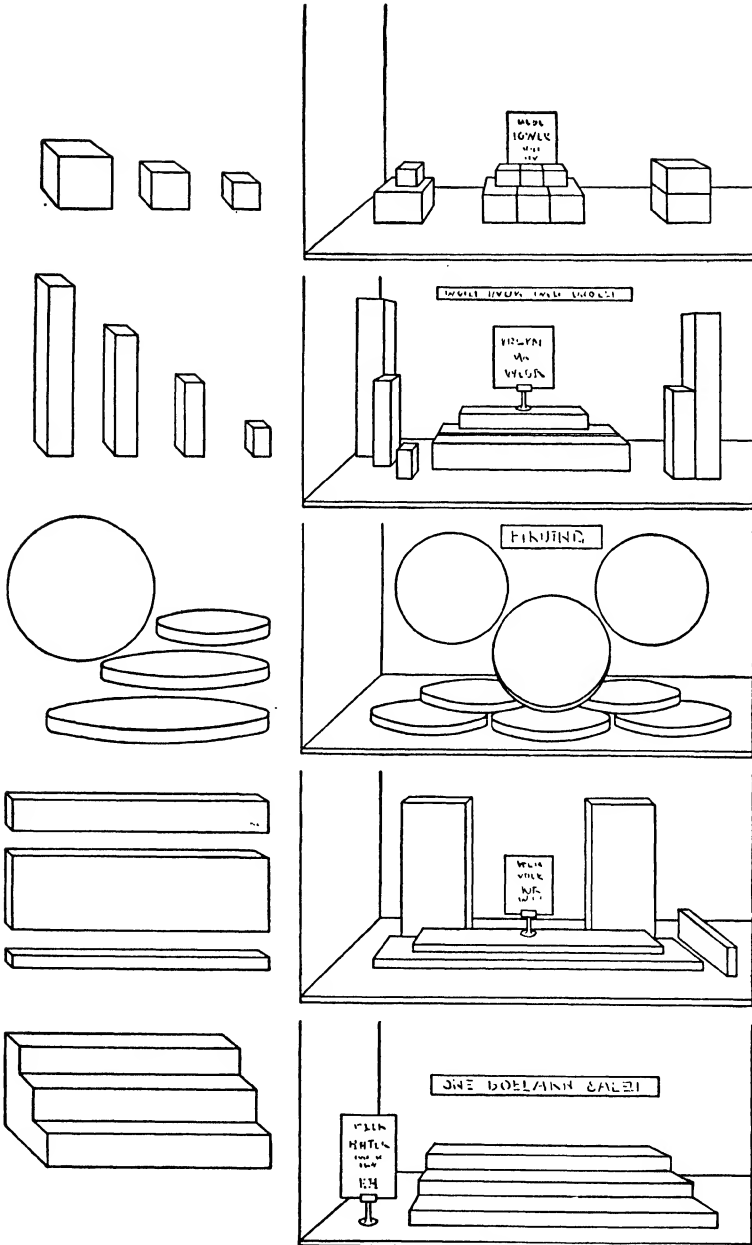


Fig. 27. Examples of simple modern forms of window-display fixtures.

tion to make an interesting pattern, thus affording positions for the strategic placing of merchandise. Similarly, oblong boxes of different lengths may be built. Another style of build-up fixture includes wide, flat shapes of different dimensions, but all about 2 or 3 inches thick. These may be rectangular, circular, or oval in shape. They may be laid flat, tilted at an angle, or stood on sides or ends in the window in an endless number of combinations. Another variation is the open shelf box in modern design.

The use of such sets gives a decidedly modern and professional appearance to the window and provides variety, as the fixtures may be painted in flat colors or even tinted with inexpensive casein paint. For special effects they may be covered with fabric or paper, or another coat of paint of different color may be applied.

Some drug stores use a plain step fixture or open shelves. In fact, in the extreme promotional window of the bargain type a permanent stair-step fixture reaching from the floor to the ceiling is frequently installed. When this is done, no attention need be given to floor or background treatments or, in fact, to individual effects. The effect is always the same—that of a window filled with a great quantity and variety of merchandise, usually at bargain prices.

A display material recently developed—one that is well adapted to drug store trims—is colored corrugated cardboard. This material, in many attractive shades, comes in large rolls. It can be used to make tube or column pedestals of various diameters upon which small merchandise may be displayed. A piece of show-cardboard cut to proper size and laid across the top of the tube provides the “floor” for the merchandise, or painted boards or glass may be laid across several columns to form a shelf.

*Display Accessories.*—When properly handled, artificial flowers and leaves can occasionally be used to enhance the appearance of the drug store window. They furnish one of the best means of introducing seasonal atmosphere—a fact important to drug stores, since the appearance of the merchandise itself seldom reflects its seasonal appropriateness. An example

of these decorative aids might be the use of sprays of yellow and pale-blue flowers, *e.g.*, jonquils, in a spring window featuring new-season cosmetics, lotions, etc. In using flowers and foliage it is important to remember that their value lies in the decorative quality they add to the display. They are a means to an end and should not be used in such a way as to fix attention on the floral display.

Another type of accessory that can, on occasion, be used to advantage in drug store displays is a length of black or rich-red velvet. This material can be draped on the floor or fixture to spotlight quality merchandise, such as compacts, perfumes, cigar lighters, etc., or in connection with institutional window displays that feature professional service.

*The Merchandise.*—The most important of the elements or physical units that are combined to form the window display is, of course, the merchandise. All the other elements of the window should be subordinate to the merchandise (or, in the institutional window, the service). They are introduced solely to dramatize the sales-impelling qualities of the goods themselves or to present the goods in an arresting way. Hence, the selection of the merchandise for display, and in fact for any kind of sales-promotion effort, is of supreme importance. Some of the considerations governing the selection and timing of merchandise for promotion will be discussed in a subsequent section.

*Show Cards and Price Tickets.*—The show card carries a brief selling message about the merchandise or about the selling event. The price ticket completes the display, for it gives the final information that is needed when a buying decision is being made. Prices should be shown for practically all merchandise displayed in drug store windows, regardless of the type of operation. Consumers expect such information—they have been conditioned to look for prices on drug merchandise—and the absence of the price merely serves to raise the suspicion that it is too high. A number of studies have shown that 80 to 90 per cent of consumers wish to have price labels on the merchandise displayed in show windows.

Show cards and price tickets should harmonize in color, size, and style with the displays used. "Opening" displays of merchandise—which feature quality, assortment, and style (*e.g.*, compacts)—should be accompanied by cards of appropriate color, rather smaller in size than might otherwise be used, and lettered in neat, not screaming, letters and colors. In a "sale" display use may be made of larger cards, bolder letters, and brighter colors.

It is never wise to use crudely lettered or handwritten show cards. They can ruin an otherwise attractive display. Assortments of printed price tickets may be secured from wholesale drug companies or from display houses. Special show cards should be secured as required from a professional sign painter, unless the store is fortunate enough to have in its employ a skillful show-card writer. Copy should be brief and to the point.

**PRINCIPLES OF WINDOW DISPLAY.**—The fundamental purpose of the window display is to catch the attention of the passer-by, develop interest in the merchandise displayed, and thus lead to the sale of goods. This must be done in a prestige-building manner. The problem is to arrange the units or elements (just discussed) in such a way as best to achieve these objectives.

*The First Job Window Display Has to Do.*—Window display, like all selling, must first secure attention; but it is unlike personal selling, in that the *time element* is of prime importance. The time required for the average person to walk past the average show window has been variously reported at from 3 to 11 seconds.<sup>1</sup> Drug store merchandise is not "shopped for" deliberately, as is apparel. It is apparent, then, that if the drug store window display is to do the job of selling, the customer's attention must be arrested *quickly*, or not at all. The window must be deliberately designed to do this job. An attention-getting window that is built upon the Mother's Day theme is shown in Fig. 28.

<sup>1</sup> Cf. Ketch, J. M., "Three Second Selling," *Magazine of Light*, April, 1935; Hurst, A. E., *op. cit.*, p. 23.

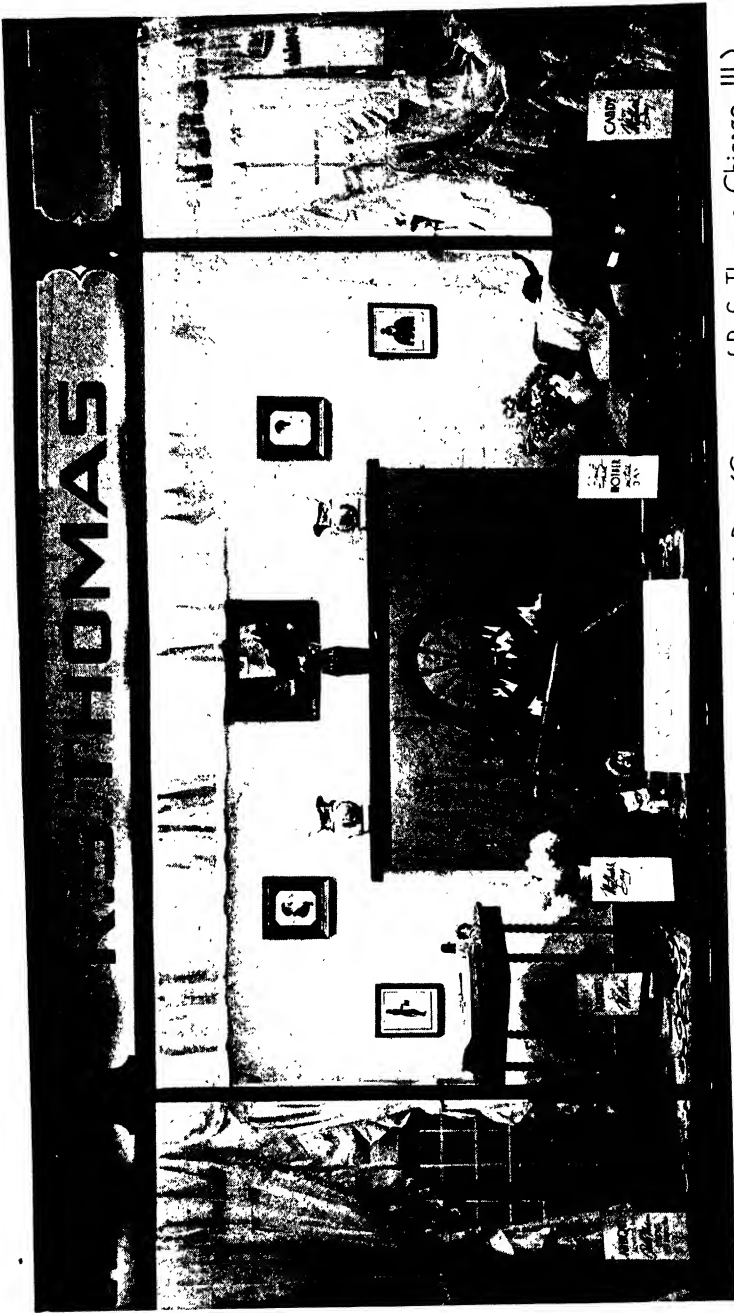


Fig. 28. An attention-getting window using one theme—Mother's Day. (Courtesy of R. S. Thomas, Chicago, Ill.)

*Getting Attention.*—Although the senses of hearing, smelling, touching, and tasting have all been demonstrated to be of some importance in securing a person's attention, the faculty of sight is by far the most important. People get impressions through the eye more quickly and clearly than in any other way. One study made by a Philadelphia department store showed that 87 per cent of its customers were impelled to buy primarily by appeals to the eye, the remaining 13 per cent being attracted by appeals to the other senses. •

Some of the visual factors in getting attention for window displays are

1. Arrange display within the normal range of vision of the passer-by. The level in the store window that has the greatest attention value is the area about 1 foot above the floor of the usual window, which is about 30 inches above the sidewalk.<sup>1</sup> Thus, the central feature of the display should be placed somewhere within that area on the vertical dimension of the window, and otherwise approximately centered in the window or in the unit, if unit trims<sup>2</sup> are used. The upper part of the display should be used as the decorative portion and in such a way as to direct the attention down to its natural point of focus.
2. Plan the window (or the unit) so as to convey one dominant idea. Attention is more forcefully attracted if it is led to concentrate on one central point or figure, or on very few. It should not be distracted by many contiguous items equal in weight or attention value or ideas, which will simply fight for a division of the attention. If unit trims are used, keep them few in number.

<sup>1</sup> In a drug store window in which mass display is employed, frequently no depth is left in the window. The display is brought almost out to the glass for practically the entire height of the window. In such a display the proper focal point will be somewhat higher than indicated—in fact, it is at a point just a bit below natural eye level.

<sup>2</sup> See p. 192.

3. Use "attention" devices, such as color, motion, sound, novelty of arrangement, decorative features, spot-lighting, etc. In the use of such mechanical methods of gaining attention, care must be taken that *relevant* attention be secured. There is always the danger that the attention to the device itself will be so intense that the prime object of the window—to sell goods—will not be achieved and the attention device will thus defeat its own purpose. Some psychological studies have shown that *too intense* attention on an irrelevant item is worthless in visual selling because the attention does not "spill over" to the goods or the selling idea. Thus the strong attention getter should, if possible, be a part of or directly related to the merchandise itself, or else lead directly into the selling theme.
4. Keep the display pleasing and interesting. Attention may be secured by means that are shocking and distasteful, and thus ultimately repelling instead of inviting. The quality or kind of attention must be taken into consideration.
5. Make the window background color, lines, etc., all conspire to hedge the attention in. Yet the background and fixtures should do this unobtrusively and should not call attention to themselves. A good test is to look at the display to see whether everything in it helps to hold attention within the window and to focus on the central feature, or whether there are background lines, etc., leading the attention *out* of the window and on to a competitor's window next door.

*Building a Dominant Idea.*—The display that brings all resources into play to make one distinct impression will most effectively attract attention and put over the message of the display—the selling idea. This is only another way of saying that the display should have *one major theme*, as the window shown in Fig. 28 so definitely demonstrates. Everything in the display should contribute to the development of that theme. The elements of the display—the merchandise,



cards, decorations, etc.—can be arranged to receive successive periods of attention after the central theme has been impressed.

Some of the dominant ideas adapted to drug store window displays and the ways in which they may be expressed are

1. Make the merchandise itself the central idea—make the merchandise dominate the display. Every window



Fig. 29. A small drug store window featuring diabetic foods and supplies. (Courtesy of Chicago Dietetic Food Supply Company.)

must ultimately lead the customer to a consideration of the merchandise, rather than the display itself, but the merchandise may be used as the primary focus of interest. Examples of such displays are those that feature the construction details of the merchandise, the style and character of the merchandise, the assortment available, or the uses of the merchandise, etc. However,

merchandise alone is not enough—the selling idea should be summarized or concentrated in a display card placed at the focal point of the display.

2. Develop the theme of the display around a timely event. Tie up the merchandise with seasonability, holidays, national and local events, special store events, such as anniversaries, etc. The advertising and promotional calendar in a subsequent section will be helpful in timing merchandise displays.
3. Make the dominant theme an associated idea; *i.e.*, let the center of interest be some subject or topic, such as an item in the news, a research achievement, etc., which is currently engaging the interest of the public, or some basic and timeless idea, such as the urge for romance, the desire for beauty, health, safety, parental love, etc. The caution to be observed here is that the associated idea shall be logically and naturally related to the merchandise.
4. Build the window around an institutional theme, such as professional integrity and service, quality, telephone and delivery service, etc. Merchandise appropriate to each theme should be used in the display in order to secure the immediate transition to the purchase of goods.
5. Price, either as a regular policy or in a special promotion sale, can be used as the central idea of the display. Under modern competitive conditions it is necessary that nearly every drug store devote some of its windows during the year to the development of the “rightness” of the store’s prices as the dominant theme.

In developing the basic themes for the window display in a particular drug store it is important that the pharmacist study the character, age, apparent income status, sex, etc., of the store’s customers and of the passers-by, in order that the themes may be adapted to their principal interests. For example, one survey has shown that in a certain group of drug stores, 77 per cent of the customers were women. It is obvious

that for these stores themes primarily in accord with women's interests will be more productive.

*Arranging the Display.*—Emphasis has been laid on the importance, in display, of a central theme from the standpoint of the logic, or “thought development,” of the display. The way in which the units of the display are arranged will have much to do with the success with which the central theme is developed. Thus, the first principle of display arrangement is to establish a focal point, place the central object or group of objects (those that most directly develop the dominant theme)

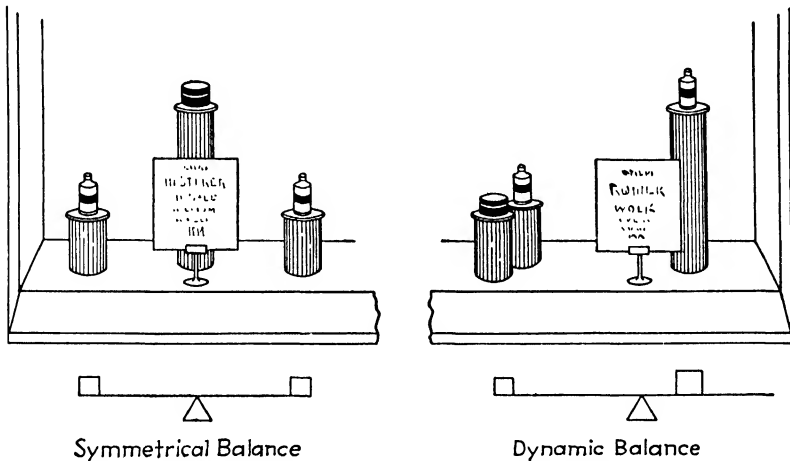


Fig. 30. Types of balance illustrated.

at this point, and marshal the other items of the display around the point. In this way the physical arrangement is used to *emphasize* and reinforce the principle of the dominant idea.

The next rule for window-display arrangement is to place the merchandise around the central object in a way that will *balance*. Balance is what the artist calls “composition” in a painting. It means simply that the disposition of the units must present a pleasing appearance—pleasing because there are proportion and harmony between the units. Balance in window display must be considered in reference to the size of the objects, the shape of the objects, and their color. There are two kinds of balance: (1) formal or symmetrical, in which

the objects arranged equidistant on either side of a center point are equal in mass (*i.e.*, height and width) and in color value; (2) informal or "dynamic" balance, in which objects of unequal mass or color value are so grouped as to give a balanced *effect*. Thus a small area of intense color on the left may balance a larger area of more subdued color on the right; a tall object on the right may be balanced by two smaller objects on the left *placed farther from* the imaginary center line or axis of the display. Informal balance produces more interesting and dramatic effects but it is harder to develop properly. Symmetrical balance is easy to achieve and will suffice for most drug store window displays, where merchandise is the principal feature.

A third important point in window-display arrangement is to place the units of the display in an *interesting pattern*. This means that flat, uniform, monotonous, sheerly repetitive arrangements of units are to be avoided. An interesting rhythmic pattern is achieved by arranging the elements in groups of contrasting heights and widths across the width of the window. Smaller objects should, of course, be placed at the front of the window—the larger objects and taller display pedestals at the back.

In arranging drug store displays it is important that related merchandise be grouped together. A whole window of shaving accessories—razors, blades, creams, lotions, talcum powder, shaving mirrors, etc.—is more logical and holds attention better than a window where perfume, pipes, toys, and laxative remedies are mixed incongruously. If several lines of merchandise are displayed in the same window, the related lines should be grouped, and separated from other groups by a low panel divider or by a natural break in the arrangement.

Many drug stores prefer to separate a large window into several sections and trim each as a unit within itself. When "unit trims" are used, the same principles of arrangement apply to the decoration of each unit. Each unit should be self-contained even though no dividing panels may be used.

If the pharmacist will build his window display to give emphasis to the central theme, arranging the merchandise,

fixtures, and decorative accessories in a balanced and interesting pattern, the physical arrangement of the display will be

Color Contrasts and Harmonies

<i>Primary color</i>	<i>Contrasts with</i>	<i>Harmonizes with</i>
Red	Green Olive Gray Chocolate Bronze green	Purple Rose Pink Orange Lemon
Green	Red Crimson Purple Pink Orange Lavender	Olive Blue Brown Gray Yellow Buff
Yellow	Purple Royal blue Crimson Olive	Terra cotta Russet Goldenrod Warm green
Blue	Orange Yellow Warm brown Buff Cream	Light blue Purple Gray Red
Orange	Purple Blue Olive Crimson Gray	Yellow Warm green Warm brown Buff
Purple	Jade Lemon Goldenrod Tan	Blue Red Lavender Mauve

Fig. 31.

Source: A. E. Hurst, "Displaying Merchandise for Profit," pp. 175-176, Prentice-Hall, Inc., New York, 1939.

attractive and hold the attention and interest warranted by his merchandise, prices, and basic selling ideas.

*Using Color in Window Display.*—Color is important in window display in two ways. It aids in arresting attention; and, used harmoniously, it both adds interest to the display and helps to produce a pleasing impression.

Whenever possible, some brightly colored merchandise, show card, plaque, or other decorative accessory should be used in the display. Bright colors and vivid contrasts attract attention and stop traffic. The various colors rank in attention value in the following order.

1. Red
2. Orange
3. Yellow
4. Green
5. Blue

As a rule, the brighter and stronger the color, the quicker and keener is the immediate interest. Red, of course, is used commonly as an attention getter. In fact, it is so frequently used that many display men try to overcome this disadvantage by using strong color *contrasts* as attention devices. However, like strong, bright colors used alone, color contrasts have little fascination or staying power. Consequently, it is better to use strong colors and contrasts in spots or splashes, and depend on color *harmony* to *hold* the eye—to maintain concentration and interest. The table shown as Fig. 31 provides a convenient means of determining both contrasting and harmonizing color combinations. In using colors in combination, either in contrast or in harmony, it is well to remember that one color should predominate, thus achieving unity in the display.

Various hues and shades of colors have definite association with the seasons. Seasonal atmosphere can be obtained in the windows by employing the characteristic colors in the decorations:

- |               |  |
|---------------|--|
| <i>Autumn</i> | Brown, olive green, bright yellow, orange, blue, purple.                                   |
| <i>Winter</i> | “Warm” colors: holly red, holly green, orange, and for wintry effect, dark blue and white. |

*Spring* Tints and pastel shades: light green, pale yellow, pink.

*Summer* "Cool" colors: light shades of green, pink, yellow, green and white, or blue and white.

*Lighting the Display.*—Brilliant lighting is the climax of the window-display treatment. Light in itself attracts people and the benefits of adequate illumination are well worth the cost of fixtures and current required.

Reflectors, concealed at the top and front of the window so that they will direct light on the front of the merchandise displayed and away from the eyes of the shoppers, should always be used. They should be set not more than 15 inches apart, and lamps of 150 to 500 watts should be used, depending on the height and depth of the window. A more detailed discussion of lighting is given in Chap. 5.

Colored lighting of the entire window is not effective for drug stores. However, a colored spot may sometimes be employed to high light effectively a particular item in the display.

**PLANNING AND EXECUTING THE WINDOW DISPLAY.**—The techniques of building and arranging the window display, discussed above, are of great importance. But the success of the display in relation to the drug store's merchandising objectives depends in large part on the proper performance of a function that underlies all the actual work of execution of the display. This fundamental function is *planning*. Every drug store window should be developed according to a deliberate plan made well in advance of the actual trimming of the window. In window display, planning serves two vital purposes: (1) It assures the coordination of the window promotion with the other promotion activities of the store; (2) it provides an outline of the details of the display that must be handled and expedites their execution. The first of these two purposes will be considered further in conjunction with the discussion of the coordination of all sales-promotion activities.

*Making the Window-display Plan.*—In order that the execution of the display may proceed with a minimum of friction and loss of time from other store duties, it is essential that the

work entailed in the display be anticipated at least 2 weeks before the windows are to be changed. If the display is properly planned, many of the details of execution can be delegated to subordinates, thus leaving the executive free to devote more time to other duties.

PLANNING SHEET FOR WINDOW DISPLAY

Date \_\_\_\_\_  
(at least 2 weeks ahead)

For period \_\_\_\_\_ to be changed \_\_\_\_\_ Budget allowance \$ \_\_\_\_\_  
dates date (Cost of materials)

Store-promotion event for period \_\_\_\_\_  
 Advertising theme \_\_\_\_\_  
 Merchandise featured in advertising \_\_\_\_\_

Dominant idea for window (describe) \_\_\_\_\_

---

Merchandise to be featured in window (list):

<u>Approximate quantity</u>	<u>Size</u>	<u>Item</u>	<u>Price (for display)</u>

Manufacturer's display material to be used \_\_\_\_\_  
 Check: size \_\_\_\_\_ condition \_\_\_\_\_

Window color plan:  
 General: dominant "spot" color \_\_\_\_\_ other \_\_\_\_\_  
 Background \_\_\_\_\_ panels, platforms, fixtures \_\_\_\_\_  
 Show cards (& price tickets) color of card \_\_\_\_\_ color of ink \_\_\_\_\_  
 Decorative accessories to be used: Kind \_\_\_\_\_ Color \_\_\_\_\_

Rough sketch of window arrangement:  
 (Or attach photograph or sketch from "idea" file).

Merchandise display panels that can be prepared in advance? \_\_\_\_\_  
 (Specify show items and arrangement on attached sheets.) (Yes or No)

Copy for show cards: \_\_\_\_\_ Attach (specify also size of card, color, and color of lettering)

Fig. 32.

The first step in planning the display is to determine the promotion event, advertising theme, and merchandise that will be the concern of the store's other promotion activities during the period of the window display, and thus tie up the display with these other activities. The next steps in making the plan are to work out the details of merchandise to be used, the color scheme, show cards, and other decorative



materials, in as much detail as possible, so that all the needed materials will be on hand at the proper time and smoothly take their place in a harmonious whole.

It is a good idea to reduce the plan for the display to writing. In doing this, a form like the planning sheet reproduced in Fig. 32 will be found useful. A separate sheet may be used for each window, or the information for several windows may be summarized on one sheet, depending upon the amount of detail desired.

*Steps in Executing the Window Display.*—The actual steps that should be taken in the preparation of the window display, in the order of their execution and with an indication of their timing, are summarized below.

1. *Make the plan.* Determine the date when the window is to be changed and work out the plan at least 2 weeks in advance.
2. *Check merchandise stocks.* Make sure that stocks of the merchandise to be displayed are not only adequate for the display but will give sufficient assortment and quantity for the increased sales that should result. If stocks are not adequate, place orders at once so that the merchandise will be on hand.
3. *Get ready the display fixtures, panels, accessories, and materials.* At least a week and a half before the window is to be trimmed, check over display materials. Are a manufacturer's or a wholesaler's displays to be used? Are they on hand, in good condition and of proper size? Do standard fixtures and panels need "freshening up"? Is the color right?
4. *Have show cards and price tickets (if special) made.* At least 4 days before trimming, get copy and specifications for display cards to a sign painter so that they will be on hand when the display is being arranged.
5. *Get merchandise assembled.* The day before the change is to be made, assemble the merchandise in cartons

ready to take to the window. Have empty cartons ready for merchandise taken out of the window.

6. *Remove previous display.* Take out of the window everything that is not to be used in the new display. Fixtures, etc., that are to be used again may be pushed to the back of the window until needed.
7. *Clean the window.* Sweep out the window space, dust the fixtures, rub up any metal or glass fixtures used. *Wash the window inside and out.* Check the light bulbs.
8. *Arrange the display.* Trim the window according to plan, observing principles of attention, arrangement, color combination, etc. Be sure to check the display by viewing it from the outside, just as the customers will see it.
9. *Keep the window clean.* Wash the outside of the window as often as necessary to keep the glass sparkling and bright throughout the life of the display.
10. *Begin thinking about the next display.*

#### HOW OFTEN SHOULD WINDOW DISPLAYS BE CHANGED?—

Drug store windows should be changed frequently. This is no less true in neighborhood drug stores than in downtown stores, for in neighborhood locations the window is more conspicuous and the pedestrian traffic passing it day after day is made up largely of "repeat" shoppers.

No display should be left in the window more than 2 weeks. More frequent changes, even as often as once a week, may be a better policy. This entails more work, but it is not impossible of execution if the windows are *planned* in advance. In fact, in a study made under the supervision of one of the authors it was found that 54 per cent of the drug stores in Columbus, Ohio, changed windows weekly, 33 per cent every 2 weeks, and 12 per cent at various other intervals.<sup>1</sup>

<sup>1</sup> Henderson, Robert, "Window Display Practices of Columbus, Ohio, Drug Stores," unpublished master's thesis, The Ohio State University, 1941.

This same study revealed that about 61 per cent of the Columbus, Ohio, drug stores desired to change windows on Thursday or Friday, Friday being preferred. Monday was the next most popular day for window changes.

**SOURCES OF WINDOW-DISPLAY MATERIALS AND IDEAS.**—Of great value to the drug store are the special displays prepared by manufactures and wholesalers. These range from simple show cards or posters to very elaborate “sets” that will decorate an entire window. Most of these display pieces are executed in bright colors and are attractive and useful in themselves. Moreover, they are valuable in tying the particular drug store in with the extensive national or regional magazine, newspaper, and radio advertising that many manufacturers and wholesalers of drug products sponsor, thus enabling the store to capitalize on the consumer acceptance or preference built up for the advertised products.

Some magazines and some radio stations and newspapers have plans of coordinating the use of store-display materials with the product advertising carried by these media. Studies that have been made show remarkable sales increases by drug stores when they have used the window- or counter-display cards featuring the advertised product. The card is usually fitted in an attractive frame supplied by the advertising medium, which also bears the legend “As advertised in ——,” thus adding the prestige of the medium to the product advertising of the manufacturer.

Valuable as are these manufacturer display materials, the pharmacist should bear in mind the fact that his real problem is, after all, a *patronage* problem. The customer must be drawn to *his* store rather than permitted to go to another drug store, which probably has the same standard packaged product for sale—perhaps even displayed in the same way. Unless the store has an exclusive agency for a product the *drug store should hesitate to use its window more for the manufacturer than for itself.* This means that the drug store should never plan to use manufacturers’ display material constantly as its sole window-display effort. This material should be fitted

in with other displays that will emphasize the particular store and all its merchandise lines.

*Individual Display Ideas.*—The pharmacist cannot be expected to “coin” completely novel ideas for every display. However, a little thought and planning and reference to the sources of display ideas will provide materials that can be *adapted* to the individual store’s own circumstances. These adaptations and the ideas that bubble up from the pharmacist’s exercise of his own ingenuity, imagination, and merchandising shrewdness will suffice to lay the basis for attractive and effective displays.

Sources of ideas for adaptation are numerous. Wholesale drug houses supply sketches of arrangements, as well as display materials. Trade journals regularly feature pictures and plans of attractive window displays. Trade association service includes emphasis on window-display treatments. Observation of the displays used by other drug stores, as well as by stores in other lines, will yield many practicable ideas.

An idea file should be kept in which are placed clippings, photographs, notes, sketches, etc., as they accumulate. When the time comes to plan a particular window, this file of ideas will serve as an invaluable source of suggestions for arrangement, color schemes, merchandise combinations, etc. It is a good plan, too, to keep in conjunction with this file, an up-to-date list of all the manufacturers’ displays that are on hand.

## Interior Display

The basic purpose of store display is to increase the purchases made by each customer, once he enters the store—*i.e.*, to secure more sales from store traffic. This is a particularly acute problem in drug stores because, fundamentally, the typical customer comes to the drug store with a single purpose—to buy *one* desired item. As a result of this characteristic buying habit, and because of the low unit price of most drug store items, the average sale per customer has been only about \$0.20.

The average sale per customer can be increased by selling more units, or a larger size, of the item that the customer came

in to buy. Display can be helpful here by giving emphasis to larger sizes and the savings that result. But the real job that store display has to do in increasing sales per customer is to sell *additional* items. An authoritative survey has recently revealed the fact that only one out of eight drug store customers purchases more than one item.<sup>1</sup>



Fig. 33. Store featuring open display of practically all types of merchandise. (Courtesy of Columbus Show Case Company.)

Thus, drug store display must be arranged to suggest other items and give a powerful incentive to purchase. Store display can do this by concentrating at the point of purchase all the sales power that the manufacturer's advertising and the store's own advertising and window display have placed behind the product, by making quick impressions and by getting the merchandise out where the customer is tempted to handle it, examine it, smell it, and read about it.

<sup>1</sup>"Merchandising by Addition." Curtis Publishing Company, Philadelphia, 1937.

**ARRANGING STORE DISPLAYS.**—In general, the same principles of arrangement, getting attention, color harmony, etc., that have been developed in connection with window displays apply to the arrangement of particular display groupings within the store. However, the general treatment given to store display entails some additional considerations.



Fig. 34. A good use of open display in the proprietary medicine and toiletries departments (Fritch Drug Co., Paris, Ill.). (Courtesy of Illinois Pharmaceutical Association.)

*Open Display.*—Placing merchandise on counters, on aisle tables, and on special step-up fixtures, so that it is brought out where customers can examine it is the modern method of merchandising. “Open display” hardly needs to be argued now for drug stores. When it is placed within easy access to the customer, the merchandise will be soiled, disarranged, perhaps some of it stolen; but it will be bought. The photographs shown as Figs. 33 and 34 represent drug stores that have planned their merchandising around open displays.

Once the customer has been tempted to take an article in his hand, the store has gained a psychological advantage. The customer has taken an important step toward the final buying decision. He has made one important decision. The ice is broken. To avoid the purchase would now require a negative decision that is difficult to make. The salesperson can capitalize on this important psychological advantage gained by means of open display.

The question in drug store merchandising is not whether to use open display, but *what kinds of merchandise* are to be placed on open display. Some basic considerations bearing on this problem may be helpful.

In the first place, the merchandise to be placed on open display must of necessity be those items that are not high in value, that are not easily soiled or damaged, and in which sanitary condition is not an important factor. This means that expensive compacts, lipsticks, perfumes, stationery, fountain pens, thermometers, douches, etc., are best kept under glass or on shelves. The merchandise particularly adapted to open display includes lines such as packaged drug and toilet preparations, sundries, appliances, toys, and magazines.

The merchandise selected for display should be that which has eye appeal and is clean, colorful, attractive. More can be done to get customer attention and interest with displays of items of this kind than with merchandise that may be perfectly good in other ways but does not pack a visual "punch."

The merchandise displayed should be selected for its timeliness in order to coincide with the customer's immediate interests. If the interior displays are properly integrated into the over-all sales-promotion plan for the store, timely merchandise will automatically be selected for display.

Advertised brands serve as good open-display items, particularly when a display card or reproduction of a national magazine advertisement is used at a focal point in the display to "pipe in" the selling appeal already strongly impressed. In one well-known group of stores the policy in center-aisle open displays is to feature approximately one-third advertised brands, one-third private-brand items, and one-third sundries.

One of the most important considerations in open display is that the display should emphasize the merchandise the store wishes to sell—*i.e.*, items on which the markup is satisfactory. Low-profit specials should be used as traffic directors. They should be placed close to or in conjunction with like merchandise, in order that the sales clerk can “trade up” by pointing out to the customer the advantages of the better merchandise.

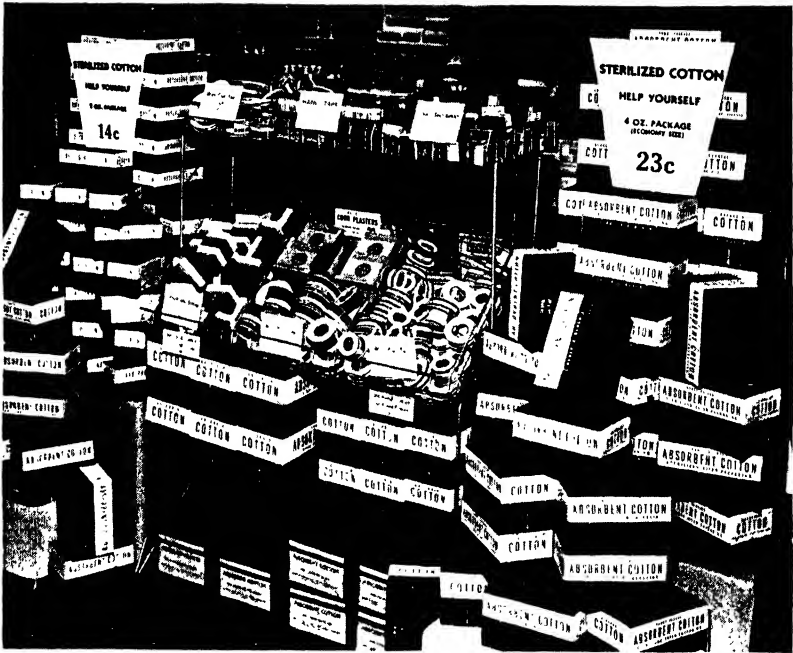


Fig. 35. A mass display of first-aid articles. (Courtesy of Bauer and Black, Incorporated.)

Insofar as possible, store display should be arranged to place related merchandise together.

*Mass Display.*—Mass display is simply a special variety or style of open display in which quantities of items and assortments of sizes, styles, etc., are arranged to produce a mass effect. A mass display of first-aid articles is shown as Fig. 35. The fundamental considerations of selection of merchandise enunciated above apply to mass-display arrangements as



well. Mass display has been used and misused in promotional drug stores to such an extent that a review of some of the important rules of mass-display arrangement is in order.

Store displays, even of the mass variety, must be *orderly*. This is a fundamental factor too often overlooked. Many merchants seem to think that the effect of mass display is obtained by crowding and jumbling merchandise, banners, cards, all over the store; by piling them up on counters, tables and shelf ledges. This is a most grievous error. The effect, to be satisfactory, must be "streamlined"—*i.e.*, clean in line, orderly, and attractive.

Order and streamlining in mass display may be achieved by *grouping*—grouping items and lines according to a logical plan. In any specific section of the display, all items of the same kind should be arranged together; they should not be scattered around or interspersed among other items. Small groups of different items should then be related on the basis of their appearance—*i.e.*, according to size and shape and the color of the package. Finally, items and lines of merchandise should be arranged together on the basis of their *use* by consumers or the logical association of products. Such a pattern of classification may not always work out well—*e.g.*, "use groups" of items may contain clashing colors—but some principle of order can be maintained. Use-group displays are extremely effective in drug stores, as they relate various types of merchandise together and each item helps to sell the others.

Finally, the over-all store-display arrangement should make provision for *relief*, change. It is a fundamental psychological principle that anything carried to extreme and repeated often enough becomes monotonous, with the further result that it either becomes distasteful or is ignored. The prairie landscape is not classed as scenery, nor are the endless rows of identical houses in our cities considered architecturally beautiful or inspiring. Thus, no matter how impressive they may be in bulk or orderliness, solid banks and masses of merchandise displayed in monotonous array over the entire store are to be avoided. Some variety must be achieved. Different heights of display units, different "weights" of masses of mer-

chandise (achieved by making some units primly trimmed), short areas of blank, free counter space, planned use of color over the store—all will contribute to the relief that is a necessary accompaniment of mass display.

STORE ATMOSPHERE.—A store or a store window can easily be *overtrimmed*. The familiar expression, “all dressed up like a Christmas tree,” applies to too many drug stores. In this modern day, drug stores must promote their merchandise aggressively. They must adopt modern display practices. For them, however, the danger of overdoing promotions and displays is an ever-present one. After all, the drug store is founded on the tradition of professional service. This is an asset that the average pharmacist should conserve, as it distinguishes his store from stores of other types. Thus the drug store should maintain an atmosphere of dignity and integrity—one that inspires confidence on the part of customers. Promotions and store displays can be used in a way that will maintain this atmosphere.

On the other hand, improper use of displays and promotional activities may result in breaking down this customer confidence and thus destroying the advantage that the drug store traditionally has had.

Store display, then, should be planned not only for immediate sales but for customer respect and confidence and for customer comfort. (The general impression that the store makes, the facilities afforded for easy, personal service to customers (room to move about among the displays, open counter spaces on which to lay packages while purchases are being considered, privacy for certain purchases, etc.) should all be taken into consideration in planning the store displays.

## The Coordination of Sales-promotion Activities

In these chapters on sales promotion repeated emphasis has been laid on the vital importance of coordinating all the various sales-promotion efforts of the store so that they will all complement one another and point to the same objective during the period of the promotion. The purpose of this sec-

tion is to summarize the methods of coordinating sales-promotion activities. In the larger store the duties of execution of various of the activities can be assigned to subordinates. In such a case, the subexecutives would be indicated on the organization chart—one in charge of executing the window display, one the store display, etc.

**THE SALES-PROMOTION PLAN.**—The key to effective coordination, and in fact, to the final success of sales-promotion activities is the *promotion plan*. Deliberate planning, well in advance of the promotion, in which all factors bearing on sales are canvassed and all departments are brought into consideration is the secret of the success of department store and chain drug store promotions. Any merchant can benefit by the application of suitable techniques that have been developed in other fields. Even the smaller store can and should plan its selling activities well in advance.

The sales-promotion plan made by the average drug store will probably be more successful if it is made for a season, rather than on a long-range basis (6 months) or a short-range basis of 1 month in advance. However, every pharmacist should experiment with various periods and adopt the one best fitted to his particular operations.

If the seasonal plan is used, five selling seasons can be identified for drug store promotions: winter, spring, summer, fall, and Christmas. Thus the year would be divided into periods of about 3 months each, and the plan made in advance for each of these periods.

The steps in making the plan are as follows.

1. *Review past experience.* What were the monthly sales, advertising expenditures, etc., for the same seasonal period of the previous year? What promotions, display treatments, advertising were used? What merchandise was featured?
2. *Budget promotion expenditures for the new period.* From estimates of sales, determine appropriate promotion expenditures by months. This budget should be for at least a 6-months advance period (see Fig. 36).

3. *Develop promotion ideas for the period.* Determine for each promotion the merchandise to be promoted; the timing of the promotion; the period that it will cover; the advertising theme, space, or kind, and cost; the window-display cost, the store-display plan and cost (see Fig. 37).
4. *Work out details.* Begin work on details of advertising copy, window- and store-display arrangements, etc., for the *first* promotions of the season. Work at least a month ahead.

It will be noted that the steps detailed cover three different stages in the preparation of the plan—budgeting, scheduling, and working out precise promotion ideas for the advertising and for window and store displays. It is the budgeting and scheduling aspect of the plan (Figs. 36 and 37) that serve to coordinate the various parts of the sales-promotion program.

**BUDGETING THE SALES-PROMOTION PROGRAM.**—The purpose of the budget is to keep the various promotion activities at a level commensurate with the normal sales expectancy for the store, and to keep the various individual promotions and the various activities in each, in proper proportion to one another. The budget is an integral part of the sales-promotion plan. In fact, it forms the basis for the over-all control and coordination of all the sales-promotion efforts of the store.

A simple illustration of the way in which advertising and promotion plans can be budgeted in relation to the store's expected sales, and keyed in with the particular promotions planned over the selling season, is contained in Figs. 36 and 37.

Figure 36 shows the budget in relation to sales. This budget should be made over a longer period than a season. Six months is not too far ahead to make general plans for total promotion expenses. If business conditions are fairly stable, it may be a good idea to think in terms of the total *annual* sales and promotion expenditures that will probably be achieved for the year. However, there is no point in working

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General Budget of Promotion Expenditures for 6 Months \_\_\_\_\_  
(dates)

Season	Month	Sales		Promotion expenses							
		Last year	Planned for this year	Total		All advertising		Window display		Store display	
				Last year	Planned	Last year	Planned	Last year	Planned	Last year	Planned
Winter	January	\$2,500	\$2,800	\$ 60	\$ 70	\$ 40	\$ 40	\$15	\$20	\$ 5	\$10
	February	2,000	2,200	40	50	23	33	12	12	5	5
	March	3,000	3,500	65	75	45	50	15	20	5	5
	Total for season	\$7,500	\$8,500	\$105	\$195	\$108	\$123	\$42	\$52	\$15	\$20
Spring	April										
	May										
	June										
Total for season											
Total for 6 months											

Fig. 36.

Advertising and Promotion Plan and Budget for \_\_\_\_\_ Winter  
Season

Month and dates	Description of promotion	Planned advertising and promotion expenditures							
		Total promotion	Advertising						
			News papers	Hand-bills	Direct mail	Novel-ties	Win-dow	Store display	
Jan. 1-14	Inventory clearance sale	\$40	20	20				6	5
Jan. 15-25	Washington's Birthday "Integrity" promotion (prescriptions)	15	7		\$7			8	
Jan. 26- (Feb.)	Cold remedies and drugs (pay day)	15	4	\$4				6	5
Total monthly		\$70	\$40	\$29	\$4	\$7		\$20	\$10
February									
March									
Total season									

Fig. 37.

out the *detailed* plans and budgeted figures as in Fig. 37 for a period more than one selling season in advance. Some stores find monthly budgets of this kind satisfactory, although some effort should be made to visualize the season as a whole, as the season is the homogeneous period from the standpoint of types of promotions that can be used.

DETERMINING WHAT TO PROMOTE.—Basic to the preparation of any sales-promotion plan are the considerations that bear on the selection of merchandise for promotion. Some of these considerations have been mentioned in other connections, but the most important will be summarized here.

1. "*Play the winners.*" Promote the merchandise that *sells*, brings people into the store, and provides profitable volume.
2. *Stress profit makers.* In store and window promotions, emphasize items with good margins.
3. *Ride on the flood tide of advertised items.* Stress the items that get the weight of "fundamental" advertising by manufacturers and wholesalers. This advertising has created consumer acceptance and preference and thus has made sales easier.
4. *Feature seasonally demanded items.* Adjust promotions throughout the year to give emphasis to merchandise appropriate to the season.
5. *Stress merchandise particularly suited to the community.* In farming sections: stock foods and remedies, cough and cold remedies, cotton gloves, clocks, electric toasters and other appliances, etc. In city sections: toiletries and beauty aids; electrical goods; standard drugs in bulk packages, such as witch hazel, aspirin, mineral oil, psyllium seed, etc.; shaving supplies; writing instruments; etc.
6. *Promote service and merchandise that build store patronage.* Use frequent promotions that feature the *particular* store.

## Sales-promotion Calendar

<i>Month</i>	<i>Date</i>	<i>Event</i>	<i>Appropriate merchandise</i>
JANUARY		General seasonal change clearance and inventory events	Hand creams, lotions
January	1	New Year's Day	Notebooks Files Diaries Antacids Small gifts for the "disappointed"
January	17	Benjamin Franklin Day (North-eastern states)	Thrift sales (small merchandise, specially priced)
FEBRUARY		General seasonal change final winter clearance	"Odds-and-ends" sale
February	2	Candlemas Day; groundhog day	
February	12	Lincoln's Birthday	"Honesty, integrity"—Merchandise, prescriptions "Freedom" (from worry)— Fountain specials Work appliances
February	14	Saint Valentine's Day	Valentine greetings Fountain specials Candy Gifts
February	22	Washington's Birthday	"Integrity, truth"—Service, prescriptions Fountain specials
MARCH	17	Saint Patrick's Day	Fountain specials
March	21	First day of spring	Perfumes Spring tonics Spring fountain special
March	?	Easter	Egg dyes Easter bunnies Easter candy Camera supplies Compact (for Easter outfit) Gifts New spring cosmetics Hosiery
APRIL		General seasonal change	Housecleaning supplies, rubber gloves, etc. Rain capes, umbrellas, etc.
April	?	Easter	
April	1	All Fool's Day	Novelties
April	6	Army Day	"Defense"—remedies
MAY		General seasonal change	Notion sales Paint-up week Household appliances

Fig. 38.  
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Sales-promotion Calendar.—(Continued)

<i>Month</i>	<i>Date</i>	<i>Event</i>	<i>Appropriate merchandise</i>
May		National Baby Week	Creams Comb and brush sets Oils Powder
May	1	May Day Child Health Day	Baby goods Toys Remedies Sporting goods Dentifrices
May	?	National First-aid Week	First-aid kits Bandages Antiseptics
May	?	Mother's Day	Candy Electric toasters Perfume Greeting cards Cosmetics, etc.
May	30	Decoration Day (Memorial Day)	Artificial wreaths
JUNE		General seasonal change	Cameras and supplies Perfume Anniversary cards and gifts Hosiery Electric fans
		Weddings	Wedding gifts Stationery Anniversary greetings
June	14	Flag Day	Novelties
June	?	Father's Day	Shaving supplies Greeting cards Stationery Pipes, tobacco Fountain pens
JULY		Seasonal Change Vacations	Traveling bags Bathing suits, caps, shoes Sun glasses Sun tan oil Remedial cosmetics Vacation goods Feminine hygiene articles
July	1	Dominion Day (Canada)	
July	4	Independence Day	Novelties Fountain specials
AUGUST		Summer clearance event	Bathing caps Bathing suits Bathing shoes Athlete's foot remedies Picnic baskets Thermos bottles Picnic "dishes"

(No outstanding holidays in August.)



Sales-promotion Calendar.—(Continued)

<i>Month</i>	<i>Date</i>	<i>Event</i>	<i>Appropriate merchandise</i>
SEPTEMBER	(1st Monday)	Labor Day	Work supplies, gloves, etc.
September	(2-9)?	School opens	School supplies Alarm clocks Dictionaries
September	22	First day of autumn	
September	(22-28)	National dog week	Foods Remedies
September	(28)?	Football season opens	Thermos bottles Cups Novelties Rubdowns
September	(4th Friday)	American Indian Day	Novelties Decorative motifs
OCTOBER		Seasonal change	Fall cleaning—household needs Sponges Insecticides Disinfectants Chamois Cleaners Moth flakes Rubber gloves Cheesecloth
October	4-14(?)	Nationally advertised brands week	National brand assortments
October	12	Columbus Day	
October	(13-19)?	National candy week	Candy
October	(20-26)?	National pharmacy week	Prescription service
October	31	Hallowe'en	Party needs—costumes, faces, whistles, candy
NOVEMBER		General seasonal change	Thermos bottles cold remedies, antacids, soaps, radios, vitamin tablets, hand creams, lotions
November	?	Election Day	
November	11	Armistice Day	Fountain special
November	?	Thanksgiving Day	Roasters Antacids
DECEMBER	25	Christmas Day	Christmas gifts Toys Radios Electric grills, toasters, pad, irons, and clocks, cosmetics, etc.  Antacids Cough and cold medicines

Fig. 38.—(Continued)

**TIMING THE PROMOTIONS.**—One of the most effective bases of successful sales promotion and a primary consideration in working out the details of the promotion plan is that of tying the promotion in with seasonal, holiday, national, and local events. Many of these events recur regularly. As a guide to seasonal and holiday promotions, Fig. 38 lists the outstanding events and suggests some of the merchandise appropriate to them. Not included in the table, but not to be overlooked, are all the local events that may influence retail sales in the community. These are such events as county and state fairs, community days, dollar days, homecoming events, graduations, school openings, etc.

# Effective Drug Store Salesmanship

## CHAPTER 12

THE PRIMARY purpose involved in operating a drug store is that of creating profits by satisfying customers. The process that effects this mutually satisfactory arrangement is *selling*. Advertising creates the potential market, but selling produces the actual sales. Making a sale, from the viewpoint of profits, is the most important thing a drug store employee does. A store will be successful or unsuccessful depending on the kind of salesmanship that the employees of the store use with customers.

The public is extremely critical of the kind of selling and service that it gets in most retail stores. This is true regardless of the type of store. Too often one hears that "good service is unusual"; that "they don't know their merchandise"; that "they don't seem to have the faintest idea of what a person wants." Many customers have the impression that frequently drug store employees just do not know how to sell, or even that they do not want to know how to sell. No pharmacist wishes customers to have such opinions about his store.

Happily most drug store employees *do* want to learn the best selling methods. Salespeople have learned that, while they are employed to help the store operate profitably, their real objective is to see that what is done in the few moments during which a customer is before them is done in a manner most satisfactory to the customer. For, if the customer is

satisfied with the sale in every way, the firm will make money and the salespeople will make a good living. However, if the sale is not carried on in a satisfactory manner, the store will soon become bankrupt and the salespeople will lose their positions. To avoid the latter consequence it is necessary for salespeople to study modern and progressive selling methods so that they can render the kind of service that consumers expect.

The ability to sell successfully is not born in salespeople. It is learned by study, practice, and experience. No matter how much a salesperson knows, there is always more to be learned. This does not mean, however, that new employees face a hopeless task. Even though a new employee may know very little about successful selling, he can become a valuable salesperson if he will work hard at learning how to sell.

### Analysis of the Selling Process

In any retail sale there are four elements—the customer, the store, the merchandise, and the salesperson. These four factors enter into every selling transaction within the store.

Good selling is more than the ability to talk glibly or to persuade people to buy. It is more than a friendly smile. It is the proper handling of the four elements in such a way that the customer will leave the store well satisfied with merchandise which the store has sold at a profit.

**THE THREE-STEP SELLING METHOD FOR RETAIL SELLING.** To many people successful salesmanship appears to be the result of some mysterious power or faculty possessed by certain persons and not by others. However, such is not the actual case. Successful salesmanship is not due to the possession of any mysterious abilities. It is the result of certain logical steps taken in the process of satisfying customers' wants.

Good salesmanship is based largely on an understanding of the customer. Successful salespeople build their success on an understanding of what the consumer wants. It has been learned through study and observation that the vast majority of customers enter a drug store with certain common attitudes

or states of mind. It logically follows that a basic method of selling, flexible enough to meet individual circumstances, can be very widely applied in retail drug store selling. That is what the three-step method is—a basic selling plan specifically developed for retail salespeople.

From a consideration of Mrs. Average Customer, we know that she has certain problems in her mind when she comes into a store. We know that she wants to buy good merchandise cheaply. In many instances she has very little idea of what she should buy. Her mind is full of fears and doubts. She lacks confidence. She needs help and she seeks that help from the salesperson.

Under this set of circumstances, what is the quickest, the surest, and the most effective way to make a sale? The answer is obvious. The best plan is one that leads to inspiring the customer's confidence and sympathetically assisting her to work out her problems by helping her find the merchandise best fitted to her requirements. The question is, How can this be accomplished?

*Step 1.*—Before it is possible to help Mrs. Average Customer solve her problem the clerk must know what that problem is. For example, let us take a hypothetical case of a customer who comes into a drug store in search of a relief for chapped hands. Step number one becomes, therefore, a process of transferring from the customer's mind to the salesperson's a mental picture of what her needs are and how she would like to satisfy them. It is up to the salesperson to put himself in his customer's shoes and think, "Now, if my hands were chapped, what would I want?" This requires some mental effort on the part of the salesclerk. The lazy salesperson will not bother to do any thinking, but the clerk who desires to get ahead will avail himself of the opportunity.

*Step 2.*—Having built a picture of the customer's problem in his mind, the salesclerk's next step becomes logically the solution of this problem. This step is entirely mental. It takes place in the mind. Step number two is simply the process of going through merchandise and selecting the type of goods and the amount of goods that will be the best solution of the

individual customer's problem. Making that selection is highly important. When thinking about this solution, the clerk must make up his mind just what types of merchandise may satisfy Mrs. Customer and in what quantities she should buy. Sales are much more readily made when the salesperson can present a definite proposition to the customer. A customer's confidence should not be shattered by repeatedly asking her what she wants. The clerk should make a positive recommendation.

*Step 3.*—With the problem solved in the clerk's mind, the third and final step is the selling of that solution to the customer with a concentrated story on a particular merchandise selection that the salesperson recommends. When this item is presented, it should be offered with a few well-chosen, specific words. The clerk's duty is to convince the customer that the particular features of this product are those that will best suit her individual requirements. An important corollary is the fact that this kind of sales presentation, properly handled, will establish the customer's confidence in the clerk and the store, reinforcing her faith in her own judgment to the point where fear and caution are conquered and the sale is made.

*Summary of the Three-step Method.* —The method of selling outlined above is so simple and logical that its wide application is immediately evident. It can be used in many retail drug store sales. Briefly, the three steps may be reviewed thus: step number one—getting a mental picture of the customer's problem; step number two—solving that problem by selecting the right kind and quantity of merchandise; step number three—selling that selection with a few well-chosen words that convey a clear-cut impression.

The three-step method just outlined contains the basic fundamentals of retail drug store selling. However, it is greatly simplified. In order to do a successful job of selling, a salesperson must follow these three steps and, in addition, he must successfully handle all the numerous miscellaneous elements that enter into the sale. It is necessary to study people in general so that the clerk may more readily understand what is in the customer's mind when she enters the store. He must also know how to approach the customer, he must know how

to demonstrate merchandise effectively, he must know how to increase the unit of sales through related and suggestion selling. These are the problems to whose solution the remainder of the present chapter is devoted.

## Buying Motives and Their Application

WHAT MAKES PEOPLE BUY?—What makes people buy appears to be a rather simple question, but it is actually of the utmost importance in selling. If the answer were fully known, selling could be carried on with much greater efficiency and with much less waste of effort. In general, it is known that most people buy goods not because of the goods themselves, but because of the satisfactions that they expect to secure from those goods. For example, when people buy aspirin, they are actually buying relief from headaches. What they purchase is not vitamins, but health and energy; not face cream, but glamour. In other words, people have certain desires or hungers. They purchase goods because they believe these goods will satisfy their desires.

The desires that customers have are largely products of the mind. They are mental desires. Selling becomes, then, an attempt to influence people's minds so that they will decide to purchase certain goods. This is extremely important and the salesclerk must always remember that the sale is made in the customer's mind and in no other place. It is not made in the salesperson's mind, it is not made in the mind of the pharmacist, nor is it made in the mind of the advertising manager or the manufacturer. Every move that the salesperson makes should be directed toward influencing the customer's mind to make the right decision.

The real function of the salesperson is to discover what desires are in the customer's mind when she enters the store, to show goods that may satisfy those desires, and to stimulate those desires so that they will be aroused to the point where sales can be made.

The clerk does not actually create desires but he does help stimulate them. Desires are born and developed in the mind of a customer, but they need cultivation. In many instances

these desires are dormant and they need considerable help and stimulation to bring them up to a point of decision and action.

**THE FUNDAMENTAL HUMAN DESIRES OR WANTS.**—The desires and wants of people vary greatly from individual to individual, but in general they follow rather definite patterns. It is known that most people are interested in avoiding sickness and danger. They are also anxious to avoid drudgery. They desire companionship. If the retail salesperson will study some of the principal human desires, it will make selling much easier for him. In order to facilitate this study there is presented in the following paragraphs a brief discussion of some of the more fundamental human desires that the pharmacist can utilize in selling.

*Self-preservation.*—A craving common to all mankind is the determination to live and the desire to combat whatever might interfere with a man's normal span of life. Many buy products that they hope will aid them in postponing death. This determination to retain life has real significance to the pharmacist, as many of the products that he sells are bought because of the force of this buying motive.

The desire to preserve life is powerful in everyone, but it is particularly strong in older persons. Salespeople should appeal to this motive with great caution, since the use of it may subject them to sharp criticism. It is mentioned at this point primarily for the purpose of helping drug store employees to understand their customers better, and not as a suggestion for increasing sales volume.

*Money Gain.*—The commonest buying motive to which salespeople appeal is the money-gain motive. A customer buys a certain brand of antiseptic or "shops around" for a bargain in hot-water bottles because she desires to save money. She seeks to buy at a low price so that she may stretch her money further and in that way enjoy a higher standard of living.

This motive is strong in practically everyone, but it naturally has greater significance for people of limited means. Yet, in many instances the desire to save money may be subordi-



nate to other motives. For example, should a child be ill, it would be a mistake to emphasize to the mother the motive of money saving rather than that of health or love of one's family.

*Desire to Escape Drudgery.*—Another very important human desire is the wish to avoid labor, particularly labor of a drudging type. Apparently, most people wish to follow the lines of least resistance and seek to avoid as much physical and mental effort as possible. They want things that will save time and energy. For example, a statement like the following will help sell a new type of razor—"This razor will cut your shaving time by 3 minutes" or "This razor will make shaving easier."

*Hunger.*—Hunger is a universal desire. We all must have food and drink in order to survive. This want is at the bottom of nearly every one of our economic problems. However, we desire to satisfy our hunger not merely for the sake of prolonging our existence but because we have developed an ability to get pleasure out of taste, flavors, odors, and other physical qualities of the foods and drinks that we consume. As a consequence, customers buy foods not merely to satisfy crude hunger and the needs for existence, but also in order to enjoy the pleasures of the palate, of the sense of sight, and particularly of smell.

This desire can be appealed to in selling soda-fountain and candy products. In many instances candy attractively displayed needs little else to stimulate consumer sales.

*Companionship.*—Practically all people are more or less sociable. They are attracted by others and in turn desire to be attractive to them. When separated from other people, they grow lonesome. In order to be in accord with other people, they must conform to the general wishes and standards. To conform means to emulate, to imitate. Those who do not conform find it difficult to mix or associate with members of society. In their quest to be like other people and to have other people approve of them and like them, many consumers become ready customers for whatever will tend to make them more attractive in appearance and surroundings. Cosmetics can be sold on a basis of this desire.

*Love of the Opposite Sex.*—The desire for romance is universal. It is second in intensity only to the hunger for food and drink. When the ordinary demands for food and drink have been cared for fairly adequately, the sex interest often emerges as the most powerful and compelling force in human nature.

Purchases of countless goods, while they are made for the purpose of satisfying other desires, are influenced directly by this motive. Probably more cosmetics are sold for their possible romantic effects than for any other reason. Many cosmetics have been sold by statements such as "This lipstick enhances personal charm; it is kissproof; it helps make your lips more attractive."

*Possession.*—In many persons there is an intense hunger for ownership and possession. What people become interested in and want, they desire to possess. If customers can be led to feel thoroughly interested in goods that the salesman has to sell, the desire to own them arises spontaneously and the decision to buy follows as a matter of course. For that reason the most effective types of selling are largely concerned with the stimulation of interest in merchandise.

It is possible to stimulate the desire for ownership by making such remarks as "There is a great deal of satisfaction in owning one of these" or "If you buy this, you will have something that very few others possess."

*Health.*—From the pharmacist's point of view, a most important desire is the longing for good health. People will buy many a product for the sake of avoiding illness. This desire is peculiarly intense in persons who have experienced considerable sickness themselves or whose close friends or family have suffered.

*Pride.*—A fundamental longing of man is the wish to be admired by his fellow men. He wants to stand out from others so that he will be held in high esteem. In a person of weak character, pride may degenerate into vanity, and it then becomes a still more effective buying motive.

Even primitive savages show a susceptibility to this motive, as is evidenced by the widespread use among them

of beads and other forms of personal adornment. As human beings advance through the stages of civilization they may outgrow beads, but they do not rid themselves of pride. As a result, an alert salesperson can make use of this motive in selling. A few words of praise or an appeal to a customer's vanity may simplify greatly the selling task. For example, statements like the following are quite effective: "Customers who desire the best, buy this brand," "Young people use this almost exclusively," "This will help bring out the natural freshness of your complexion."

*Imitation.* -Closely allied to the motive of pride is that of imitation. Both are phases of the desire to excel and can be called upon most effectively in selling.

People imitate others primarily because of one of two reasons. One person is cautious and reasons, "If Mrs. Jones has tried it and if it worked successfully for her, it will for me too." Another feels that she is just as good as Mrs. Jones and thinks, "If she has purchased this product, I guess I can too."

Testimonials are examples of appeals made to the motive of imitation. Although the testimonial has been badly abused in many instances, it is still one of the most successful selling aids. Properly used, good testimonials can help to sell many products. When Mr. Jones is considering the purchase of an electric razor, it will help toward closing the sale if the clerk can say, "You know Mr. Smith who lives in the same block you do. He bought a razor like this last month and says he never experienced as comfortable a shave before."

HOW TO UTILIZE BUYING MOTIVES IN SELLING.—How can the salesperson put into practice his knowledge of the motives that influence buying? A study of the preceding few paragraphs will reveal that practically all of man's wants or desires are primarily selfish ones and that his motives for buying—for spending his money—are fundamentally egotistical in their nature. The salesclerk must, therefore, analyze his products carefully with these motives in mind and, through his contact with his customer, determine which motives are strongest and then appeal to these.

When the buying motive or motives have been discovered, the salesperson should center his sales talk around them. It is best to concentrate on one motive, provided one can be singled out. Practically all the statements and talking points should be designed to appeal to the customer's principal reason for buying.

**KNOW THE MERCHANDISE.**—In order that the customer's wants may be properly stimulated, it is necessary for the salesperson to know exactly what type of merchandise will best suit his customer. Buyers do not know all that they need to know about products, and it is the clerk's job to convey information about the merchandise. In part, the sales job is an educational one, a job of supplying consumers with information about merchandise.

A study of merchandise not only will make selling more interesting for the salespersons, but it will also greatly increase the sales volume, because customers prefer to deal with clerks who know their merchandise. It should be remembered that the customer frequently has a fear that he may not be purchasing exactly what he needs. If the salesperson can supply ample information about the product, this will do much toward eliminating uncertainty.

It is not enough for the clerk to know what merchandise the store has, but he should also know where it is and exactly what it is. He should know what it will do for each customer, how it will satisfy her particular want or fill her needs. Different things about the same merchandise may appeal to different customers. The salesperson must find out how the merchandise compares with other similar items in quality, style, variety, and price. He should find out what there is about each item that makes it worth the price asked for it.

If the merchandise is new, the salesperson can present it properly only if he has obtained the following types of information:

1. What new features it has.
2. How each of the new features will interest the customers.
3. What special appeal it has.

4. What it may be used for.
5. How to keep it in good condition.
6. What guarantee it has.
7. How it can best be presented to customers.
8. With what items it may be suggested.
9. What items may be suggested with it.

If the merchandise is standard or familiar merchandise, it will pay the salesperson to accumulate the following information:

1. Which of its features interest the customers most.
2. For what it may be used.
3. How it is kept in good condition.
4. What special appeal it has.
5. With what it may be suggested.
6. What may be suggested with it.
7. How it can be presented.

Much of this information can be secured by studying the merchandise itself. The advertisements of the store and the manufacturer will supply numerous helpful ideas. In many instances the manufacturer or the wholesaler will supply booklets about the product that will give the salesclerk just the facts needed to sell these products. When in doubt, the salesperson should consult his employer or the wholesaler's salesman, who can answer many questions about the merchandise. Also if the clerk will listen to the comments his customers make, he will pick up many helpful hints.

*How to Apply Knowledge of Merchandise.*—If the salesperson has secured a good, sound knowledge of the merchandise that he is selling, he should demonstrate that knowledge by utilizing it. When talking about merchandise, he should use crisp, clear, specific language rather than general statements. For example, he might say, "This new razor is faster than the old one," or "Here is a razor that will cut 3 minutes from your shaving time," or "This razor has 27 per cent more cutting surface."

When utilizing the information regarding products, the clerk should, if possible, relate it to the buyer's circumstances.

He should not say, "This size is more economical," but "The family size will save you sixty cents each month."

Although the clerk may have acquired a considerable amount of specific information regarding the product, the customer should not be bored with needless technical information. The customer may need to be educated about the product; but if the clerk talks in technical terms that the customer doesn't understand, she only becomes confused and the sale is made more difficult. This problem is particularly acute for pharmacists. Many times they forget that their customers have not the same background of experience as they have. Information relating to the product should be conveyed in clear-cut, simple language—in terms that the customer can understand.

## The Approach

**HOW TO APPROACH CUSTOMERS.**—Undoubtedly, no point in the retail sale is more important than the approach to a customer. The salesperson, if she is to sell merchandise rather than "wait on" customers, must make that first impression so pleasant that the customer will say to herself, "Here's the place where I will buy," instead of thinking, "Perhaps I'd better go to some other store."

On the attitude at the moment of the approach depends largely the humor of the customer during the sale and even the eventual success of the sale itself. The clerk must secure the customer's undivided and favorable attention so that he will be able to demonstrate the merchandise under favorable conditions.

The clerk's first 10 words are more important than his next 1,000. People form snap judgments; they make up their opinions about others in the first 10 seconds, and this affects their entire attitude toward what the store has to sell them. The importance of this point can be more fully realized by comparing the retail store to a home, and the salesperson to a host. If he were receiving guests at his home, he would greet them graciously. His manner and voice would convey pleasure over the visit. Through comparison of the social visit with

a sales transaction it will more fully be realized why the approach must convey this same pleasant impression.

A good question for the salesclerk to ask himself is, "If I came into a store, what kind of clerk would I look for?" A little reflection will indicate that he himself would not pick out the "sourpuss," or the clerk who is supporting the shelving along the wall. He would look for a spark of cooperation, a flash of friendliness, a person who approaches him as if glad to see him and delighted to have an opportunity to help. That is what the clerk would look for if he were shopping. He should treat his customers in the way he likes to be treated.

The approach of the salesperson should indicate to the customer that she is welcome, that she is not intruding or interrupting duties, and that it is a pleasure for the salesperson as host and representative of the store to receive her. The specific act of the approach of the salesperson, whatever it may be, should definitely indicate to the customer, "I am at your service and have no other thought than to help you to solve your shopping problem to your entire satisfaction."

The salesclerk must remember that the frame of mind of the customer who comes into his store today is different from what it would have been a generation back. Today's customer is in a hurry and wants to be told facts instead of vague generalities. It is up to the clerk to create desire in her mind by opening his sales talk with some interest-stimulating words. Make her eyes light up so that she will end by uttering this welcome phrase, "I'll take it now," instead of the fatal words, "I'll look around."

*Customer's Eyes Rest First on Salesperson.*—The first thing the customer notices about the clerk is his grooming. If she sees shabby shoes, a dirty shirt, or mussed clothes, she thinks, "If this person is careless in his appearance, how about carelessness in the merchandise he sells?"

The salesperson should expect to be the object of a more or less careful scrutiny, and recognize his responsibility to prepare himself for such attention. It is not our purpose at this point to discuss the fundamentals of correct dress and grooming, for the average salesperson appreciates the necessity of

them; but the importance of these points will bear some elaboration. Retail selling has been compared to a social event in which the customer is the guest of the store and the salesperson represents the store as a host or a hostess. It is, therefore, desirable that the clothing of the salesperson be in keeping with his position. Many stores dictate in detail the kind of clothing that may be worn by their employees but, in any case, the attire of the salesperson should be always neat, simple, inconspicuous, and appropriate.

Proper dress and toilet have a definite effect upon the salesperson himself. Although clothes do not make the man, they may add to the salesman's self-confidence. The consciousness of faultless appearance helps to remove any feeling of inferiority that may arise when well-dressed customers arrive. The well-groomed salesperson reflects self-respect, which demands added respect from the customer. At this point the question might well be raised, "Should the salesperson selling articles in poorer neighborhoods refrain from proper grooming in order that his appearance may be in harmony with that of his customer?" The answer is "No." It should not be necessary to wear expensive clothes; but most customers will avoid the salesman who looks unkempt, unless his work makes that appearance unavoidable.

*Promptness.*—One of the first factors in a good approach is promptness. People are usually willing to wait a reasonable length of time in a busy store in which all the salespersons are exerting themselves in caring for the wants of customers. But they resent standing around while employees arrange stock, add their tallies, balance their cash, arrange their hair, talk overlong with customers, carry on unnecessary telephone conversations, or gossip with other employees. While promptness is essential in approaching a customer, this should not be interpreted as meaning haste. The speed of the salesman's approach will be governed largely by that of the customer. If the latter is hurrying, the salesman will exhibit more haste in an effort to accommodate himself to his customer's mental state.

*Smile.*—The clerk should smile when he approaches a customer. Buying is really a pleasant experience and people buy



more readily when they feel cheerful. Perhaps the reader will recall the song, "There Are Smiles That Make You Happy." That familiar line of the song is better than a lecture for expressing the value of the right kind of smile. The clerk's smile should serve as his icebreaker, his "Pleased to meet you," his "Here I am, glad to serve you." Fortunate is the clerk who can give the customer and the world the kind of smile that says, "Here's a really friendly person."

*The Importance of First Words.*—As Elmer Wheeler has repeatedly said, "Your first ten words are far more important than your next ten thousand." Practically every sale is made or lost at the very beginning. The first words are crucial.

Salespeople should not use "bromides"—expressions that have been used so often that they no longer have meaning. Such greetings as

"Have you been attended to?"

"Have you been waited on?"

"Something for you?"

"Do you wish attention?"

"Do you wish to be served?"

have been "used to death." Customers are sick of them. If the clerk cannot make an approach as suggested below, then the next best thing is to greet the customer with a cheery "Good morning" or "Good afternoon."

As has been indicated already, people buy satisfactions, not merely merchandise. When they seem to be buying soap, they are really buying cleanliness. In buying antiseptics, they buy protection. In buying medicine, they buy health. The salesperson should keep this in mind from the start of every sale.

The clerk can readily apply this principle in his opening greeting to the customer. Instead of driving his customers away with "May I help you?" he can say "That is a new dentifrice we are featuring. It makes your teeth whiter." He should use the merchandise approach whenever possible.

**THE MERCHANDISE APPROACH.**—The merchandise approach is particularly effective for the casual shopper or

looker. What can the salesperson say to a customer that would get a different response than "Just looking, thank you?" The salesperson can say something with the accent on the merchandise. The customer in the candy department can be approached with, "That milk chocolate is especially appropriate for a gift. Isn't it wrapped attractively?" The lady admiring the electric clock can be greeted with "This Smith clock is one of the few timepieces that will successfully blend into a modern scheme. It is an authentic design."

The point of the merchandise approach is that the customer will have to give a definite answer or else display a lack of courtesy or breeding. The strongest selling point of the merchandise—the reason for its being, what it does—should be selected and used by the salesperson for his attention getter. Generalities should be omitted in the merchandise approach. It should give specific facts that add to the customer's knowledge concerning the goods and present definite reasons why she should purchase the merchandise.

Objections may be raised to this principle of "accent on merchandise" on the grounds that it may be appropriate in a large store where salespeople have time to think about "just-looking" customers, but that in the small store salespeople are too busy taking care of customers who know what they want and want it quickly. There is some validity to such a criticism. However salespeople are not busy all the time. In the "slower" periods the merchandise approach can be employed with good results. It can be dropped in the extremely busy times for a briefer greeting.

**QUESTION APPROACH.**—Properly used, the question form of approach can be most effective. But it is too easy for the salesperson to overdo the "question" in retail selling. Firing a barrage of questions at the customer is the method used by the lazy clerk to get a definite idea of the kind of merchandise wanted. When Mrs. Jones specifies what she wants, the goods should be brought out without such questions as "What price?" "What size?" "Have you some particular brand in mind?" or "How about the style?" Many customers do not know what size they want and, unless they are "sold," usu-

ally take the smallest. Sizes themselves are not standardized to any great extent, although much progress has been made on this phase of merchandising. The size of the package is of secondary importance to the customer.

Price is the last channel into which the salesperson should direct the customer's thought. Anyone intending to spend a small sum may be embarrassed to have to name it. Rather, let it be made obvious by her choice of merchandise. Often customers do not know how much they want to spend; thus it is possible to make larger sales by leaving open the question of price.

An important factor that should govern the number of questions asked of a customer is the condition of the salesperson's stock. If stocks are fairly complete, it is safer to ask questions than when stocks are depleted. In the small department it is wisest to ask few questions. The wider or more extensive the line, the more necessary it may be to ask questions to obtain some idea of what is needed.

**APPROACH SHOULD SHOW ANIMATION.**—No matter what form of approach is employed at a particular moment, the keynote of the salesperson's attitude should be animation. The power of animation is evident in the reactions of the theatergoers who turn out for one of Walt Disney's million-dollar epics. Disney gives life to the inarticulate—voice and human characteristics to the animal kingdom, and the public loves it. Animation behind the counter does not mean that the salesperson should grimace like the seventh dwarf or imitate the antics of that celebrated mouse the minute the customer comes within focusing distance. Animation here simply means that the salesperson's whole attitude and manner should be one of pleasant, active interest in meeting and serving the customer.

When the store is busy, instead of giving the waiting customer a dull, negative glance, or a blank stare, it is much better taste to give her a pleasant look of recognition that says, "I know you're there. I'll be glad to help you as soon as I can." An animated, pleasant demeanor even under stress will offset any feeling of confusion or haste in the mind of the

customer who is being waited on at the moment. It also serves to let the second, third, or fourth customer know that you are aware of her presence and that the situation is well in hand.

In whatever way the salesperson acknowledges the customer's presence, he, or she, should take into consideration the sterling values of everyday courtesy, consideration for the individual, and readiness to serve.

**EFFECT OF APPROACH.**—In concluding this discussion on the beginning of the retail sale, it is well to summarize the effect of the good approach, and also the effect of a poor one, on the customer, the store, and the salesperson.

A good approach—one in which attitude, appearance, and opening remarks are such as to impress the customers favorably—makes the customer at home in the store. Knowing that the salesman is ready and willing to serve her to the best of his ability, her mind is free to consider the merchandise offered. A poor approach repels the customer, creates a feeling of restraint and a disposition to be critical, and undermines the confidence that the customer ought to have in the complete ability of the store to serve her satisfactorily.

The drug store that has salespersons who are trained to begin sales properly profits by the good will that is built up in the minds of the customers. A poor approach will arouse antagonism not only toward the offending salesman, but also toward the store, and thus cut down trade. The salesman is the representative of the store, and his attitude is an important factor in “making or breaking” the store.

The salesperson benefits through good approach not only in augmented sales and growing lists of customers, but in satisfaction that comes from the mutual friendliness built up between the customer and himself. A poor approach not only decreases sales volume, but tends to make salespeople indifferent toward their work.

## Demonstrating Products

**HOW TO DEMONSTRATE PRODUCTS.**—The demonstration of specific products is largely a process of convincing the customer that they are the ones she should buy in preference to

any others. Each sale will be a success or a failure depending upon whether the salesperson has convinced the customer that these are the very best products that she can buy. To help in producing this conviction in the mind of the shopper, the salesperson should follow a number of simple rules.

*Sell from the Customer's Viewpoint.*—The clerk should sprinkle his conversation with the word “you” until it fairly drips from every sentence. This is the subject that is sure to interest the customer most. She is not interested particularly in the clerk or his problems or even the drug store. She lives in a little world of her own. If the clerk is successful in making a sale he will have to convince her that she is spending her money for her personal advantage. The surest way to do this is to use more “you’s” and fewer “I’s.”

*The Clerk's First Words Must Stimulate Her Interest.*—Salespeople should be instructed not to begin a conversation with “How’s business?” or “Do you need anything?” The first few words must crash the shopper’s mental wall of resistance so that she will listen to the salesperson’s story.

*Condense the Story.*—It is very difficult to hold the interest of Mrs. Customer on one subject for more than about 3 minutes, so the salesperson must make every minute count. He should not waste his time. If the clerk has not stimulated her interest within 3 minutes, he should switch to another type of appeal or move on to another product. It is absolutely essential that sales presentations be as concise and specific as possible. Squeeze every unnecessary word from the sales talk. The successful salesperson speaks in concise, pointed statements.

*Appeal to as Many of the Customer's Senses as Possible.*—The salesperson should appeal to the customer’s mind through the sense of sight, through the sense of hearing, through the sense of feeling, through the sense of smell, and if possible, through the sense of taste. It is well to remember that the sale is made in the mind of the customer and that there are five approaches to her mind. The more one can utilize them, the better are the chances for success. It has been said that the sense of sight creates impressions 26 times as rapidly as the

sense of hearing, so that the salesclerk who relies primarily on getting his message to the customer's mind through the sense of hearing alone does not make full use of the facilities at his command. Whenever possible, the article of merchandise should be placed in the customer's hands. If it is an edible, persuade her to smell it and even taste a sample. Impressions made by personal experience are much more forceful than those made by hearsay.

The alert clerk uses every possible avenue to the customer's mind. Each new avenue amplifies the message.

*Do Not Use Fancy Language.*—The salesperson should tell his story as if he were telling it to a schoolboy, using short, everyday words. He must remember that if the schoolboy can understand it, so could the cleverest college professor that ever lived. Clear-cut impressions cannot be created unless customers understand exactly what the salesman means.

Abraham Lincoln's speeches were effective because they were simple and to the point. Merchants and their employees can well profit from the experience of one of America's greatest men. Talk simply and to the point.

*Use Actual Facts and Figures. Avoid Generalities.*—The salesperson should prove to the customer that what he says is actually true. She will believe him if he can produce actual facts and figures. Generalities are sales poison. They create no clear-cut impressions in the prospect's mind.

*Prove That What You Say Is Correct.*—In addition to using facts and statistics the salesman can prove his statements by means of testimonials and tests. If Mrs. Jones has used the product successfully, Mrs. Customer should be told about it. Remember that the customer wants to be sure that she is not making a mistake. Prove by means of the testimonials that she is taking the correct course. They reassure the buyer.

*Be Sincere.*—The salesperson can create confidence in the mind of the consumer by being sincere. Avoid extravagant statements. Make early claims conservative. Be plausible in everything that you say. The most useful sales aid is the confidence that the customer has in the clerk and his statements. That confidence should not be jeopardized by insincerity.

*Present One Idea at a Time.*—The human mind can absorb only a limited amount of information at one time. The clerk should not try to bring out all the important features of a product. He should emphasize one or two that he knows will arouse the customer's interest and stick to those. They will lead to her buying. Ideas are not implanted in the prospect's mind by sending an idea to that mind only once. The significant features of the product must be repeated over and over. It is through repetition that ideas are firmly implanted in the prospect's mind. People believe that Ivory soap floats because they have been told time and time again, "It floats." Likewise, Chesterfield cigarettes satisfy because every time one sees a Chesterfield advertisement he sees the statement, "They satisfy." If the clerk tries to say too many things about his product, he only confuses his prospects.

*Talk with the Customer.*—Salespeople should not talk *at* Mrs. Customer, they should talk *with* her. If the customer has any doubt, let her ask the question. The clerk cannot know what is in the mind of the shopper unless she tells him. He gets her to take part in the sale and in that way lets her sell herself. He merely directs her mind and her thinking.

*Do Not Hurry the Customer.*—Buying is a serious business for the shopper and it takes time for her to make up her mind. The clerk should not be impatient. In many instances his ideas and his suggestions will be entirely foreign to her. It will take her some few moments to assimilate them and change her thinking habits. The customer must be given time to adjust her mind to new ideas or changes in old ones.

*Sell the Customer What She Needs.*—Good salespeople do not try to sell the customer more than she actually needs. A pharmacist's success is dependent upon the good will and confidence of his customers. If this is abused they will go elsewhere. A pharmacist once told a lady that the high price of digitalis about which she complained was due to the fact that it was all raised in greenhouses. When she discovered the truth, her confidence was lost.

# Effective Drug Store Salesmanship (Concluded)

## CHAPTER 13

THE FUNDAMENTAL basis for good drug store selling and a discussion of the initial stages in making the sale were the subject of the previous chapter. The present chapter concludes the discussion of the intermediate and final stages in the sale, and presents a consideration of some of the special problems with which drug store salespeople are faced.

### Meeting Objections

Every salesperson encounters objections and they must be intelligently handled if the sale is to be made. When the customer raises an objection the clerk should not be discouraged—in most instances these objections will actually aid him in making the sale. Objections do not always mean that the customer does not want to buy. In many cases they are merely requests for information. But regardless of whether they are requests for information or sincere reasons why the customer does not want to buy, they can be made to help the clerk close a sale.

There are several methods of handling objections, the most important of which are the “Yes, but” and the “question” method. Either one of these may be used very effectively in overcoming obstacles to sales success.

In handling objections, above all else a salesperson should not argue with the customer. The salesperson cannot win a



sales argument as the prospect can always end it by refusing to buy. No matter how strongly a customer objects to what you have to say, don't argue, as that would force the customer to assume a position from which she could not gracefully back down. An intelligent clerk does not place her in this position if he can avoid it. Objections must be handled tactfully, and the salesperson should appear to understand why the shopper might raise that particular objection.

**METHODS OF ANSWERING OBJECTIONS.**—When answering objections it is well to avoid long explanations as they incite suspicion in the other person. The objection should be met swiftly and with few words. A brief answer gives the customer less opportunity to “come back,” less opportunity to argue. The longer the salesperson talks, the more time the customer has to think up new objections. By directing the conversation, keep the customer talking.

“*Yes, But.*”—As a help in overcoming objections, the salesperson can utilize two magic words. They are “Yes, but.” He should appear to agree and then explain why the prospect might be wrong. For example, when the shopper says, “I cannot use two tubes of that tooth paste,” he should not say, “Oh, yes you can.” By answering in that way he is challenging her judgment and asking for an argument. If the argument follows, he has very little chance of making a sale. A better way to handle an objection of that kind is to appear to understand Mrs. Customer's attitude and reply somewhat in this fashion: “I can understand why you feel that way about it, Mrs. Customer. At first glance it does seem like quite a large quantity of tooth paste; *but*, it is only a few weeks' supply and you do save almost one-third.” An answer of that type is tactful and understanding, and avoids an argument. Use the “Yes, but” method whenever possible.

**Questions.**—Another very successful method of handling a customer's objections is to let her answer them herself. When she raises an objection, ask her questions the replies of which will lead her to remove the objection from her mind. For example, when the customer says, “A dozen is more than I can use,” the salesman might very effectively answer that objec-

tion by questions such as the following: "You use a new can of baby food practically every day, do you not, Mrs. Customer? At that rate, one dozen would just be less than 2 weeks' supply, wouldn't it? Since that is the case, a dozen isn't really too many, is it? In fact, Mrs. Customer, do you think a dozen is sufficient?"

A variation of the question method of handling objections is the "Why?" method. When a customer raises an objection that appears to be not entirely sincere or logical, it is well to ask her *why* she feels that way. This question places the customer, instead of the salesperson, on the defensive, and in numerous instances, the customer's resistance melts away. "Why?" is the most difficult one word for the customer to answer. For example, when Mrs. Customer says, "Smith hand soap is not so good a value as Jones soap," ask her "*Why?*" In many instances she will not be able to give sound reasons and, if she does give some, the salesperson is supplied with exactly the information he needs—the specific reasons why the customer will not buy. The "Why?" method, when skillfully employed, is very effective.

MEETING SPECIFIC OBJECTIONS.—Although the general methods of meeting objections were explained in the preceding paragraphs, it may be well at this point to consider certain of the more common objections that salespeople meet in drug stores and to demonstrate how they can be handled effectively. Naturally it will not be possible in every case to overcome these objections completely, but the suggestions contained herein are thought to be helpful. If the salesperson has been unable to answer satisfactorily any of the objections mentioned at this point, perhaps he can find here some suggestions that will be helpful.

"*The Price Is Too High.*"—Few objections are more frequent than this one. In many instances it is merely an excuse, but frequently it is a legitimate objection on the part of the customer. For one reason or another she feels that the price placed on the merchandise is too high. This may mean that she feels that the goods are not worth the money, that the goods can be purchased for less somewhere else, or that she cannot afford to pay the price.

In order to find an answer to this objection it is important that the salesperson should correctly determine what is the real difficulty that lies behind the objection, and then he should bend his efforts to remove that difficulty, if possible.

If the customer feels that the goods are not worth the price charged, it is necessary for the salesperson to build up more value in the prospect's mind by bringing out specific features. He must prove that the goods are worth the price asked and, if possible, he should emphasize that they cannot be sold for anything less. It is necessary to call attention to the quality of the material used, the attractiveness of the design, and the skill of the workmanship. If there are any exclusive features, these should be pointed out. If important distinctions can be made between the article shown and cheaper products, that should be done. An answer of this type is sometimes effective, "Yes, Mrs. Customer, this article does cost 20 per cent more, but it will give almost double the service. Considered from this point it is a real bargain."

When the customer says, "I can buy them for less elsewhere," the salesperson should know whether or not this is a true statement. He should also be familiar enough with the merchandise to know whether or not the competitive goods are identical. If they are not identical, the difference in the values can be pointed out. Whenever the same goods are offered by a competitor at a lower price, the salesperson is in a difficult spot. In such a case, a reply of this type is sometimes effective: "Bargain prices on some items come and go. Our competitors frequently use such prices as a means of attracting customers from time to time. The savings do seem very attractive and they are designed to appeal to you in that way. But there is a definite reason why they have offered this low price. It is done as a means of enticing you into the store. Then when you buy other merchandise they find it necessary to charge more than a fair price in order to make up a loss that they have taken on the item that lured you into their store. We could do the same thing. However, we feel that that is misrepresentation as it brings you into the store under false pretenses. All in all, our prices are as low as any. Our costs of doing business are low. In the long run, we can save you as

much money as, if not more than, our competitors, and you have the satisfaction of knowing that you are dealing with a store that believes in giving you a square deal at all times. You can have confidence in the merchandise and the prices in our store."

*"These Goods Are New to Me. I Haven't Heard about Them and I Dont Know Whether I Like Them or Not."*—"Yes, Mrs. Customer," the salesclerk may reply, "I can readily understand why you might feel that way about it. It is rather difficult to make a decision on new goods when you are unfamiliar with them. However, we investigated this merchandise very thoroughly before we purchased it. These products were made by reputable manufacturers, and they were thoroughly tested before they were placed on the market. We are extremely cautious in purchasing new products and we place our O. K. upon them before we put them in our stock. You may feel absolutely safe in selecting these."

*"I Cannot Afford It."*—In many respects this is one of the commonest objections that the salesperson has to contend with. In some instances the objection arises because the prospect has not been thoroughly sold on the product. In that case it is necessary to continue to build up an appreciation of value in the customer's mind. Show him new features regarding the product.

A very effective method of handling the "I cannot afford it" objection is to minimize the price, either by means of comparisons or by presenting price in such a way that it appears insignificant. For example, "I can understand how you might feel that way about the price, but the difference between the two products is less than the cost of a package of cigarettes" or "You can enjoy this product at a cost of less than 3 cents a day."

Some salesmen have found a reply of this kind very effective: "Can you afford to be without it?"

*"I Will Have to Think It Over."*—This objection may be the indication of a chronic procrastinator, or it may mean that the prospect has not thoroughly appreciated the value of the

article. If the salesperson has reason to believe that the objection comes from a true procrastinator, then it is necessary to meet the problem face to face and attempt to get the customer to act at once. Show her that it will be to her advantage to buy now instead of waiting.

When the salesperson has reason to believe that the objection is not that of a procrastinator, but is probably due to a lack of conviction, the only recourse is for him to repeat some of his story in an attempt to build up value in the prospect's mind. In some instances it may be necessary to ask if the customer has certain questions regarding the product. The salesperson should always remember that a lack of understanding may lead to a lack of interest.

*"I Can Get Along without It."*—When the customer postpones a purchase, an answer of this kind is frequently successful: "Yes, certainly you can, but the point is can you afford to do without something you need and could use advantageously?"

*"That Article Is Nationally Advertised; It Costs Too Much."* The salesperson occasionally meets objections to national advertising. The most usual one is that it costs too much and therefore raises the price to consumers. To many people national advertising seems a vague something that confronts them in terms of higher costs. They have heard that a double spread in a magazine has cost \$17,000 for one issue, that a certain radio program costs \$10,000 each Sunday evening, or that some company spends more than \$2,000,000 for advertising in one year.

Much of the resistance to advertised merchandise is based on an inadequate knowledge of expenditures for publicity. In most instances, even though the expenditure for a single advertisement may appear to be considerable, it is insignificant when computed on a per unit basis. Advertising costs in general average about 3 or 4 per cent of the retail price. On a unit basis this is negligible. For example, the advertising cost of a popular 5-cent drink is but a small fraction of a cent. It is less than 1 cent on a package of cigarettes, while

the tax is 6 cents. If the salesperson will call attention to this information, he can usually remove the objection from the customer's mind.

## The Close

**HOW TO CLOSE THE SALE.**—Next in importance to the first 10 words are the last few. The good salesperson learns how to close a sale quickly and successfully. When the clerk feels that the customer is about ready to buy, he should not drag out the sale—he should try for a close.

If Mrs. Customer does not buy when the salesperson has presented his story, one of three fundamental reasons is probably responsible: (1) she probably has not been made to see enough value in the merchandise; (2) she may feel that she can get something better elsewhere; and (3) the reason may be the human tendency to procrastinate. The best method of handling the first two situations is to review or summarize some of the talking or principal features of the product that the salesperson is attempting to sell. By doing this he will help the customer make up her mind. Show her the value of the product. She will buy the product when she feels that it has more value to her than competing products.

If Mrs. Customer's reluctance to buy is due to the tendency to delay, it may be necessary to go back and repeat some of the sales talk in order that she may be given a little more time to make up her mind. At the same time, she should be reassured that she is making no mistake. The salesperson may tell her, "You will never regret this purchase," "Here is one product that you will really be glad that you have purchased," "The sooner you have this item, the sooner you will enjoy it."

*Ask "Which?"—Not "Will You?"*—When the customer appears to be about ready to make up her mind whether or not she should buy the product, the clerk should not ask whether she will buy or not, he should assume that she will buy. He should never ask, "Will you buy?" or say, "If you buy," but he should ask "Which do you prefer?" or "When do you want this delivered?" The salesperson should not give the customer an opportunity to choose between something

and nothing. He should give her only an opportunity to choose between something and something. Instead of saying, "Do you wish to buy this tube of tooth paste?" ask "Do you prefer the 25- or the 45-cent size?" Instead of saying, "Why not buy now?" say "Do you want this wrapped with the other items or do you prefer it wrapped separately?" The clerk should remember that he must help Mrs. Customer make up her mind and, if there are any doubts in that mind, he must help to remove them.

When nearing the end of the sale, it is helpful if the salesperson lets the customer know that he expects to make the sale. Confidence is contagious and so are fear and timidity. The clerk should always act as if he expected to make the sale.

### Suggestion Selling

In today's highly competitive drug store merchandising, every successful drug store must get and hold a satisfactory volume of sales with a gross profit sufficient to cover all operating expenses and leave a fair profit for the owners of the business. Some sales volume will be obtained merely because the drug store is convenient to a group of persons. However, few stores can operate profitably if they depend solely on the business that comes to them as the result of the convenience. It is necessary to build up extra sales volume through suggestive selling of some kind.

The extra sales volume necessary for profitable operation can come from one of two sources. A store may obtain greater sales either by attracting more and more customers from a wider and wider trading area, or by selling more and more goods to the customers that the store already serves. These two methods may be called, respectively, "extensive sales promotion" and "intensive sales promotion."

Intensive sales promotion is not nearly so widely applied as is extensive sales promotion. Most merchants feel that their greatest opportunity for increasing sales volume is by obtaining more customers. In many instances they almost forget about the possibilities of selling more merchandise to the customers that they already are serving.

Intensive sales promotion may not be so spectacular or so dramatic as extensive sales promotion, but it is probably more profitable. It is a quiet operation—a performance that requires a high degree of skill and knowledge.

**SUGGESTION SELLING, A FORM OF INTENSIVE SELLING.**—The basic feature of intensive sales promotion is suggestion selling. It means aiding the customer to buy more goods so that the sales of a store with its present customers will be increased. This does not mean loading up the customer. In fact, loading up the customer, particularly with unwanted goods, would defeat the entire purpose of intensive sales promotion. Such a procedure would only antagonize and drive away the store's present customers and so destroy, rather than build up, its trade. The purpose of suggestion selling is to think for the customers and to stimulate their thinking for themselves on ways and means of obtaining greater satisfaction.

The right kind of suggestion selling is of real value to the store's customers, as it saves their time, energy, and money. Good suggestion selling offers goods that the customer may not know of or would normally think of.

Successful suggestion selling depends on a wide-awake salesperson, one who is alert for opportunities. It is not merely asking the purchaser of a razor, "How is your supply of razor blades?" That is an outmoded and overdone selling technique.

Good suggestion selling is based upon a salesman's knowledge of his customers and his ability to think for them as if he were in their places. A salesclerk cannot be successful in selling unless he can put himself in his customer's place.

Let us suppose that Mr. Benson has come into the store to buy some shaving cream. The clerk who does not realize the opportunities of suggestion selling would probably allow this customer to walk out after making this one purchase. However, the alert salesperson says to himself, "How else can I serve Mr. Benson and at the same time help my boss make more money? Oh, yes, Mr. Benson is married and he is on his way home. Perhaps his wife would like some chocolates. He may not have thought about taking home a little gift to her. Perhaps I can double my sales by saying to Mr. Benson with



a smile of good will, 'You would please Mrs. Benson by taking her a box of these fresh chocolates tonight.' ”

If Mr. Benson is a pipe smoker, it may be possible by a suggestion to interest him in pipe-cleaning fluids or brushes. If a salesperson is alert, he will find numerous opportunities for increasing his average sale.

**OBNOXIOUS SUGGESTION SELLING.**—Not all suggestion selling is valuable, because in many instances it antagonizes the prospect. There is good suggestion selling and bad suggestion selling. Selling of this type must fit the person, the time, and the occasion. Many things masquerade under the name of suggestion selling. The barber who attempts to get his customer to take a shampoo, a singe, and a massage along with a haircut is, in many cases, extremely obnoxious if too persistent. Unintelligent suggestion selling may do more harm than good. Most customers are irritated and bored by efforts to sell them what they do not want or do not need.

On the other hand, suggestion selling properly and intelligently carried on solves consumer's problems. It wins consumer's approval because it adds to consumer satisfaction. It builds trade and it increases the sales and profits of a drug store when it is properly done.

**TYPES OF SUGGESTION SELLING.**—Good suggestion selling is not something that comes spontaneously or by nature to salespeople. It is based on an intelligent and careful training program. It is necessary for the pharmacist to demonstrate the value and the method of good suggestion selling to his employees. It is not enough to say to salespeople, "Suggest new items to your customers." Salespersons must be taught how to suggest new items.

In the following paragraphs are described a few simple but highly successful methods of suggestion selling. Each of these methods has been practiced profitably by successful pharmacists.

The first and obvious method of suggestion selling is known as concentration sales. This means an attempt by the salesperson to urge the buyer to purchase more than one unit or a larger package of goods than she came in to get. It means sell-

ing larger quantities. The principal selling reason is usually an appreciable saving in money, but it is also a saving in time and energy and buying and using. Good examples of this type of selling are

“The price is 49 cents each. You can purchase three of these for \$1.29. You would like to make the saving, would you not?”

“You can use more than one, can you not? This item is on special sale today and you can purchase three for the price of two.”

“It is always convenient to have an adequate supply around the house. Would you not like a half dozen of these?”

A second and elementary method of suggestion selling is the companion sale, in which goods that are ordinarily used with an article asked for by the customer are named and suggested. This is a type of companion selling frequently used but often badly done. An example of this type of suggestion selling is urging the customer to buy razor blades when he buys shaving cream. It is not enough merely to ask “How are you fixed on razor blades?” or “Do you need some razor blades?” When offering companion merchandise, it is necessary to say something interesting and enlightening about the companion article. Say “Here is a new razor blade that has been especially tested for use with the shaving cream you just purchased.”

A third type of suggestion selling is the mention of new goods that have just been received by the store and in which the customer may be interested. Examples of suggestions of this type are “Have you seen the new toothbrush that has been advertised in the national periodicals recently?” or “Here is an article you will be interested in. It came in just today.”

A fourth method of suggestion selling is to push specials. Every drug store should feature two or three lines of popular goods each week and a special price for special suggestions. As a salesperson waits on a customer, he can call her attention to these specials one at a time. Most customers will appreciate the suggestions, since they really are bargains. If she is in

need of the goods or might need them soon, she is very likely to make an additional purchase, which she had not intended to make when she came into the drug store. If an item is featured in window displays or in national advertising, it can profitably be brought to the attention of the customer.

A fifth type of suggestion selling is to give greater emphasis to the better quality goods, particularly during times when consumers have more income or purchasing power. This is called "trading up." Salespeople who adopt this practice not only increase their sales volume but in many instances they help to create greater customer satisfaction. Many salespeople hesitate to suggest better grade merchandise for fear that people always want to buy the cheapest. However, that is not the case. Consumers are not always looking for the cheapest merchandise. What they want is the merchandise that represents the greatest value. Quality merchandise is usually a better value and consumers will not hesitate to buy products of this nature if they are approached in the right way.

### Some Special Problems

**REPLACEMENT SELLING.**—Closely related to the topic of suggestion selling is that of replacement selling. There are many opportunities in every drug store to increase the sales volume to customers by the effective handling of replacements. Frequently customers come into the store and ask for items that the drug store does not carry. In some instances shoppers will ask for articles that the drug store obviously should not carry. However, in many other cases they will ask for items that are temporarily out of stock or for brands that the store does not carry. In situations of this kind, some attempt should be made to secure this business, as otherwise it may go to a competitor.

The best method of avoiding the loss of sales due to the items being out of stock is to carry an ample supply of all the popular brands. However, even though a drug store does carry a large and representative stock, there will be occasions when customers will ask for goods that the store does not carry. Under these circumstances, there are several courses

open to the salesperson. The quickest way to handle the situation is to say to the customer, "I am sorry, but we do not have that article." Naturally this will settle the matter, and it will also get rid of the customer. A much more effective way of dealing with the matter is to reply to the customer somewhat as follows: "I am sorry that we do not have that item, but please let me get it for you. If you will give me your name and address, we can have it delivered to your home within a very short time."

This second method is a much more effective way of treating these requests for out-of-stock merchandise. However, it is not necessarily the very best method. If practiced too extensively, it means a number of special orders and deliveries to be handled at very high cost. It is also very expensive for the wholesaler, who must supply any merchandise on short notice. If the item requested is an article that should be kept in stock, obviously there is no other way to take care of the situation. However, if the article is one that is infrequently requested, it may be better to switch the customer to some other item that is more popular.

When attempting to switch a customer from one article to another or from one brand to another, it is well to follow another procedure, somewhat as follows: "I am sorry, Mrs. Customer, that we have not that article, but I have three others here, every one of which will give very good service. Take *X* brand, for example, it has this feature and that feature, etc." This method of handling the request lets the customer know that you are anxious to satisfy her and at the same time it may enable the drug store to make a sale that would probably otherwise be diverted to some other store.

**THE CUSTOMER WHO IS LEAVING WITHOUT MAKING A PURCHASE.**—In many instances customers leave without making any purchases even after having taken up a considerable amount of a salesperson's time. The natural reaction appears to be to resent the intrusion and to demonstrate to the customer that the salesperson is dissatisfied. However, that is undoubtedly the wrong attitude to assume. Even though the clerk may think that the customer is unreasonable,

he should not let any customer go away with a feeling of resentment.

A customer who does leave the store feeling uncomfortable about her experience is very likely to remain away. Even though a person does not buy, she should be allowed to leave with a feeling of good will toward the pharmacist. There are several things that the salesperson can do to encourage that customer to return. Above all, he can be courteous. Every customer, whether or not she buys, is entitled to the most courteous treatment.

The salesperson should be a good loser. He should learn to smile pleasantly, no matter how painful the effort may be. People engaged in selling must learn to conceal their feelings on occasion. A customer leaving a store should go out with a feeling that the store has been anxious to do everything possible to help her. If this has been accomplished, she will be kindly disposed toward the store and the door will be kept open so that she will return another time.

**HOW TO DEAL WITH COMPETITION.**—One difficult problem for many salespeople is that of knowing how to speak about competitors. There may be occasions when the competitors are unfair or when they are attempting to sell inferior products at higher prices. However, the best practice seems to be to refrain from “knocking” competitors. Salespeople should be instructed to make no comment that will reflect on a competitor’s goods or on his ability or integrity as a merchant. Running down competition frequently has a “kickback” on the person making the derogatory statement. It is not necessary to “knock” competition in order to sell your own merchandise.

Merchants who have given the subject of competition considerable thought have found that the best policy is to concentrate on their own businesses. Whenever a competitor is mentioned, either in the way of praise or in a derogatory manner, that competitor is advertised. It is much better to keep the customer’s mind from other stores.

**WHAT TYPE MERCHANDISE SHOULD BE SHOWN FIRST.**—One problem that confronts the salesperson is as to what

quality or price of goods should be shown to the customer first. For example, when a customer comes in for mineral oil, the clerk can either suggest the top quality and the highest priced oil, the medium-priced oil, or the cheapest. In other lines of retail trade, the practice appears to be to suggest the medium-priced item so that the salesperson can step up or down very readily. Usually it is better to be in the position where the clerk can go either up or down. However, in drug store merchandising the best practice seems to be that of suggesting the best selling item first, or the most popular. It is better to offer the best seller first, regardless of its price, than it is to suggest a medium-priced item. The popular-priced item may be the cheapest or it may be the most expensive, but in any case, suggest the best selling item.

## A Summary of Selling Principles

**FIFTEEN RULES FOR DRUG STORE SALESPeOPLE.**—The following rules summarize much of the material presented in this and the preceding chapter. In many respects these rules might be looked upon as the “Fifteen Commandments of Drug Store Selling.”

1. *Greet customers promptly.* When people come into the drug store they are usually in a hurry and are pleased to be approached promptly.
2. *Remember names and faces.* No one likes to be forgotten or to have a clerk ask her name after she has once given it. Make a point of jotting down every day the names of new customers you have learned.
3. *Study your customer.* Clerks should remember that sales are made more readily if they know *why* the customer wants to buy.
4. *Know your goods.* A clerk should learn as much as possible about the merchandise he is selling so that he can answer the customer's questions about the product.

5. *Appeal to as many of the customer's senses as possible.* Reinforce messages to the customer's brain by utilizing all the avenues—the ear, the eye, the nose, the palate, and the sense of touch.
6. *Make things plain.* Use words that the customers understand. The most complicated product can be explained to a child if the clerk uses simple language.
7. *Tell the truth.* Do not lie or exaggerate, nor mislead or conceal. Make people realize that you are sincere, that you mean every word you say, and that every statement you make can be taken at face value.
8. *Do not argue.* Go with the customer, not against her. Lead, don't oppose. Do not show the customer where she is wrong; show her where she is right. Suggest, do not antagonize.
9. *Do not say "No"; say "Yes, but."* Use the "Yes, but" method of meeting objections.
10. *Say "Which?" or "When?" not "Will you?" or "If."* Assume that the customer will buy and offer her a choice between something and something else, not something and nothing.
11. *Suggest other merchandise.* Increase the average unit sale by suggesting companion items, quantity purchases, new products, and specials.
12. *Be agreeable.* Other things being equal, the customer patronizes the pharmacist who tries to please. Try to make a good impression on people. Let them know you like them.
13. *Be dependable.* Even in small things create the impression that whatever you promise is as much to be depended upon as your signed note.
14. *Sell what the merchandise does, not the product itself.* Customers buy comfort, cleanliness, and relief from pain—not cushions, soap, or pills.

15. *Remember selling goods is the greatest business in the world.* Selling merchandise is one of the grandest of jobs. It takes the best there is in a man. It is not a job for a second rater. It takes tact, intelligence, self-control, courage, persistence, and good humor. In return, it pays well and gives one an unequaled satisfaction of success.



# Merchandising Proprietary Medicines, Hospital Supplies, and Baby Goods

## CHAPTER 14

THE PRESENT-DAY pharmacist is engaged in a highly competitive struggle—the struggle to secure his rightful share of the consumer's dollar. He competes with other pharmacists and with other merchants selling entirely different types of products. In order to succeed he must meet the standards of merchandising efficiency set by some of the best retail brains in America. This is not an impossible task, for even the small pharmacist can compete successfully if he will combine sound merchandising methods and practices with the natural advantages he possesses as an independent operator.

Modern drug store merchandising has made tremendous forward strides since the First World War. New selling techniques have been developed, new products have widened the pharmacy's business opportunities, better operating methods have come into practice, and the physical equipment used by drug stores has been greatly improved. All these factors have been and can be utilized by the alert pharmacist to make his store more profitable.

Years of successful drug store operation have developed certain principles of merchandising. These are the same for every drug store, irrespective of where it is located or whether it is individually owned or is a member of some group of stores. The application of these principles may be conditioned by the size of the store, the locality, the capital invested, and other

variable factors. The important thing, however, is, to recognize the fact that the principles are universal and apply to all merchandising activities. Although application may vary with local conditions, the principles do apply in any situation.

**THE METHODS BY WHICH MERCHANDISING PROFITS ARE EARNED.**—Competition in the drug trade in its simplest terms is simply a struggle for the consumer's patronage. Pharmacists strive by means of lower prices, better merchandise, and better service to secure consumers' trade. If they do secure this patronage, they prosper. If not, they fail.

The pharmacist who takes advantage of every possible sales opportunity is the one who does the best merchandising job. He is the one who utilizes the four fundamental methods of creating sales volume and increasing merchandising profits: (1) increasing them by better buying; (2) increasing them by better selling and by sales promotion; (3) increasing them by better store operation; and (4) increasing profits by alertness in preventing losses and wastes.

These methods are given detailed consideration in the appropriate sections of this book. An additional discussion of particular policies that make for merchandising success is contained in Chaps. 24 and 30.

However, in drug stores of today the lines of merchandise carried are so many and so varied that many problems and policies of merchandising can be successfully discussed only in relation to the particular merchandise and service lines. The present chapter and the five that follow are thus devoted to a consideration of methods of buying, personal selling, display, etc., peculiar to the chief lines of drug store merchandise and services.

### Merchandising Proprietary Medicines<sup>1</sup>

Packaged proprietary medicines constitute a group of professional products within the drug store which must be merchandised somewhat differently from the more commercial items. Aggressive personal selling cannot be exerted on these

<sup>1</sup>"Today the packaged proprietary medicine which can be purchased in the drug store is sometimes erroneously referred to as a 'patent medicine.' The use of the term

products lest the pharmacist be accused of counter prescribing. However, that does not mean that the pharmacist cannot apply many of the principles of modern sales tactics to these products. He can still be courteous, considerate, pleasant, and patient while serving packaged-medicine customers. He can describe the product, explain its uses, and in other ways make it easier for the consumer to buy, but under no conditions must he be insistent or offer "medical" advice.

Because of the selling restrictions due to the nature of packaged medicines, the successful sale of these products is largely dependent on good display, an adequate stock, and the selection of brands that are well established among consumers.

Packaged proprietary medicines from the standpoint of sales volume, constituting as they do the fourth most important group of items in a drug store, with only the soda fountain, tobacco, and sundries, providing a larger volume of sales, might warrant some of the choice display space in the drug store. However, owing to the fact that these products are largely demand items and are seldom purchased on impulse, they are usually stocked toward the rear of the store near the prescription department. This is done so that the pharmacist

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'patent medicine' dates back several centuries when it was the custom of the kings of England to grant 'patents of royal favor' to individuals who catered to Royalty. 'Patents of royal favor' were given to the green-grocer, the bootmaker, the tailor, and those who formulated medicinal preparations for the royal family. The first record we have of a 'patent medicine' is in 1722 when a patent of royal favor was granted to the owner of a product known as Stoughton's Great Cordial Elixir. It is probable that George I found this preparation efficacious in the treatment of an illness. This medicine under the name of 'Compound Tincture of Gentian,' is still being used and is listed today in the *United States Pharmacopoeia*. We find that in 1743 a royal patent was granted on Dr. John Hooper's Female Pills. It is interesting to note that a British pharmaceutical journal of today still carries advertising of this product. There has been some discussion as to which preparation is the earliest 'patent medicine,' but it is generally conceded that this honor goes to Doctor Johnson's Golden Ointment (later known as Singleton's Golden Eye Ointment) which was put on sale in London in 1596 by a Doctor Johnson. Since then it has been sold continuously by the majority of chemist's shops in Great Britain. From this study of the origin of the term 'patent,' it is easy to see why proprietary medicinal preparations are sometimes erroneously referred to today as 'patent medicines.' Dr. Frederick J. Cullen, "Behind the Contents of the Home Medicine Chest," p. 13, The Proprietary Association of America, Washington, D. C., 1941

may have these items close beside the prescription room so that many unnecessary steps will be saved.

**STOCKING PROPRIETARY MEDICINES.**—Aside from the skill with which the pharmacist merchandises his entire store, the chief means of making packaged medicines profitable comes from carrying the right stock, and by the right stock is meant merchandise that has a ready sale at a profit to the pharmacist. In general, the proprietary items that qualify for the above classification are those that are well known to consumers.

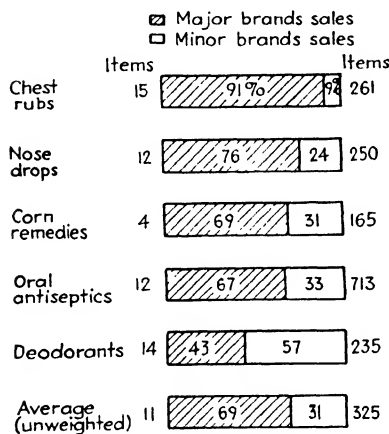


Fig. 39. Could pharmacists eliminate minor brands? (Reproduced with permission of the National Wholesale Druggists' Association from the report of an address by A. C. Nielsen reported in the N.W.D.A. Year Book, 1940.)

Every pharmacist should try to carry the items that his customers desire. A failure to have in stock what is asked for may result in lost sales, as is explained in Chap. 7, *Buying Goods That Will Sell*. But it is not necessary to carry everything that customers might request, as the cost of stocking minor and relatively unknown brands is not commensurate with the sales return. It is much better to lose some sales than it is to carry slow-moving items that in many cases will eventually have to be sold at a greatly reduced price or possibly discarded entirely.

Successful pharmacists have found that it is much better to concentrate on the well-established brands of proprietary items than it is to carry a wide assortment of relatively little-known items. It has been well established that the major portion of the sales of most types of packaged medicines is concentrated in a very few well-advertised brands. The following table prepared from data secured

by the A. C. Nielsen Company<sup>1</sup> reveals this clearly, as does Fig. 39.

Table 13.—Major and Minor Brand Sales of Five Representative Packaged Medicines in 1,000 Drug Stores

<i>Type of packaged medicine</i>	<i>Number of major brands</i>	<i>Per cent sales volume in major brands</i>	<i>Number of minor brands</i>	<i>Per cent sales volume in minor brands</i>
Chest rubs.....	15	91	261	9
Nose drops.....	12	76	250	24
Corn remedies.....	4	69	165	31
Oral antiseptics.....	12	67	713	33
Deodorants.....	14	43	235	57
Average (unweighted).....	11	69	325	31

A study of this table and chart indicates that it is to the advantage of the pharmacist to concentrate his efforts on well-promoted national brands.

Many of the larger drug stores have learned that it pays to promote the sale of well-advertised merchandise and this is particularly true of chain drug stores. Several chains will not allow their stores to stock brands which are not well established among the store's customers and which, therefore, are difficult to sell in volume. It has been found that the smaller stores are giving relatively greater emphasis to minor brands than are the larger stores. This is clearly shown in Fig. 39. It would appear to be to the advantage of the smaller independent stores to follow the example of the larger stores and give greater emphasis to the well-known brands of packaged medicines. This is particularly true now that so many of the advertised brands are under fair trade.

### Merchandising First-aid, Hospital, and Sickroom Supplies

Among the most profitable groups of merchandise sold by the drug store are the first-aid, hospital, and sickroom

<sup>1</sup> Nielsen, A. C., "New Facts of Special Interest to Wholesalers," National Wholesale Druggists' Association, *Year Book*, 1940, p. 308.

supplies. With an average gross margin of close to 50 per cent, this merchandise can contribute a sizable portion of the drug store's net profit.

From the pharmacist's viewpoint, first-aid and hospital supplies offer not only an opportunity for high-margin sales, but they also afford a very broad market. Practically every family has need of some merchandise of this type. Modern hygiene as publicized over the radio, in magazines, and in newspapers has made the American public more health conscious than ever before, and as a result the per capita sales possibilities on this type of merchandise are far greater than ever before. For example, a few years ago a majority of the so-called pharmacists' rubber sundries and sickroom needs were purchased only when someone was ill; but today, through the education of the public, many realize that a majority of the merchandise in these departments, while essential in times of sickness, is also very important in everyday life. This group includes such articles as hot-water bottles, fountain syringes, atomizers, household gloves, and, of course, all first-aid products, such as bandages, cotton, gauze, and other allied products that should be a part of the equipment of every home.

In addition to the medicinal value of these articles, many are purchased because of their adaptation to household uses. For example, a recent survey revealed that more than 60 per cent of the families in the United States had purchased adhesive tape for some other purpose than medical or first-aid requirements. Many use it for mending, sealing, or binding. Absorbent cotton is used, as well as facial tissue, by many women for applying or removing cosmetics.

**COMPETITION.**—Not all of the first-aid and sickroom supplies are sold through drug stores. Variety and department stores sell a very substantial portion, and the ten-cent stores alone are responsible for annual sales of more than three million dollars' worth of first-aid supplies. Despite the fact that in many ways these stores are at a decided disadvantage in competing for this business, they have done a fine merchandising job. The pharmacist's most potent competitive

weapon against the inroads of this comparatively new competition is the constant use of open display for first-aid and hospital products.

**THE SURGICAL SUPPLIES DEPARTMENT.**—The emergency nature of surgical dressings and sickroom merchandise directly associates them with the professional aspects of pharmacy. Many pharmacists regard them as second only to prescriptions in importance to the welfare of the community.



Fig. 40. A dietetic food display in a modern pharmacy (Meyer Brothers, Fort Wayne, Ind.).

It is, therefore, strictly logical to maintain a well-stocked “hospital-goods department” adjacent to the prescription department as shown in Fig. 41. The merchandise should be on view in at least a 6-foot display case.

**DISPLAY METHODS.**—Selected fast-selling first-aid items should be constantly displayed on an open counter or an open step-up rack, with prices plainly marked. This is essential if the drug store is to secure its rightful share of this business, as many of these items are purchased on impulse. One recent test by a group of drug stores showed that 44 per cent of the prescriptions filled suggested “accessories” to the medication.

As examples, any application of antiseptic requires sterile absorbent cotton. Any wound drainage should be protected with sterile absorbent gauze, and, of course, adhesive tape is needed to hold the gauze or bandage in place. A simple eye wash suggests sterile cotton. If these items are displayed in plain sight of the prescription customer, an added sale may be made.



Fig. 41. An effective hospital-goods display at the prescription counter. (Courtesy of the Midwestern Fixture Company.)

**INVENTORY PROBLEMS.**—It is extremely difficult to suggest a model stock, as the amount and variety of stock must be peculiar to the store environment and the characteristics of its patrons. It can be said, however, that household first-aid articles are in general demand, and any pharmacist should stock and actively merchandise adhesive tape, sterile gauze, gauze bandages, sterile absorbent cotton, ready-made adhesive bandages especially designed for minor injuries, first-aid kits, iodine, mercurochrome, aromatic ammonia, petroleum jelly, camphor ice, and similar products.



## Merchandising Baby Goods

**OPPORTUNITIES FOR MERCHANDISING BABY GOODS.**—No department in the pharmacy presents a better opportunity for development of new business than does the baby-goods department. There are approximately 8,600,000 babies under four years of age in the United States. Some 2,200,000 babies are born each year, or 37 for each drug store in the nation. That means—to the pharmacists of the country—millions of mouths to be fed with specialized foods, millions of tiny bodies that must be kept healthy, millions of customers for all sorts of things that the drug store is better equipped to provide than is any other agency. These 8,600,000 babies constitute for alert pharmacists one of the greatest single opportunities known for building health-division business and at the same time for cultivating the lasting confidence and friendship thus well served.

Children four years old and younger and expectant mothers are among the largest potential users of prescriptions. Also, they may be counted upon as consistently steady users of countless other products, once the store has won them as customers. No class of customers provides a richer field for drug store promotion.

A recent survey by Drug Topics provides the information that, if the business of supplying baby goods were divided equally among all drug stores in the United States, it would amount to a little over \$5,180 per store per year, approximately \$14 a day. But neither this business nor any other is divided equally among all drug stores. The merchandising of baby goods does not consist merely of setting aside one display case; filling it with nursing bottles, talc, baby oil, prepared foods, etc., which are usually stocked in widely scattered points throughout the stores; and putting up a sign lettered "Baby Department." Fixtures alone do not necessarily make a successful baby-goods department. Products of this classification must be aggressively merchandised. The stock must be displayed attractively and the department given adequate sales-promotion effort.

The establishment of a baby department does not mean that the pharmacist needs additional space. It does not necessarily mean that he needs additional stock—although it may. But it does positively mean that he must begin a new and concentrated effort to merchandise this particular class of service to this particular, highly preferred class of customers and prospects.

**WHERE AND HOW TO DISPLAY BABY GOODS.**—There is much to be gained by establishing a definite section of the store as the baby department. Accessory decorations in this section should be appropriately in baby blue or baby pink or both. A successful baby department cannot be developed merely by stocking baby goods, nursing bottles, etc. Such items must be merchandised in a dignified and professional way. But they must not be kept hidden in a drawer or a dark, drab showcase.

This department should occupy a prominent spot, either next to the cosmetic counter or in the rear near the prescription department. An ideal baby-department display fixture is a glass case about 6 feet long and 5 feet high with a sloping front. Neatly cut letters spelling "Baby Department" should be placed on the top of the case. Completely filling the display space should be a representative line of baby items, including bottles, thermometers, dusting powders, and the many other items needed to service the nursery in time of health as well as in time of illness. The top of the case may feature a Cellophane-wrapped scale and frequently changed signs. Bulky items, which do not lend themselves easily to attractive display, should be stocked in the wall case from the floor to the center of the wall. The central section of the wall case, which is usually open, lends itself well to the attractive display of cold creams and skin lotions. An attractive baby department is shown in Fig. 42.

**New Products.**—Many pharmacists find it advantageous to spotlight a new product frequently, thus calling the attention of mothers to it. This can easily be done, as by a Chicago pharmacy, which built a small white platform on one of the cases and hung a small spotlight immediately overhead. As

new products used in baby care arrive, each is placed under the spotlight and featured for a period of time. Mothers are tremendously interested in any new products that will make their work easier or that will make the baby more comfortable



Fig. 42. A sales-producing baby department (Spring Pharmacy, Springfield, N.J.). (Courtesy of Drug Topics.)

and happier. By spotlighting new products the pharmacist will not only make additional sales, but he will also establish a reputation for being regularly up to date with new items, and mothers will naturally think of his store first when they hear or read of something new.

The very existence of such a baby department in a drug store will attract the attention of customers and will impress them with the fact that the institution is specializing in baby goods and is apparently well stocked to meet the needs of the community. The display of associated items, as well, will undoubtedly lead to the purchase of additional articles by mothers who stop in for a can of talc and a few nipples.

**PROMOTING THE BABY DEPARTMENT.**—Just to have a baby department is not enough. It is necessary to promote the department in an aggressive fashion. The amount that can be spent on advertising this department will depend, of course, on what the budget will stand. The baby department should not be advertised at the expense of the other health or prescription divisions, but rather as a part of them.

*Window Displays.*—Many pharmacists attribute much of the success of their baby departments to attention-getting window displays. Baby toiletries, baby foods, as well as other items, provide excellent material for window use. Window displays cost very little, as attractive display material is readily available from manufacturers.

There are limitless possibilities for variety and effectiveness in baby-department windows. A whole series of windows might be planned, each devoted to a phase of baby hygiene, such as one on medicinals, one on baby foods, and another on nursery supplies—such as rubber goods, teething rings, and similar items.

A display of a large number of products tends to demonstrate the completeness of the baby-goods department. However, the pharmacist should beware of overcrowding and of creating a confusing mass of small items that has no unity.

*Booklets.*—If booklets are available for distribution to mothers, they should be displayed prominently in the window with a small sign announcing that they are given free on request. Similarly, if the store is staging any particular promotion, such as the free weighing of babies (a successful promotion feature for neighborhood stores), the fact should be

mentioned in the window. Counter displays featuring educational booklets are also helpful.

*Letters and Gifts.*—Many pharmacists contact the local hospital daily so that the names of newly arrived infants may be secured, or they obtain lists of new babies from the daily papers. The pharmacist can then dispatch to the new mother a letter or a gift—preferably both—complimenting the parents and offering an invitation to take advantage of the services that his baby department offers. This letter to new mothers should be as personal as one can make it. Since the pharmacist will seldom write more than one or two of these letters daily—if that many—they can easily be written individually, and be made more intimate by referring to “him” or “her,” according to the child’s sex, and by using, if it can be learned, the child’s first name.

The above type of letter can mention that a gift box is being sent or that a suitable gift awaits the baby at the drug store, and may be obtained by a visit from either one of the parents. Gifts may vary from a hot-water bottle in the form of a doll to a small savings bank with 25 cents in cash deposited in it. Small packages of baby powder and baby soap, a brush or comb, a bottle of olive oil, etc., make suitable gifts.

Letters should be sent to mothers whenever a new product is being announced, as the mother will be interested in all such items. Enclosed in such monthly letters may be folders supplied by manufacturers of baby items, reprints of articles on baby care that have appeared in various publications, and similar material of interest to mothers.

*Physicians.*—Letters to pediatricians and general practitioners announcing new additions to the baby department and telling of special services rendered to babies will bring their interest to focus on the drug store. Letters concerning the baby-goods department should not be sent to physicians who are specialists in other fields, such as bone surgery, heart troubles, etc., since they will rarely have occasion to use or recommend articles from the baby department.

**INFORMATION ABOUT BABY CARE.**—No baby department, however well stocked and promoted, can succeed unless the

pharmacist or the clerk who serves the customers not only knows the products stocked, but also is familiar with the way these items can be used. Besides, he should be able to answer almost any question that a parent may ask concerning the care of the baby. To do this successfully, the pharmacist must inform himself about babies and baby products. Many questions will be asked and, if they are left unanswered, the customer will go elsewhere for his information—and his baby products. The pharmacist must never encroach on the physician's province by prescribing for or diagnosing an ailment, but he should refer the mother to the physician. He should never attempt to recommend a baby's diet. That is the physician's province.

The pharmacist should be prepared and willing to give advice and adequate instruction in the use of appliances and baby necessities, thus rendering a valuable and much-appreciated service, especially to inexperienced parents.

A special attraction for mothers is the presence of a woman pharmacist. Mothers do not always feel free to consult the man pharmacist about articles to be used during pregnancy and articles concerned with the care of the breast during the feeding period, yet they feel quite at home when discussing such personal matters with the woman pharmacist.

It is often advisable to have available to mothers a small library of books on the care of the baby. Such a library may consist of as few as five or six books, or even less. This library service will impress the parents with the fact that the pharmacist is interested in the care of the baby, and they will then consult him on baby products and will patronize his baby department.

**MERCHANDISE STOCK FOR THE BABY DEPARTMENT.**—A modern baby department necessarily requires an up-to-date stock. Below is given a recommended list of items that will serve to supply a complete department of this kind. Many items may overlap with some in other departments; nevertheless, they should be included in the baby department. It would be well for the pharmacist to check his stock against this list, to be sure that he carries an adequate assortment.

*Medicinals*<sup>1</sup>

acetone  
 alcohol  
 ammoniated mercury ointment  
 antiseptic baby oil  
 anti-thumb sucking preparations  
 bicarbonate of soda  
 balsam of Peru  
 boric acid  
 boric-acid ointment  
 calcium lactate  
 camphorated oil  
 castor oil  
 cod-liver oil  
 gluten suppositories  
 glycerin suppositories  
 haliver oil  
 lactic oil  
 liquid petrolatum  
 lanolin  
 lime water  
 mereurochrome  
 milk of magnesia  
 olive oil  
 petroleum jelly  
 syrup of ipecac  
 tincture of iodine  
 tincture of green soap  
 viosterol  
 zinc oxide ointment  
 zinc stearate

*Foods, Milk, Etc.*

baby soups and vegetables  
 whole, modified, and  
 malted milk preparations  
 starch-free foods  
 diabetic foods  
 protein foods  
 carbohydrate foods  
 barley flour

arrowroot  
 glucose  
 malt syrup  
 sugar of milk  
 condensed milk

*Baby Toiletries*

fuller's earth  
 baby borated talcum and  
 dusting powders  
 baby-cream jars and tubes  
 baby oil  
 baby soaps  
 toilet-preparation gift sets

*Baby Toilet Articles*

toothbrushes  
 hairbrushes  
 nailbrushes  
 combs  
 sponges  
 toilet articles  
 covered jars  
 powder puffs  
 tinted facecloths  
 manicuring scissors

*Antiseptic Dressings and Surgical Supplies*

bandages  
 cotton  
 gauze  
 first-aid outfit  
 adhesive tape  
 tongue depressors  
 wooden applicator sticks  
 maternity supplies  
 oiled silk  
 layettes

*Miscellaneous Baby Needs*

nipples  
 pacifiers and teething rings  
 rattles  
 bottle caps

<sup>1</sup> From Drug Topics Publishing Company.

nipple shields  
 breast pumps  
 catheters  
 rubber pants and diapers  
 diaper bags  
 rubber sheeting  
 infant syringes  
 ear and ulcer syringes  
 hot-water bottles  
 eye or medicine droppers  
 miscellaneous fountain-  
 syringe fittings  
 rubber toys

*Infant and Maternal Sup-  
 plies, Appliances, and  
 Accessories*

nursing bottles  
 bottle warmers  
 bottle brushes and cleaners  
 graduates  
 funnels  
 measuring glasses and  
 spoons  
 atomizers  
 thermometers  
 canned heat  
 alcohol stoves  
 safety pins

scales  
 hot plates  
 toilet paper  
 infant cotton-tipped appli-  
 cators  
 thumb guards  
 other thumb-sucking pre-  
 ventive appliances  
 safety strap with leader  
 high-chair pads  
 baby toilet seats  
 commodes  
 diapers  
 croup kettles  
 wool soap  
 heating pads

*Baby Clothing*

sleepers  
 belly bands and belts  
 diapers  
 disposable diapers  
 shirts  
 pads  
 bibs  
 shirt stretchers

*Baby and Children's Toys,  
 Books and Greeting Cards*



# Developing Professional Business

## CHAPTER 15

ONE OF the surest and most permanent methods of making a pharmacy or a drug store a successful enterprise is to develop the professional services rendered by pharmacists. This is the portion of the drug store's volume of business that enables a store catering to the health needs of the nation to call itself a pharmacy or a drug store. With that designation, the pharmacy becomes in the eyes of the public a professional institution, which is separate and distinct from all other retail institutions. Other merchandising organizations may sell many of the same kinds of goods that are sold by drug stores, but only a pharmacy may compound prescriptions and dispense many types of drugs and medicinal products.

The fact that the task of caring for the country's prescription needs is reserved for pharmacists is both a heavy responsibility and an unrivaled opportunity for community service. At the same time, it is also a source of good profits for those pharmacists who develop this portion of their business enthusiastically.

### The Importance of the Prescription Department

A great amount of material has been written about the importance of the prescriptions to the pharmacist. Much of it is confusing, particularly statistical data. However, regardless of the exact extent of the prescription volume or profit

in drug stores, it can hardly be denied that the prescription department is still the "heart" of the drug store. Even though it may not be directly responsible for a major portion of the business done, it is indirectly responsible for a sizable amount of that business.

Table 14.—Prescription Business in the United States Drug Stores 1939

	<i>Nielsen Survey*</i>	<i>N.A.R.D.†</i> <i>Journal</i>	<i>Eli Lilly‡</i> <i>and Company</i>	<i>Drug Topics§</i>
Total prescriptions filled annually.....	145,000,000	180,000,000	203,644,851	223,695,446
Dollar value all prescriptions  .....	\$132,385,000	\$164,340,000	\$185,927,749	\$211,233,297
Dollar value per store¶.....	\$2,286	\$2,839	\$3,211	\$3,492
Prescriptions filled per store.....	2,504	3,109	3,517	3,698
Prescriptions filled per day per store.....	6.9	8.5	9.6	10.3
Dollar value prescriptions per store per day. . . .	\$6.30	\$7.76	\$8.76	\$9.40
Per cent of store's total sales volume secured from prescriptions.....	8.5%	10.5%	11.9%	13.5%

\* Nielsen figures computed from Survey, reported in *Journal of American Pharmaceutical Association*, March, 1940, p. 128. The A. C. Nielsen Company reported only data relating to the number of prescriptions per \$1,000 of drug store sales.

† N.A.R.D. figures computed from *National Association of Retail Druggists Journal*, Aug. 15, 1940, p. 1178.

‡ Eli Lilly and Company figures computed from "Lilly Digest of the 1939 Statements of 611 Retail Drug Stores," Eli Lilly and Company, Indianapolis, 1940, p. 2.

§ *Drug Topics* figures computed from *Drug Topics*, June 2, 1941, front cover.

|| All dollar values computed on an average price for prescriptions of 91.3 cents. This is the figure reported by Eli Lilly and Company for 1939.

¶ All per store figures except *Drug Topics* figures computed on the basis of 57,903 drug stores in the United States, as reported by the U. S. Bureau of the Census for the year 1939. *Drug Topics* reports 60,483 drug stores in 1939 and the per store statistics in column four are based on 60,483 stores.

**VOLUME OF PRESCRIPTION BUSINESS.**—The volume of drug store prescription business in the United States varies considerably in various sections of the country. It is said that the drug stores in the Southern part of the country enjoy a prescription volume that is relatively twice that of the pharmacies in the Eastern, Central and Western areas. This

is due in part to the relative absence of dispensing physicians in that area.<sup>1</sup>

Estimates of the number of prescriptions filled vary widely. Table 14 shows the data relating to prescriptions, computed from various sources. These data reveal a wide discrepancy in estimates of the number of prescriptions filled in drug stores, but the average is probably between eight and ten per day per store, aggregating from 10 to 12 per cent of the store's total volume of business.

Although the number of prescriptions filled in 1939 averaged probably from eight to ten per day, the majority of drug stores did not fill as many prescriptions as this. At least 30 per cent of the drug stores filled less than five prescriptions per day, as Table 15 shows. Inasmuch as the prescription figures quoted in this and the preceding paragraph indicate averages, and there are many pharmacies whose business is primarily professional, it is evident that many drug stores are handling only a nominal dribble of prescriptions. The proprietors of those stores might well ask themselves whether or not their prescription departments should not be made to pay and not serve as a mask for soda fountain and variety merchandising.

Table 15.—345 Drug Stores Classified by the Number of Prescriptions Filled in 1939

<i>Number of Prescriptions Daily</i>	<i>Per Cent of Drug Stores</i>
1 to 5	30%
5 to 10	28
10 to 20	25
20 to 40	13
40 to 100	4

Source: "Lilly Digest of the 1939 Statements of 611 Retail Drug Stores," Eli Lilly and Company, Indianapolis, 1939, p. 8.

**PROFIT OPPORTUNITIES IN THE PRESCRIPTION DEPARTMENT.**—Although the past few paragraphs have not painted an encouraging profit picture for the prescription department,

<sup>1</sup> *Journal of the American Pharmaceutical Association*, Practical Pharmacy ed., March, 1940, p. 128.

it is potentially a real money-maker for the pharmacist who will promote this department intensively. Not every pharmacist has the ability or the willingness to create a profitable prescription volume, but the opportunity is there for those who will study the merchandising problems present and then proceed to promote this department with determination.

Recent surveys have shown that apparently the professional phases of drug store merchandising are expanding at a rather steady rate. More prescriptions have been filled in recent years than previously. This is due in part to the fact that more people are being given medical attention than ever before. It is also partially the result of an advance in medical knowledge, which has made possible the successful treatment of many ills that were formerly thought to be largely beyond medical help. For example, there are more than 700,000 diabetics in the United States, 60 per cent of them dependent on insulin. By 1950, it is estimated that there will be more than 1,000,000. These customers come to the drug store regularly and purchase syringes and needles as well as drug products. This is a market that has been created in the past twenty years. A rapidly expanding opportunity for the sale of professional products is afforded by those suffering from allergies of one kind or another. It has been said that there are approximately eight million people in this country who are being treated for allergic conditions. Many additional examples might be cited of the growing professional opportunity in drug stores.

*Necessity for Making the Department Pay.*—In practically every department of the drug store, with the exception of the prescription department, the overhead and the capital investment can be made to bear a fairly fixed ratio to sales volume. If the pharmacist does not sell many cosmetics and toiletries, he does not carry a large stock nor does he employ a special saleswoman. The pharmacist who does not have a large fountain business, does not have an expensive fountain or an army of fountain attendants.

However, when it comes to the prescription division, an entirely different situation exists. A very definite minimum

stock of drugs and chemicals must be carried. Specialized equipment must be purchased. A registered pharmacist must always be in charge. The expenses incident to this stock, this equipment, and the pharmacist must be met, whether one prescription or one hundred prescriptions per day are filled. Considered from the viewpoint of obtaining a satisfactory return on the capital that has been and must be invested in the development of the prescription department, the promotion of this department seems essential.<sup>1</sup>

*Gross Margin and Net Profit.*—The net profit from prescription volume comes not only from a more rapid merchandise turnover and a better utilization of equipment and the pharmacist's time, but also from a relatively high gross margin. The gross margin on prescription volume is much higher than that for the store as a whole, providing approximately twice the average gross margin obtained on all drug store sales. The net profit is generally considered to be above 10 per cent for those stores filling more than twelve prescriptions per day. However, the pharmacies handling five or less are in many instances operating this division at very little net profit, if not at an appreciable net loss.

A close study of the Lilly Digest figures reveals that there is a pronounced tendency for total store profits to rise as the total amount received from prescriptions increases. The prescription department of the drug store adds prestige to the entire store and leads to many sales that could not have been made in other than pharmacies or establishments featuring items that are patently a part of a well-stocked drug store.<sup>2</sup>

As the number of prescriptions filled increases, the likelihood of unsatisfactory gross margins decreases for the whole store. Table 16 shows that the stores filling from one to five

<sup>1</sup> The U. S. Department of Commerce expressed the same sentiments in the National Drug Store Survey when this statement was made: "With a more or less fixed minimum inventory investment and the necessity for the presence of at least one pharmacist at all times, it appears that promotion of this department [prescription department] is of vital necessity if the capacity of the department is to be fully utilized in producing net profits for the store."

<sup>2</sup> "Tile and Till," pp. 100-101, Eli Lilly and Company, September, 1940.

Table 16.—Per Cent of Stores with Average Gross Margins under 30 Per Cent of Sales

<i>Number of Prescriptions Daily</i>	<i>Per Cent</i>
1 to 5	51%
5 to 10	21
10 to 20	25
20 to 40	17
40 to 100	25

Source: "Lilly Digest," 1939.

prescriptions each day comprised 51 per cent of the establishments that had gross margins under 30 per cent of sales. As the number of prescriptions filled increased, the percentage dropped markedly.

Prescription volume seems to have the effect of increasing the average net profit per dollar invested in all store merchandise. An examination of Fig. 43 shows that pharmacies filling one to five prescriptions a day enjoyed a return of only 20 cents on each dollar invested in store merchandise, while the return per dollar invested was two and one-half times as great in those stores filling forty to one hundred prescriptions per day.

*High Unit Sale.*—The average drug store's unit sale in the prescription department is about ninety cents.<sup>1</sup> As a result, many expenses are reduced and sales volume accumulates at an accelerated rate for those stores enjoying a good prescription business.

*Prescription Department Builds Volume.*—The promotion of the prescription department offers one of the very best methods of building store volume. If the pharmacist can create in the minds of the public and of doctors the belief that he is the one ideally equipped to handle the compounding of important prescriptions, he creates at the same time, the belief that his store is an excellent place to purchase all the things needed for the prevention and treatment of ills. Consumers purchase their health needs at pharmacies that have secured the confidence of the community.

<sup>1</sup> Various surveys have shown the average selling price of prescriptions to be from 78 to 92 cents. The Lilly Digest issued in 1940 gives an average of 91.3 cents for 1939.

Not only is the prescription division a source of volume from the sale of related merchandise, but its successful promotion can enhance store volume directly. If by judicious and intelligent promotion, the pharmacist can succeed in increasing his prescription practice by from one to three prescriptions

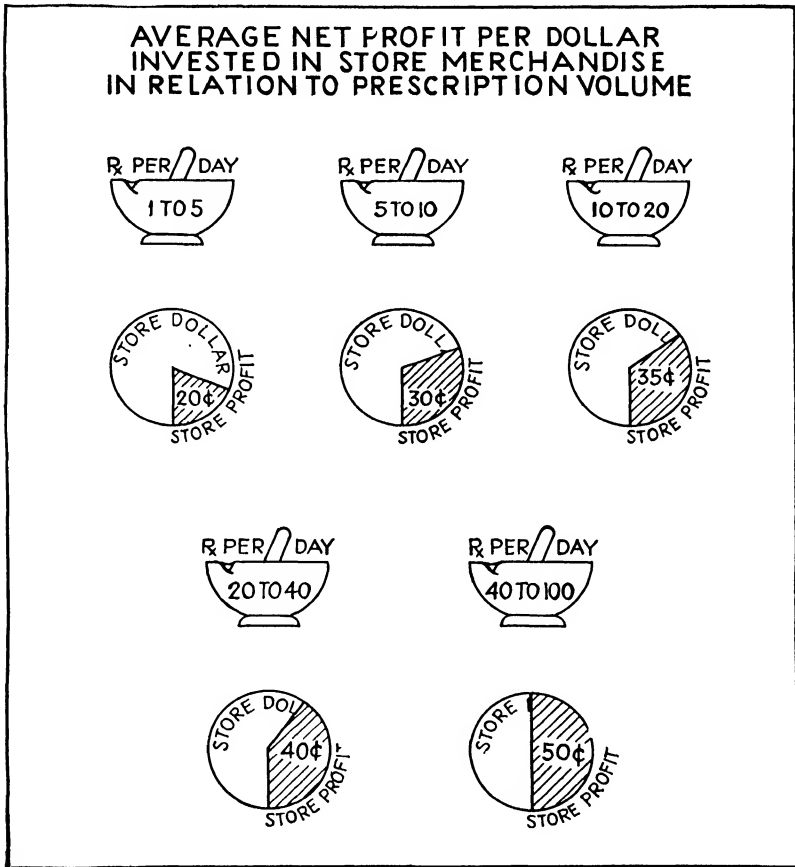


Fig. 43. (The Lilly Digest, 1940.)

a day, there will result an increase in sales of from \$300 to \$1,200 a year.<sup>1</sup> And besides, this increased sales volume is probably more inviting in the prescription department than in one of the commercial departments because it seldom involves any considerable outlay for stock replacement.

<sup>1</sup> "A Pharmacy Department Business Building Program," p. 5, The Mallinckrodt Plan Board, Mallinckrodt Chemical Works, St. Louis, Mo., 1936.

*Prescription Demand Relatively Constant.*—A major factor in the profitability of any department of the pharmacy is the week-to-week and month-to-month stability of demand and sales volume. Some departments experience a rushing business during certain parts of the year and a relatively slack business during other periods. School supplies and gift items are extreme examples. However, the number of prescriptions filled varies very little from month to month, as Fig. 44 shows. Although that chart was based upon a study confined to the city of Lafayette, Ind., there is every reason to think that for

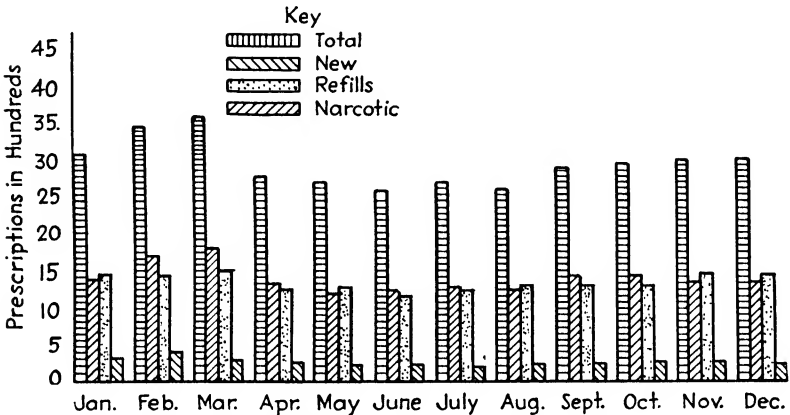


Fig. 44. Month-to-month distribution of prescription business in Lafayette, Ind., 1939.

practical purposes it is representative for the nation as a whole.

A department that does about the same volume of business each week can operate more efficiently than one that is faced with unstable weekly sales volume. The prescription department is the kind of department that does about the same volume of business each week.

**MARKET FOR ADDED PRESCRIPTION BUSINESS.**—Obviously, it is to the pharmacist's advantage to build up his prescription volume, but he may well ask, "Where can I secure this added business?" He can take some from other stores that are neglecting their prescription departments. It would appear, however, that the best opportunity for expanding pre-



scription volume lies in an improvement of the professional and commercial promotion of the prescription department to physicians and the public. It may be possible to change or at least modify the habits of dispensing doctors. As members of the medical profession gain more confidence in the pharmacy and become better acquainted with the facilities offered, they will direct more prescriptions to the store. Likewise, as people learn to have greater respect for the store and more confidence

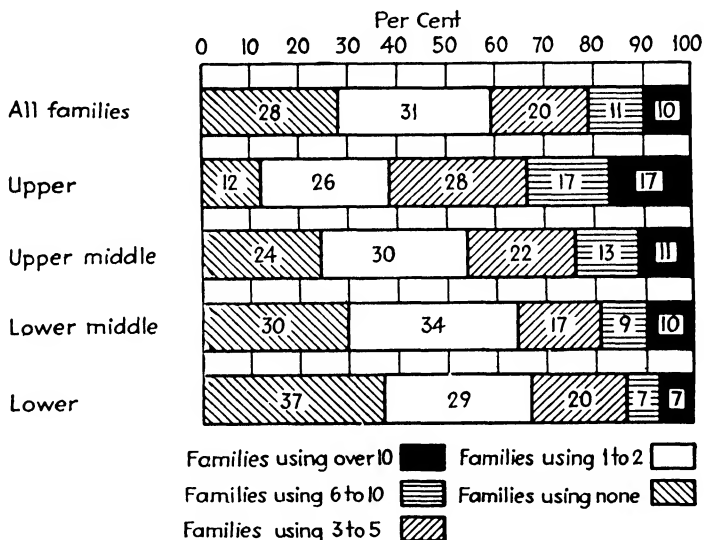


Fig. 45. Number of prescriptions obtained by families per year, by income groups (A. C. Nielsen Company).

in its competency, they will bring more new prescriptions in and will return also for more refills.

*Who Buys Prescriptions?*—Some pharmacists may feel that increasing the prescription volume may be possible for Pharmacist Jones, who has a pharmacy in the heart of the best residential district, while it is impossible for them, as their stores are located in the lower income areas. However, that belief is not substantiated by actual conditions. Pharmacies in the lower income areas can build up their professional business, as studies have shown that although consumers in the upper income levels do purchase more prescriptions than per-

sons in the lower income levels, the difference is not very considerable. Figure 45 shows the average number of prescriptions obtained per family by income groups. The families in the upper income bracket secure 5.6 prescriptions annually, as compared to 3.3 for families in the lower bracket. The average for all families is 4.1 prescriptions annually.<sup>1</sup>

The survey quoted above also revealed that 65 per cent of all families are potential customers for the prescription department and the majority apparently preferred to have their prescriptions filled at individually owned drug stores rather than in multiple-unit stores. Chain drug stores filled only about 9 per cent of the total number of prescriptions filled in the whole country, although they had almost 25 per cent of the total drug store volume of business. This number indicates that individual pharmacists have gained the confidence of health customers and, if they capitalize on this confidence, they may be able to expand their sales volume considerably.

## Developing a Satisfactory Prescription Business

The first part of this chapter has emphasized the opportunity that alert pharmacists, particularly individual pharmacists, have for developing their prescription business to the point where it will produce a very substantial proportion of the drug store's net profit. In order to accomplish this, the pharmacist must merchandise this division of his business intelligently and intensively. In the remaining pages of the present chapter are discussed the steps that the pharmacist should follow to achieve success in the development of the prescription and the professional phases of his business.

**STEP 1. IDENTIFY THE STORE AS A PRESCRIPTION HEAD-QUARTERS.**—The first step a pharmacist should take in developing a satisfactory prescription business is to let the public know that his store is primarily a pharmacy. This does not mean that it is necessary to turn the drug store into a so-called "professional" pharmacy, but the store's appearance should prove that the pharmacist is fundamentally interested

<sup>1</sup> Nielsen, A. C., "Solving Marketing Problems of Drug Retailers and Manufacturers," pp. 30-31, A. C. Nielsen Company, Chicago, Ill., 1940.

in the professional aspects of drug store operation. The prescription sign should be displayed prominently inside and outside the store, the store's letterheads and billheads should be attractive and have at least one pharmaceutical symbol on them,<sup>1</sup> and the prescription department should be placed so that it is in full view of the store's customers. Figure 46 shows a drug store with the prescription department so emphasized



Fig. 46. A well-emphasized prescription department (Hoehle's Pharmacy, Waukesha, Wis.). (Courtesy of Merck and Company, Inc.)

that anyone entering the door is immediately aware of the fact that this store is primarily a *drug* store. You have probably heard of the bewildered customer who said, "Is this a library? I thought we were in a drug store."

**STEP 2. INSTALL A PURELY PROFESSIONAL WINDOW OCCASIONALLY.**—An effective method of attracting prescription business is by means of professional window displays. Every drug store that hopes to develop a satisfactory professional volume should utilize show windows for this purpose. Effective window displays, such as those shown in Figs. 47 and 48,

<sup>1</sup> An inspection of 500 letterheads by *Drug Topics* revealed that 95 per cent had no pharmaceutical symbols.



which call attention to the professional services offered by the pharmacy, should be featured by the progressive drug store for a minimum of five weekly periods during each year. If the store desires to give greater emphasis to prescriptions, more window time can be devoted to professional displays.

At present, the majority of drug stores are not utilizing their windows effectively. Many are rarely changed and are



Fig. 48. A professional window featuring the photographs of all the local physicians (Standt-Neumann Company, Aurora, Ill.).

dirty, filled with cigarette displays, and poorly lighted. As a result, they do little to promote the primary function of the drug store—that of dispensing health. If these windows were occasionally devoted to prescription merchandise, they would help materially to increase store volume.

An example of the laxity of the majority of pharmacists in utilizing the prescription promotion possibilities of their windows is afforded by their failure to cooperate in "National Pharmacy Week." Despite the fact that pharmacists are of-

ferred, free of charge, window-display materials, and radio sponsors contribute valuable air time to promote the event, less than one out of six pharmacies cooperate each year.

Many pharmacists attempt to justify their failure to promote prescriptions by means of window display on the basis that it is difficult to trim such a window. In some ways this is



Fig. 49. A window which features an enlarged photograph of the interior of the prescription department (Standt-Neumann Company, Aurora, Ill.).

more difficult than other displays, as it is naturally more of a task to present effectively a professional service than to display a tangible product, such as a toothbrush or a bottle of mineral oil. However, interesting windows can be designed around the equipment used in compounding. Enlarged photographs of the prescription department offer opportunities for window displays, as in Fig. 49. The romance connected with

the origin of various drugs can be features.<sup>1</sup> Comparisons between modern compounding and that of fifty years ago are always interesting to consumers.

**STEP 3. EQUIP THE PRESCRIPTION DEPARTMENT ADEQUATELY AND MODERNLY.**—Customers prefer to bring their prescriptions to pharmacies that are modern and up to date. They want to feel assured that their medicines are being prepared with fresh drugs, with the latest equipment, in spotless surroundings, and by competent pharmacists. The right kind



Fig. 50. A semi-open prescription department (New Clare Pharmacy, Brooklyn, N.Y.). (Courtesy of Old Master's Associates.)

of prescription department can do much to bring the right kind of satisfaction to customers.

In order that the correct customer atmosphere may be created and the proper service rendered, the prescription department should be given a space of its own and segregated from the other departments in the store. The space best adapted to prescription compounding is the rear part of the store, as prescriptions are fundamentally demand items and customers will walk a considerable distance inside the store to reach the department.<sup>2</sup> Because it is situated in the rear, this

<sup>1</sup> Quinine from Java, aloe from Zanzibar, camphor from the island of Formosa, etc.

<sup>2</sup> Recently some pharmacists have moved their prescription departments to the front areas of their stores with successful results. However, it probably is still best to retain this department in the rear.

department must be made interesting and attractive. Figures 50 and 51 show a semi-open prescription department. This department, although in a store handling a wide variety of merchandise, cannot help conveying to patrons the impression that here is one store well equipped to render careful professional service.



Fig. 51. A close-up view of the prescription department shown in Fig. 50.  
(Courtesy of Merck and Company, Inc.)

*Layout of Prescription Room.*—In theory, the drug store prescription room is devoted only to the compounding of prescriptions and the preparation of official and unofficial products. But anyone who has visited any typical American prescription department soon discovers that the “prescription room” is, in fact, a far more complex space.

The usual drug store is laid out in two units separated by a partition, as shown below.



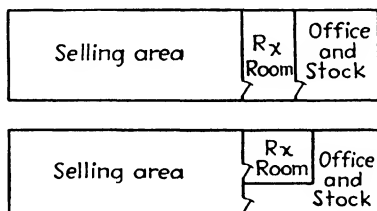


The front part of the store is given over to selling activities. Naturally, it is neat, well kept, and orderly. The prescription department is usually hidden behind a friendly partition. In most pharmacies the prescription department consists of the whole space between a dividing partition and the rear wall—a single, unpartitioned area. Naturally, this large hidden space seems to be a convenient place to hide unsightly things from the eyes of customers.

Many pharmacists do their bookkeeping and correspondence there, and a litter of papers is a common sight. Often, the back room is used as a receiving room and merchandise is unpacked and sometimes stored there. Employees usually hang their coats there.

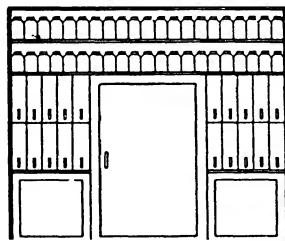
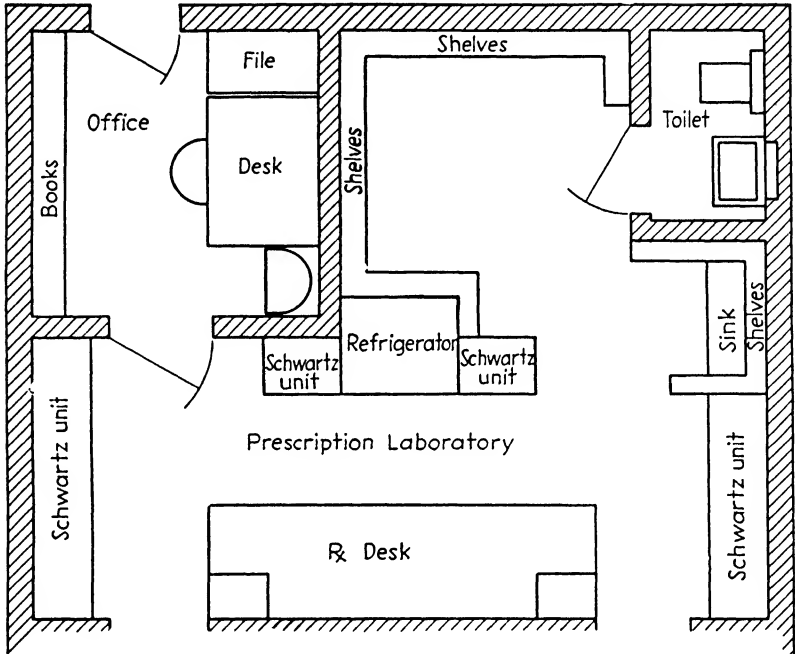
All these operations that usually take place in the back room, or “prescription department,” are quite necessary proceedings. The store must have some place to receive, check, and store incoming merchandise. The store employees must have some place to hang their clothing. There must be a spot where the proprietor can have his office. But that place should not be the prescription room.

The answer is, of course, simple. All that need be done is to partition off whatever space in the back-room area is needed and assign that space to the prescription department. In this area, scientific compounding of prescriptions in a clean, attractive atmosphere can take place. The cost of putting in a partition of this kind and painting the prescription room in spotless white will be negligible. The floor plans which follow show two possible ways to do it.



On the other side of the partition, next to the back wall of the pharmacy, all the other necessary store operations can take place, with the debris attendant upon their performance

barred completely from what has now become a true prescription department.



Front View of Refrigerator Unit

Fig. 52. A prescription-room layout for a 19-foot store.

With the partitioning off of the necessary space, it becomes much easier to clean the new, compact prescription department than it formerly was to clean the extensive back-room area. The minute that the pharmacist partitions off his prescription department as suggested, he finds that it is as easy

as possible to obtain and preserve the perfect spotlessness that he has always desired.

The two layouts shown in Figs. 52 and 53 are actual floor plans for successful prescription departments. Figure 52 shows a compact, yet highly efficient, prescription room in a 19-foot wide store, with the pharmacy office segregated in the rear, so that it does not interfere in any way with the process of filling prescriptions. Figure 53 shows how a 25-foot wide store space might be utilized to take care of the prescription-room, storage, receiving, and office functions.

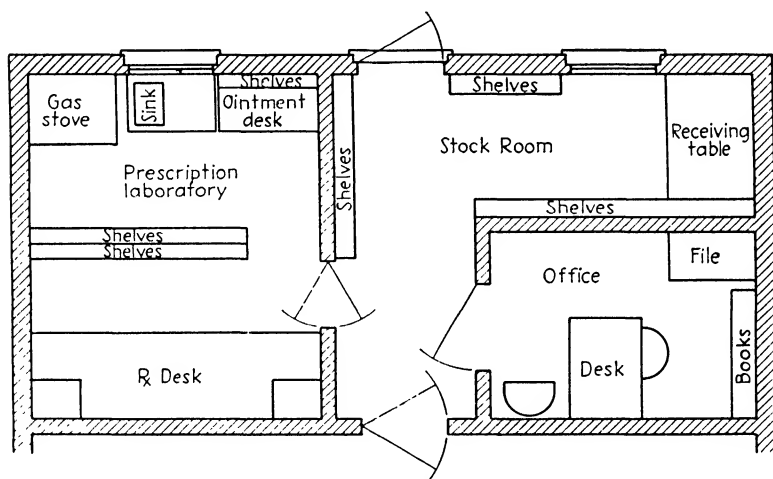


Fig. 53. A prescription-room layout for a 25-foot store.

Interior of the Prescription Department.—The interior no less than the exterior of the prescription department should contribute to the promotion of volume for this department, as well as to its efficient operation. Cleanliness and modern equipment are essential.

Figure 54 shows a prescription desk of a type that is being widely used in semi-open departments at present. The photograph reproduced in Fig. 55 shows the interior of a closed prescription room that creates the impression of professional skill and accuracy. This photograph illustrates two points that pharmacists in general can use profitably: (1) the typewriter, which indicates that labels are typed and not written by hand;

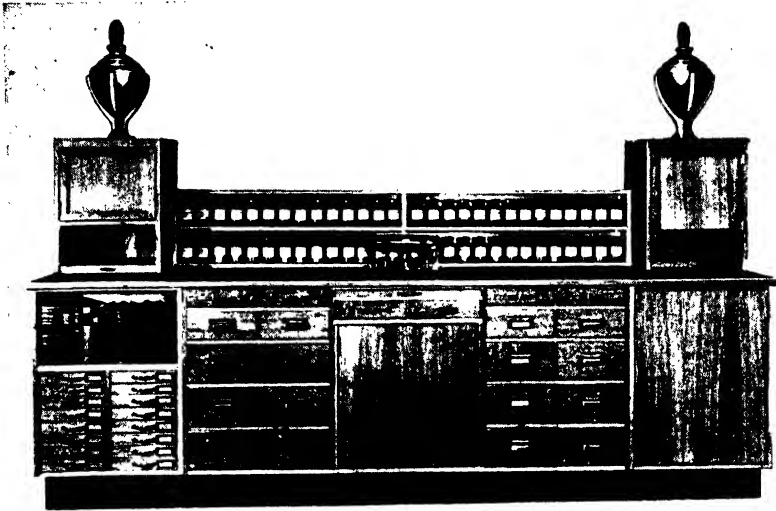


Fig. 54. A modern prescription desk. Note the space at the left for books.



Fig. 55. Interior of a closed prescription room (Brown's Prescription Pharmacy, Glendale, Calif.).

(2) the group of books, which show that the pharmacists working in this department can consult sources of pharmaceutical information that many pharmacists do not have at hand.

**Adequate Light.**—Because of the location of the prescription room, it is, as a rule, the most poorly lighted section of the store. Because of the brilliant lights flooding the remainder of the store, this section is frequently unnoticed. Unless the customer in the drug store is intent upon having a prescription filled, he is seldom conscious of the fact that the store has a prescription department at all. Just as it is vitally important to identify the drug store from the outside as a pharmacy, so it is important to focus the attention of the store visitor on the prescription department, once he is inside the store. This can be done by adequate lighting.

Adequate lighting in the prescription room costs little, but it adds materially to the appearance of the store and it helps to make the department plainly visible to customers. Also, proper lighting is necessary to accurate compounding of prescriptions.

**Cleanliness.**—The prescription room should be kept spotless at all times. Empty bottles and containers should be thrown away or, if they are to be reused, immediately washed and stored in a proper place. Clothing should be kept out of sight. Dirty towels should not hang from the edge of the counter, and receptacles should have covers on them. White paint should be used, as it looks clean. The entire atmosphere must be that of hospital cleanliness.

**Open and Semi-open Prescription Departments.**—Those pharmacists who are completely remodeling their prescription rooms or constructing new ones should give very careful consideration to two new types, which have been given much attention from pharmacists and the drug trade press in the past few years. These are open and semi-open types.<sup>1</sup>

Basically, the theories behind both types are identical. In both the customer is permitted to see the pharmacist at work—his clean, scientific working equipment—the long rows of bottles representing the stock that he carries for his customers.

<sup>1</sup> The semi-open department should be about 54 inches in height.

The prescription department shown in Fig. 56, which is semi-open, permits the customer to see operations carried on in the prescription room and at the same time provides an excellent opportunity for the display of drugs and merchandise. The prescription department illustrated in Fig. 50, which is semi-



Fig. 56. A modern and attractive prescription unit which permits some privacy for the pharmacist and also gives the customer a view of the pharmacist at work. (Courtesy of Midwestern Fixture Corporation.)

open, allows the pharmacist some privacy to handle operations which some pharmacists believe should not be generally seen by patrons (the handling of specialties that are merely repackaged and relabeled, requiring no compounding, etc.).

The effectiveness of some kind of open-type department has been proved by those pharmacists who have installed them. For example, a leading Boston pharmacist reported

that his newly equipped open prescription department increased his prescription volume more than 200 per cent. Many others also have reported imposing increases in sales volume.

**STEP 4. CARRY ADEQUATE STOCK.**—The fourth step in developing a satisfactory prescription business is to carry adequate stocks of prescription-room items. What may be an adequate stock for one pharmacy may be insufficient for another, as the size of the department and the demands of customers may differ.

In general, a prescription stock is satisfactory if it contains the following:

1. All ingredients frequently prescribed.
2. Only fresh ingredients of known quality and grade. It is particularly important to stress the point that only well-known and quality brands are carried. Only "pedigreed" drugs, biologicals, and pharmaceuticals should be stocked. United States Pharmacopoeia or National Formulary quality should always be specified, except in the case of specialties, or non-official drugs.
3. Stocks that are properly packaged for protection and preservation. Electric refrigeration for the protection of biologicals and other products should be provided.
4. Specialties that have been selected after close cooperation with doctors and detail men.

It may appear at first glance that it would require a very large pharmaceutical store to meet the above requirements, but such is not the case. Approximately 600 items is all that the typical pharmacist needs to carry in order to meet most of his prescription requirements and at the same time avoid overstocking. An analysis of 20,000 prescriptions by the Department of Commerce<sup>1</sup> revealed that 1,725 different ingredients were required to fill them. However, only 684 items were called for as many as five times each per 10,000 prescriptions. As the average pharmacy does not fill more than 2,500 to 3,500 prescriptions per year, it would seem that 600 prescription items distributed judiciously among chemicals, galeni-

<sup>1</sup> "The Professional Pharmacy," U. S. Department of Commerce, 1933.

icals, and manufacturer's specialties should prove adequate for most stores.<sup>1</sup>

The distribution of the items stocked should be somewhat in proportion to their present use in prescriptions. Various surveys have shown that the proportion of U.S.P., N.F., unofficial, and proprietary items has changed markedly over the years. Table 17 shows the distribution of the various group of items prescribed as reported by six different surveys.

Table 17.—Percentage Distribution of the Various Groups of Prescription Items

<i>Survey</i>	<i>U.S.P., per cent</i>	<i>N.F., per cent</i>	<i>Unofficial, per cent</i>	<i>Proprietary, per cent</i>
Ebert Survey, 1885.....	54.20	.....	38.80	7.00
Hallberg Survey, 1895.....	51.20	7.00	27.40	14.40
Hallberg-Snow Survey, 1907.....	38.47	15.15	19.43	26.94
Charters Survey, 1926.....	23.00	14.40	29.00	33.60
USP-NF Survey, 1931-1932 (1).....	15.22	10.44	33.27	41.07
Heine Survey, 1939.....	25.94	11.45	8.57	54.04

Source: R. E. Heine, "Prescription Ingredient Survey," an unpublished thesis submitted in partial fulfillment of the requirement for the Master of Science degree, Purdue University, 1940.

The percentages of official, unofficial, and proprietary items as they have varied in the six surveys is shown in the following table:

Table 18.—The Percentages of Official, Unofficial, and Proprietary Items, as Shown by Six Surveys 1885-1939

<i>Survey</i>	<i>U.S.P., per cent</i>	<i>N.F., per cent</i>	<i>Unofficial, per cent</i>	<i>Proprietary, per cent</i>
Ebert Survey, 1885.....	88.20	.....	9.20	2.60
Hallberg Survey, 1895.....	76.00	4.60	7.70	11.70
Hallberg-Snow Survey, 1907.....	85.08	6.15	1.60	7.17
Charters Survey, 1926.....	74.50	8.20	7.20	10.10
U.S.P.-N.F. Survey, 1931-1932.....	65.19	7.92	10.84	16.05
Heine Survey, 1939.....	46.91	13.55	3.83	35.71

Source: Same as Table 17.

<sup>1</sup> A list of these items can be obtained usually from a representative of the store's wholesale druggist or from manufacturers supplying prescription-department merchandise.



**STEP 5. PRICE PRESCRIPTIONS FAIRLY.**—One of the pharmacist's best bids for prescription business with both physicians and the public is reasonable pricing of prescriptions. Obviously, a fair price is an essential part of any plan for building business. However, pharmacists are not agreed on what constitutes a fair pricing system for prescriptions, and the numerous factors involved preclude the possibility of a simple solution of the problem.

In actual practice there are numerous pricing systems in operation, most of them being little more than rules of thumb. Some pharmacists charge a flat sum of 35 or 40 cents an ounce for liquid prescriptions, regardless of the cost of the ingredients or the time required to fill them. On the other hand, some use elaborate formulas that take into account the cost of the materials, the average markup, the cost of the pharmacist's time, a registration fee, a charge for the container, plus an added amount for store overhead.

Among the most logical pricing plans in use are the following:

1. The National Association of Retail Druggists schedule, which can be obtained from the N.A.R.D. for a small fee.
2. The plan recommended by Mr. Hugh Craig:<sup>1</sup> "Double the actual cost of materials, add twice the actual cost of the pharmacist's working time, plus cost of container."
3. The plan that marks up the cost of the ingredients 40 per cent of selling price or  $66\frac{2}{3}$  per cent of cost, plus a charge of \$1 to \$2.50 an hour for the pharmacist's time.
4. A fixed schedule for specific prescriptions that are filled frequently.

The adoption of a standard pricing schedule will not eliminate all pricing problems, as there are at least two remaining that are a constant source of trouble. The first is the pricing of refills, so as to avoid customer ill will resulting from overpricing. Some stores avoid this by placing a price code

<sup>1</sup> *Druggist's Circular*, July, 1940, p. 7.



**STEP 6. PACKAGE PRESCRIPTIONS NEATLY.**—Prescriptions should convey to the customer the impression that they have been prepared with meticulous care and cleanliness. The proper container can help greatly to create this impression in the customer's mind. Colored glass jars, bottles, and attractive boxes, with neatly typed labels, are used by many pharmacists who are attempting to stimulate the prescription departments within their drug stores.

**STEP 7. RENDER GOOD PRESCRIPTION SERVICE.**—The rendering of good prescription service is a necessary step in the process of building satisfactory volume in this field. The most important type of service the pharmacist can render is that of seeing that the prescription is filled accurately. This means double checking of all ingredients, measurements, and weights for possible errors.

Next to accuracy in filling the prescription, speedy handling and delivery are the best possible service that can be given. All prescriptions should, as a matter of course, be handled in the shortest possible time. When people are sick and in pain, minutes seem like hours. No prescription, no matter how unimportant it may seem to be, should be delayed a minute longer than necessary.

If the prescription is an emergency order, it should have right of way over all other work. It may even be worth while to make use of a taxicab for a rush delivery. Even though the cost of delivering in such a case may eat up the profit, the effect on good will may make the sacrifice profitable.

The pharmacist should treat the prescription customer courteously and, if possible, he should exhibit some interest in the person who is ill. It is well to say to the customer as the prescription is handed out, "I hope Mr. So-and-So will feel better soon."

**STEP 8. ADVERTISE THE PROFESSIONAL FEATURES OF THE STORE.**—Most pharmacists find it difficult to advertise their prescription service to consumers. Only the larger pharmacies with a considerable professional volume can afford to advertise regularly in newspapers. However, it does not follow necessarily that advertising cannot be utilized very success-

fully, as a number of pharmacists have demonstrated. The advertising medium that is particularly well adapted to promoting prescription business is direct mail. Letters sent to doctors, dentists, nurses, veterinarians, and to some individual customers can be made productive of much extra professional volume.

Letters are particularly effective, because they can be personalized and sent directly to the persons whom the pharmacist wishes to reach, thereby avoiding waste circulation. The doctor is the one individual on whom the pharmacist should concentrate the major portion of his professional advertising. The average doctor writes more than 1,300 prescriptions yearly, with a potential revenue of more than \$1,200, and in no other place can the pharmacist locate such concentrated prescription revenue. The doctor is the important individual to contact, not only because he writes the prescriptions but also because his recommendation of a pharmacy to fill the prescription is usually the determining factor. A Nielsen survey revealed that doctors, when writing prescriptions, recommend drug stores where they may be filled, and it was found that the recommended store was used in 81 per cent of the cases.<sup>1</sup> When one source controls that volume of prescription business, it should be solicited actively.

The cost of direct-mail solicitation is but nominal. If the cost of a letter is computed at 10 cents, for \$12 a year<sup>2</sup> a pharmacist can make 12 mailings to 10 physicians, who are probably able to direct to him a large part of \$14,400 worth of prescription volume that they write. This is a potential source of revenue that the pharmacist cannot afford to overlook.

*Building a Mailing List.*—Mailing lists can be compiled from classified directories, rosters of professional societies, and hospitals. A list of chronic sufferers can be secured from the pharmacist's own files and by noting the names of customers who ask for insulin and similar products. Brides' names and those of new mothers can be obtained from newspapers.

<sup>1</sup> Prescription Survey, The A. C. Nielsen Company, 1937.

<sup>2</sup> See Chap. 11 for estimates of advertising expenditures for pharmacists.

**STEP 9. DETAIL PROFESSIONAL MEN AND WOMEN.**—It has been shown that the average physician writes approximately \$1,440 worth of prescriptions a year. The very fact that this amount of potential business is in the hands of a single individual who lives close to the drug store naturally suggests the advisability of frequent *personal* contacts. Six hours per week devoted to detailing should materially assist the pharmacist in securing the patronage and cooperation of doctors in his community.

It is very well worth while to write the physician letters every month, as has been strongly advised, but personal selling is infinitely to be preferred to mail selling and is decidedly more effective. Yet, despite the obvious value of the physician's good will, too few pharmacists regularly contact and detail their physicians. This is largely due to a misinterpretation on the part of the pharmacist concerning the psychology of the physician and a fear on the pharmacist's part that the reception given to him in the doctor's office will be a cold and unpleasant one. This will not occur in most cases, provided the pharmacist on his visit has a message that is of importance to the physician. The practice of medicine, like the practice of pharmacy, is constantly changing. New discoveries are being developed as the result of research carried on in scores of laboratories, and the physician is anxious to keep abreast of progress. The physician, an extremely busy man, cannot be expected to devote the hours away from his practice to reading all the medical journals and learning of all the meritorious new products being developed.

For a great part of his information concerning the directions that therapy and internal medicine are taking, he must depend upon the detail salesmen of pharmaceutical manufacturers and those pharmacists who prepare themselves to give him such information.

Once a physician learns that the pharmacist who is calling on him usually gives him some valuable facts, that he gives this information rapidly and without any waste of time, and that the information is dependable, he will open his doors wide to that pharmacist.

Physicians appreciate full well that a pharmacist has a strong business-getting influence. Practically every physician recognizes that the good will of the neighborhood pharmacist means a great deal to him from a practical standpoint and will be most courteous to the pharmacist when he calls.

The major purpose of frequent calls upon the physician is to secure prescription business from him. The second reason for these frequent calls is to direct the attention of physicians

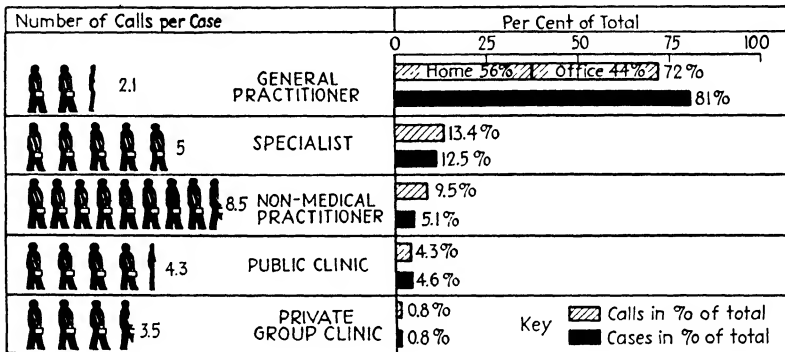


Fig. 58. Percentage of cases attended by general practitioners, specialists, and clinics. (Reproduced with permission of Modern Medicine Topics.)

to the preparations that the pharmacist stocks, so that they may prescribe them.

*Getting Physicians into the Store.*—One of the most effective methods used by pharmacists who contact doctors, when calls at their offices are impossible, is the creation of a pleasant and inviting spot in the drug store's prescription room where the physician may always find a hospitable reception—a calm, peaceful, and inviting place in which to spend a few moments of time between calls.

*Telephone Detailing.*—Every pharmacist can use his telephone to advantage. Whenever he has a message of real importance for the physician, a telephone call that tells a worth-while story and tells it quickly will be welcome. The pharmacist must realize, however, that no telephone detailing can possibly have anything but a fraction of the effectiveness of personal contact detailing.

*Types of Doctors to Detail.*—One problem that sometimes puzzles pharmacists is which doctors he should detail. Obviously the answer is the doctors who will direct the most professional business to his pharmacy. But it is not simple to select those individuals. Should the general practitioners, the specialists, clinic physicians, surgeons, or dentists be detailed? Figure 58 gives a partial solution to this problem. This figure, compiled from the results of a study by the National Institute of Health, shows that general practitioners should receive the major portion of promotion effort, as the great bulk of medical practice is still carried on through general practitioners. They attend 81 per cent of all people needing medical care and make 72 per cent of all calls. Specialists have but 12.5 per cent of the cases and make 13.4 per cent of the calls.

#### SUMMARY OF STEPS IN BUILDING PRESCRIPTION BUSINESS

1. Identify the store as prescription headquarters.
2. Install a purely professional window occasionally.
3. Equip the prescription department adequately and modernly.
4. Carry adequate stocks.
5. Price prescriptions fairly.
6. Package prescriptions neatly.
7. Render good prescription service.
8. Advertise the professional features of the store.
9. Detail the professional men and women.

# Merchandising Cosmetics and Toiletries

## CHAPTER 16

**SIZE OF COSMETIC AND TOILET GOODS MARKET.**—It has been estimated that the total volume of cosmetic and toilet goods sold in the United States in the year 1940 approached the staggering sum of \$471,200,000. This represents an average expenditure of more than \$10 yearly for each woman in the country. If that volume of business were divided equally among the nation's drug stores it would mean an annual sales volume of about \$8,600 per store. However, since the purchases of these items are not confined to drug stores, very few pharmacies manage to accumulate such a volume. Only 40 per cent or \$183,300,000. of the total toilet goods volume is sold through drug stores.

Drug stores that have made a sincere effort to merchandise cosmetics have been singularly successful. Many examples could be cited of drug stores that are doing extremely well with toiletries. The Westwood Pharmacy operated by Mr. Frank Eten in Westwood, N. J. does a cosmetic business of almost \$20,000 yearly, even though located in a town of but 6,000 people. A downtown Dayton, Ohio, drug store is securing more than 30 per cent of its total volume from the toilet-goods department. Many other stores are achieving similar records, but in each instance the store is merchandising cosmetics aggressively. In no other way can drug stores secure their rightful share of this profitable volume.



The amazing growth of cosmetic sales is due in large part to the extensive promotional efforts put forth by manufacturers and distributors of these products. It is said that more than \$42,000,000 each year is spent in nationally advertising these products to women. More money is spent in magazine advertising of toilet goods, cosmetics, and allied products than is expended by any other trade except by the grocery and automotive companies.<sup>1</sup> The sum even surpasses the amount spent for this purpose by the manufacturers of industrial products, wearing apparel, or tobacco.

The tremendous barrage of advertising on toiletries cannot fail to create consumer demand for these products, and alert pharmacists should capitalize their opportunities. However, large cosmetic sales volume comes only to those who merchandise these products intelligently.

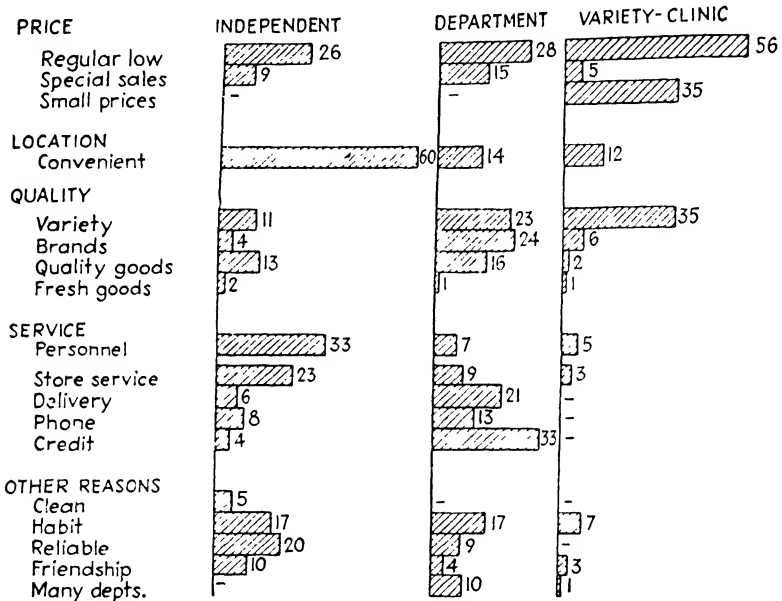
WHO SELLS TOILETRIES AND COSMETICS TO THE CONSUMER?—The vast market for cosmetics and toiletries is shared principally by three types of outlets: drug stores, department stores, and variety stores. Of the three, the variety stores are least in importance, except in the sale of 10-cent sizes, in which classification they occupy a dominant position.

At one time drug stores sold practically all of the toilet goods that were bought by consumers in this country, but the business has been gradually slipping away from them. For example, during the decade from 1929 to 1939 the toilet-goods business in retail drug stores declined 16 per cent. During the same period the department-store sales of toiletries rose 68 per cent, and the variety stores jumped their volume 110 per cent.<sup>2</sup> These figures reveal a shocking situation from the pharmacist's viewpoint. Trends like this do not just happen. They are due to the fact that some other type of outlet is doing a better merchandising job or they are the result of the consumer's dissatisfaction with existing conditions—and her natural attempt to find greater satisfaction elsewhere.

<sup>1</sup> *Printers' Ink*, Jan. 26, 1941.

<sup>2</sup> Bander, I. H., "Merchandising the Toiletries Department," *American Druggist*, June, 1940, p. 36.

Why is it that today more women are buying their toiletries and cosmetics in department stores than did so 10 years ago? Is it because they cannot get what they want in drug stores? Is it because the pharmacist's prices are too high? Or is it because consumers are dissatisfied with the service of the pharmacist in selling these products? Satisfactory answers to



Per cent of stores to which reasons apply.

Fig. 59. Reasons for preferring toiletries departments of independent drug stores, department stores, and variety stores (The A. C. Nielsen Company, Solving the Marketing Problems of Drug Retailers, Manufacturers, 1940).

these questions are necessary before the pharmacist can proceed to remedy the condition.

**REASONS WHY CONSUMERS PATRONIZE TOILETRIES DEPARTMENTS.**—Several patronage studies have been made of the toiletries buying habits of consumers, and in most instances it has been difficult to single out dominant factors influencing consumer buying. Figure 59 shows the results of a recent study made by the A. C. Nielsen Company of Chicago, Ill.

The charts reveal that the reasons given by consumers for patronizing the toiletries departments of individual drug, department, and variety stores are quite evenly divided. Regular low prices, small sizes, and variety are the principal reasons given for variety-store patronage. Price, service facilities, brands, and variety are important factors in department-store patronage. Convenience, store personnel, price, and service are largely responsible for toiletries sales in individual drug stores.

From an analysis of the reasons given by customers for selecting one type of store in preference to others, the following important conclusions can be drawn by individual pharmacists. They are

1. Department and variety stores do not possess inherently many attractions that the pharmacist cannot offer.
2. The pharmacist should stress the convenience of buying from his store, and he should capitalize on his close personal contact with his customers in order to attract more cosmetic business.
3. The relative increase in toiletries trade in department and variety stores is due primarily to the fact that they are doing a better merchandising job than are pharmacists as a class. Department and variety stores give preferred floor space to cosmetics; they have attractive, well-lighted displays, and trained personnel.
4. Department stores, in particular, have capitalized on the advertising and good-will value of the higher priced cosmetic brands. They feature these lines in their advertising and displays in order to attract customers who in many instances may purchase items from less popular lines.
5. Customers like to purchase cosmetics from women clerks, who, they feel, have a better knowledge of the merchandise and its uses than men can have.

Inasmuch as the majority of well-known toiletry and cosmetic products—measured by dollar volume—are probably

under fair trade, there is no real reason why the variety and department stores should attract cosmetic customers from drug stores because of price, unless it is because the pharmacist has failed to impress his low prices on the consumer's consciousness, or because he is not selling at fair trade minimum prices. Nor are wide variety or small sizes advantages peculiar to department and ten-cent stores. The pharmacist also can carry good assortments and he can put in a 10-cent counter for items of this type.

Store service is an advantage of the department store which it is difficult for the pharmacist to match. However, he can counter by capitalizing both the convenience of buying from the drug store and his close personal contact with his customers. These factors, combined with an aggressive and alert merchandising program, can do much to help build up a profitable cosmetic business in drug stores.

### Developing Cosmetics and Toilet-goods Business

Merchandising cosmetics more effectively does not necessarily mean putting more pressure behind these items, but it does entail intelligent promotional effort. There are four simple fundamentals in the sound development of toilet-goods volume that the pharmacist should take into consideration.

1. Have the merchandise customers want.
2. Display goods attractively to create impulse buying and the realization that the store has the goods customers want.
3. Know *how to sell* them.
4. Strive to attract more buyers.

**HANDLING THE GOODS THAT PEOPLE WANT.**—A fundamental principle of good merchandising is that the store must have what customers want. In no other way can trade be attracted without incurring excessive promotional costs. This statement applies to the cosmetic department as completely as it does to any other department of the drug store.

Stores handling cosmetics successfully must have adequate and up-to-the-minute stocks, and the items carried must in-

clude those that the consumers have been educated to want. New items, well advertised, must find a place in a representative stock.

Every pharmacist who seeks to stimulate cosmetic sales in his store should stock at least some—preferably two—of the leading “prestige” lines of toilet goods, and these should be featured prominently. It is necessary to have these lines in order to let women know that the store carries a complete and varied stock. The bulk of the sales may be made in other more popular lines, but the pharmacist should give his customers the impression that his store offers just as much as the downtown department store.

New cosmetic lines should be added with caution but, when once they are added, a complete line should be stocked. Beauty articles are generally used by women in “families”<sup>1</sup> of related items; therefore, it is essential that all the articles in a beauty family be available so that a customer will not have to break up her purchases. Women like to purchase toiletries in complete treatments and prefer to buy from one store. If pharmacists carry complete stocks, they can secure much of the trade that is now going to department and variety stores.

“Outs” are extremely dangerous in the toiletries department, resulting in a drop in sales volume and driving customers to competitors. For that reason a very close check must be kept on the stock. It is also important to watch for seasonal shifts in toiletries demands and stocks must be checked and ordered in anticipation of a variation in customer needs. Fall needs differ somewhat from spring needs.

From a merchandising standpoint it is particularly important to watch carefully the sales of all cosmetic lines and items. The mortality rate is high in this field, and the pharmacist must not be left with unsalable goods. New lines and items come and go with considerable frequency. When sales slacken in any line, the pharmacist should stop ordering and clear out his inventory of the slow movers. It is much better to take a

<sup>1</sup> It has been found that women like to purchase lipstick, rouge, and face powder of the same brand. Likewise, talc, cream, and cologne all in family groups.

small markdown, in time, than it is to postpone the inevitable and finally discover that certain merchandise cannot be sold at any price.

**DISPLAYING TOILETRIES TO SELL.**—Probably no other group of items in a drug store needs attractive display so much as toilet goods. Perfumes, toiletries, and cosmetics are year-round sellers for which there is a steady, day-in-and-day-out demand, provided the merchandise is brought to the attention of customers in an eye-appealing manner.

In the display of cosmetics, it is well to remember that articles of this type represent beauty and, therefore, women will not be attracted to the toiletries department unless the display creates the proper atmosphere. Neatness, cleanliness, and general all-round attractiveness are essential to effective toilet-goods displays. Women purchase cosmetics to make themselves appear more glamorous and the arrangement of the merchandise must help to build up that impression. Ribbons and bows and satins, flowers and potted vines all help to attract women's eyes to the cosmetic displays.

Under no circumstances should merchandise of this type be displayed in a helter-skelter fashion nor should it be allowed to become covered with dust and fly specks. The whole approach should be one of beauty, never of indifference and drabness.

Displays must be complete with all popular shade and color combinations in full view of the purchaser, and they must be well lighted. The stock should be so arranged that it will not be necessary for the clerk to search for any items that customers request.

Although women are the most important buyers of cosmetics and allied articles, attractive displays tempt male customers, as well. Group displays of after-shave lotions, talcum powder, gift purchases, and similar items can be made enticing to the masculine eye.

**WHERE SHOULD TOILET GOODS BE DISPLAYED?**—As toiletries are largely impulse items, they should be displayed at a point in the store where the traffic is exceptionally heavy. This usually means in the front part of the store. The choice

locations for this department are at the right front, opposite the candy and tobacco departments; on an island in the center, facing the entrance, if the store is wide enough; or next to the candy case. Any one of those three locations is very good, but the first is probably the most practical.

If the store is square in shape, it may be possible to place the cosmetic department back near the prescription counter. When this arrangement is used, customers waiting for prescriptions may develop an interest in certain toilet goods on display. However, very few cosmetic departments prosper unless they are in full view of persons just entering the store.



Fig. 60.—A modern beauty spot (Schlegel Drug Company, Davenport, Iowa). (Courtesy of the Grand Rapids Store Equipment Company.)

*Type of Display Equipment.*—The type of equipment selected for displaying toiletries should be such as to enable the store to draw the maximum amount of attention to this department. Cosmetic bars or beauty spots like those shown as Figs. 60 and 61 are examples of modern fixtures that have proved effective in many drug stores.

The remarkable success that pharmacists have had with cosmetic bars indicates that fixtures of this type should be given serious consideration by any merchant who is anxious

to develop a satisfactory toiletries volume. Those who have installed cosmetic bars have reported four significant results of the use of this type of equipment, as follows:<sup>1</sup>

1. It leads to direct sales increases of cosmetics, perfumes, and toilet articles. Records kept by 20 different drug stores showed an 88.5 per cent increase in sales after the installation of cosmetic bars.
2. It trades up customers to buy better (and higher priced) merchandise. Three test drug stores increased the average sale by 64.5 per cent.
3. It helps increase the sale of related items. Mr. C. C. Sanders of the Sanders Drug Company, Memphis, Tenn., reported that his cosmetic bar stimulated the sale of adjacent items materially.
4. It builds more woman customer traffic. The Wurster Pharmacy in Indianapolis, Ind. reported an increase of 50 per cent in women customers after a cosmetic bar was installed.

The cosmetic bar has been exceedingly successful because it places large quantities of merchandise in plain sight, and so makes buying easier for women.

In many stores, particularly those where there is no woman cosmetic clerk, an open-display unit has worked extremely well. Sales increases running up to 400 per cent have been reported after the installation of these cases. Normally, however, cosmetics should be displayed under glass.

Regardless of the type of fixture used for cosmetic display, it is necessary that the merchandise be well lighted. Fluorescent lighting is especially well suited to either open-display or glass-enclosed units, as it gives a daylight effect and, since it is a "cold" light, cosmetics are not injured by the heat.

In order that the toilet-goods department shall stand out, the fixtures should occupy at least 6 lineal feet of floor space. Stores doing a total sales volume of \$30,000 yearly in all departments can well afford to devote 10 or more feet to toi-

<sup>1</sup> The figures quoted on the results after the installation of cosmetic bars are from "After One Year," *Drug Topics*, Dec. 30, 1940, pp. 16 and 43.



leties. If the volume in this particular department is heavy, more area should be assigned to cosmetics. It will generally be found that the investment in modern display equipment will net higher returns in cosmetics than in almost any other department.

*Departmentalization of Cosmetic Displays.*—One problem relating to toiletry display frequently encountered is whether



Fig. 61.—A cosmetic bar featuring open display (The Wurster Pharmacy, Indianapolis, Ind.). (Courtesy of Drug Topics.)

cosmetics should be displayed by lines or by products. Several manufacturers and a number of merchandisers have carried on considerable research on this subject. The conclusion appears to be that, for the best sales results, toiletries should be grouped by lines.

It has been found that more sales can be made when related products are displayed by lines than when these same items are arranged according to type of product. The basic reason for this is that when a woman buys a lipstick she is not

interested in other lipsticks, but she may purchase some face powder or rouge if it is displayed along with the lipstick. This is the principle of ensemble selling, which has been applied in drug store merchandising.

When arranging cosmetic displays, the pharmacist, in order to stimulate multiple sales, should assemble his entire stock of *X* line products in one spot, his *Y* line in another spot, etc. By following this method of display, the pharmacist automatically acquaints his customers with the fact that he carries complete assortments of each line.

**HOW TO SELL TOILETRIES.**—To do a satisfactory toilet-goods business the drug store must have someone who knows how to sell toiletries, preferably a woman attendant. Many pharmacists' wives operate successful toiletries departments, and so do some daughters of pharmacists. A saleswoman is better than a salesman in the selling of cosmetics, because frequently the customer asks for advice, and a woman is more competent to pass on information relating to the use of various toiletry preparations and beautifying preparations. Salesgirls know the differences between the foundation creams in various lines. They know the differences between the grades of talc. They can actually demonstrate the product to a customer, and this factor is tremendously important to the one who is buying.

This is a far cry from the usual pharmacist's knowledge, which classifies all toiletry items as of light, medium, or dark tints and shades. The toilet-goods sales personnel must know what color of lipstick to recommend with a particular shade of face powder and vice versa—must know the type of cream to suggest to suit the customer's skin—must know the proper method of application of beautifying articles, etc.; and they must have it all so well in their minds and be able to tell it so convincingly that the toiletries users in the community will accept the advice given and accept the store as the logical place in which to buy their supplies.

When actually engaged in selling cosmetics, the clerk should not only allow but should urge the customer to handle the product and smell its delicate odor. Sales can be made

more readily if the senses of sight and smell are utilized, as well as the sense of hearing. The clerk should handle items delicately when bringing them to the customer, in order to enhance their value psychologically.

Higher sales volume is secured if salespeople sell economy sizes. It is well to point out that "You get twice as much as in the \$1 size for only \$1.75."

Cosmetic clerks must be carefully trained. It has been said that a trained saleswoman will sell three times as much as an untrained girl. The reason for this is that the trained clerk, through her knowledge and sales ability, is able to sell the customer on such ideas as using one powder for daytime and a different one for evening, or of using one shade of powder before the rouge is applied and a different shade afterward, the necessity for using a powder foundation, or different shades of rouge and lipstick for costumes of different colors. If the cosmetic clerk has secured some training from a manufacturer, the pharmacist should capitalize this by informing his customers that his cosmetic department is in charge of a woman who has studied make-up and the care of the skin. Customers like to patronize specialists who are thoroughly familiar with the products they sell.

**SECURING MORE COSMETIC CUSTOMERS.**—After supplying the kinds of toilet articles that people want, seeing that they are well displayed, and having a salesperson who knows *how* to sell them, the pharmacist must make a sustained effort to reach out for more buyers. Attractive window displays must be continuous and not merely occasional. Booklets and circulars (which can be obtained from manufacturers) should be distributed regularly. The toilet-goods department should be featured in such newspaper advertising as may be done.

If samples can be obtained, it is a good plan to write to women in the neighborhood asking them to step into the store to get their samples of the commodity in question. When they come, the pharmacist has an opportunity to sell them toiletries through attractive displays and intelligent selling.

There are additional methods of drawing the people to the cosmetic department. Telephone or personal calls, and a real

display of interest on the part of everyone within the store organization will arouse the community's interest in a pharmacist's cosmetic merchandise. However, toilet-goods business will come only to the merchant who makes a sincere effort to obtain it.

**SUMMARY.**—Successful cosmetic merchandising follows the adoption of the following practices:

1. Good location for the toiletries department, preferably at the right-hand side of the store near the front
2. Use of an attractive and well-lighted cosmetic bar or beauty spot
3. Employment of trained women clerks in whom customers may have confidence. (However, this may only be possible in the stores employing three or more salespeople.)
4. The use of one or more prestige lines to attract trade
5. Complete stocks of the popular brands
6. Display of cosmetics by lines and not by individual products
7. An atmosphere of general all-round attractiveness and neatness in the toilet-goods department
8. Continuous promotion of the cosmetic business

### Merchandising 10-cent Items<sup>1</sup>

**OPPORTUNITIES.**—During the past few years, a controversy has raged over the subject of 10-cent items at counters in drug stores. Some pharmacists and manufacturers have insisted that members of the drug trade must merchandise 10-cent items energetically if they are to meet the competition of variety stores. On the other hand, a number have maintained that the promotion of 10-cent items is harmful to the drug trade, as it cuts down the size of the average sale. Although there is much to be said on both sides, the consensus of opinion of those who have given the subject considerable study appears to be that in many localities the 10-cent counter

<sup>1</sup> The "Merchandising of 10-cent Items" is included in the present chapter because toiletries constitute so large a proportion of 10-cent items.

is a worth-while addition to the drug store. Few who have studied the figures showing the growth of 10-cent-size sales in variety stores can reach any other conclusion than that the drug industry is not getting its share of the 10-cent merchandise volume. It has been said that the sales of 10-cent sizes of toiletries totaled more than \$95,000,000 in 1940.

If properly handled, 10-cent merchandise can be a source of a considerable volume of extra business. In many instances this business may be secured at very little additional cost to the store. Mr. I. H. Bander, sales manager of McKesson & Robbins, who has studied the problem of 10-cent merchandise with great thoroughness states that in his opinion the typical individual drug store can sell 12 dozen 10-cent items in a week if these items are aggressively merchandised. Twelve dozen items approximates \$10 per week in sales volume, or approximately \$500 a year. The gross margin on this merchandise would be approximately 30 per cent or a total of \$150 for the year. This gross profit compares very favorably with that for other merchandise in the drug store.

The investment that a pharmacist would have to make in order to secure a volume of \$500 yearly in 10-cent items normally should not total more than \$200. This sum will cover the cost of two open-display counters with the necessary merchandise to stock them. Obviously, it would appear that a \$200 investment that returns a gross margin of 75 per cent in one year deserves very careful consideration on the part of the pharmacist.

A surprising thing in connection with 10-cent merchandise is the fact that the average sale of merchandise at the 10-cent counter is frequently as high as the average sale for the store as a whole, if not higher. This is particularly true of stores located in resort towns or areas of low average income. A survey in Cleveland, Ohio, during the year 1940 showed that the average sale of the 10-cent counter was 36.4 cents. A similar survey by a multiple-unit drug organization showed that their average sale at the 10-cent counter was 25.4 cents. As customers are attracted to the 10-cent counter to purchase one item, their eyes fall upon other articles, which they frequently

purchase. In many ways these added articles can be looked upon as additional business secured at little, if any, extra cost to the store.

**REASONS WHY PEOPLE BUY 10-CENT SIZES.**—Customers buy 10-cent sizes for a number of reasons; in many instances, if they cannot get these sizes at the drug store, they will purchase them at the variety store, and perhaps others too. The reasons usually given are as follows:

1. For guest use.
2. For travel.
3. For the purpose of sampling new brands or new articles. In many instances the customer does not want to purchase a large size but does not mind investing 10 cents for a trial size.
4. Because of the desire to purchase frequently. Some customers prefer to purchase small quantities with frequency rather than purchasing large quantities that will last a considerable period of time. This is especially true of items that are likely to deteriorate.
5. Because some customers do not care to spend more than 10 cents for an item. This may be due to the fact that they have low income or, perhaps, that they have not much money with them at the time of purchase.

Not all customers will buy 10-cent sizes, but many of those who do purchase these sizes for any of the above reasons would not take a larger size. In some instances, when the customer requests a 10-cent size, the salesperson has an opportunity to push the larger sizes. The economy sizes can be promoted by some such approach as this. "The 10-cent size is a good buy, but if you are able to use the larger size, you can save from 25 to 50 per cent." "It is expensive to buy the 10-cent item if you can use the larger sizes."<sup>1</sup> This has been found to be a "sure-fire" conversion for many drug stores.

**DISPLAYING 10-CENT ITEMS.**—There is, apparently, only one way to display 10-cent merchandise and that is in open

<sup>1</sup> It is, however, true that in many cases 5 units of the 10-cent size contain just as much as does one 50-cent unit.

displays. Articles of this kind are largely impulse items, and it is best to promote them in the same way that the five-and-ten-cent stores have found to be so successful and that is in the open display. Open counters about 6 feet in length, similar to that shown in Fig. 62, filled with 10-cent items, are productive of satisfactory sales if they are located in areas of good store traffic. The best location usually is in the center of the



Fig. 62. —A ten-cent counter with glass dividers and slant top. Note that the counter is amply stocked with merchandise. (Courtesy of Mid-western Fixture Corporation.)

store near the cash register. Either step-up or flat counters may be used, the step-up probably being a little more effective than the flat type.

Only the best-selling items should be carried on the 10-cent counters. Those who have been most successful in selling merchandise of this kind have found that they get the best results when they stock the three best sellers in each line. For example, the three best tooth pastes, the three best tooth powders, the three best antiseptics, etc. If the pharmacist does not

know which of his brands are the best sellers, he can consult his wholesale druggist and, in some instances, local newspapers may be able to give him the information. A 6-foot counter should hold approximately 65 different groups of items. It is very important that the counter be kept full at all times. Customers do not buy readily when the stocks look "run down." One very successful Ohio pharmacist who stresses the ten-cent counter has a clerk check up twice a day to see that any items removed have been replaced.

WHO SELLS THE 10-CENT SIZES?—An analysis of the sales of 10-cent items in drug stores has shown that the smaller individual stores are selling a larger proportion of 10-cent sizes than are the large individual and chain stores. Although the smaller stores are selling a considerable proportion of all the 10-cent sizes, it does not follow that they are necessarily doing the best merchandising job. The probable conclusion is that they are not doing as good a job of persuading the customer to buy a large size. Naturally if the customer can and should buy a large size in preference to the 10-cent one, it is poor salesmanship not to try to convert him. Apparently, the larger stores are doing this with success.

#### SUMMARY OF FACTORS THAT ARE ESSENTIAL TO THE SUCCESSFUL PROMOTION OF THE 10-CENT COUNTER

1. Good location within the store for the ten-cent counter.
2. Open displays
3. Clean, neat displays
4. Selection of only the fastest selling brands.
5. A counter that is always filled with merchandise



# Merchandising Photographic Supplies and Equipment

## CHAPTER 17

IN THE latter half of the 1930's the public developed a wide interest in picture taking. This new interest in photography has come about through a combination of three factors: (1) the technological improvements in photography; (2) an increase in leisure time due to shorter working hours; and (3) an increase in consumer purchasing power. These have united to broaden the market and increase the opportunities for selling photographic materials.

The manufacturers in this field have developed cameras and films that make possible remarkable picture-taking results for amateurs. Fast-action film has been developed, color photography has been promoted, moving pictures have been brought within the reach of the layman, and miniature cameras have been developed which enable people to make pictures conveniently under almost any conditions. As a result of this technical progress there is a wide variety of cameras available at popular prices, and there is certain to be an outfit exactly suited to each prospect's purpose and pocketbook.

**SALES POSSIBILITIES.**—Since almost everyone enjoys pictures, there are few persons who come into any drug store who do not offer the aggressive pharmacist an opportunity to expand his sales volume by making photographic sales. The camera department gives the merchant an opportunity to de-

velop extra sales, and there are few departments that can be stimulated so readily. This department makes it possible to build a permanent and growing volume of "extra" sales.

The pharmacist has an unusual opportunity to capture photographic business because his store is open during the periods that most consumers buy equipment and supplies of this type. It has been said that well over 60 per cent of all films and photographic accessories are purchased on week ends, when most places of business except drug stores are closed. The pharmacist who capitalizes on his opportunity may very well increase his photographic sales to the point where they may constitute his third most important department, instead of the fourth or fifth as is usually the case.

**LOCATION OF THE CAMERA DEPARTMENT.**—The preferred position for the photographic department is near the front of the store, either near the tobacco and candy cases or the cosmetics department. However, some pharmacists have developed successful departments well back in the store. Picture-taking supplies are to a considerable extent impulse merchandise and, therefore, need to be given good display cases. Probably the best location is near the tobacco and candy cases, which are always toward the front of the store. Then, too, photographic equipment is purchased largely by men, and men are the principal patrons of the candy and tobacco departments.

If the pharmacist is to make a success of his camera department, he should establish it as an independent unit. When cameras are shown here, films are sold there, and photographic finishing is handled somewhere else, the consumer is probably right in feeling that the proprietor does not realize the importance of a photographic line. All photographic equipment, therefore, should be assembled at one counter. The pharmacist can afford to give it a good display place in his store because picture-taking supplies are in active demand throughout the year and offer opportunity for high unit sales. Photography is no longer a summertime amusement, but a year-round pastime. Recent developments have made it possible to take pictures as readily indoors as outdoors. Therefore, there is no dull season. The camera department offers an

opportunity for day-to-day sale for the store that identifies itself as photographic headquarters.

**DISPLAYING PHOTOGRAPHIC EQUIPMENT.**—Photographic equipment and supplies are items of high unit volume that need good display. For that reason they should be displayed



Fig. 63.—A well-arranged interior display of photographic merchandise (Bennett's Monroe Pharmacy, Tallahassee, Fla.). (Courtesy of the Eastman Kodak Company.)

under glass both at the counter and on the wall shelves. A convenient and compact display of camera supplies is shown in Fig. 63. The principal stock of folding and box cameras should be arranged in the wall shelves under glass. A few cameras, together with accessories, should be on display in cases on top of the showcase. Films also should be in cases

on the showcase or the counter. Finishing supplies, flash bulbs, and similar equipment should be displayed in the counter case.

The pharmacist should devote as much space as possible to the display of sample prints and enlargements, samples of a photograph finisher's work. He must always keep in mind the fact that finished pictures are indirectly his stock in trade. All the rest leads to the prints, as satisfaction with them builds

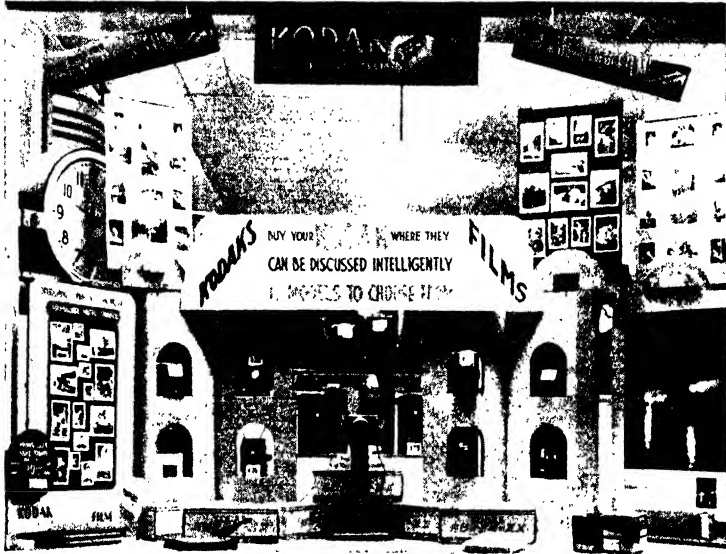


Fig. 64.—Using photographic merchandise for an effective window display (The Ideal Pharmacy, Buffalo, N. Y.).

volume continuously. If the camera-department counter display is arranged in the form of an arch, it helps to attract attention.

Photographic merchandise lends itself to attractive window displays, and every pharmacist who desires to secure his rightful share of this business should have an occasional camera and film window. Figure 64 shows such a window.

**STOCKING THE PHOTOGRAPHIC DEPARTMENT.**—The amount and type of stock that the pharmacist will carry in his camera department will depend upon how much emphasis he wishes to

place on this merchandise and also on his sales volume. Naturally he cannot expect to build up a large volume without a rather complete stock of the popular items. The stock need not be large, but it should be representative. It must be borne in mind that the stock should fit the drug store's camera customers and they are usually amateurs who are principally interested in snapshots. The expert who carries photography to the point of developing his own pictures, making enlargements, creating "camera art," etc., will probably patronize a specialty store, so most pharmacists can practically eliminate serious attention to this type of customer.

Insofar as cameras are concerned, there should be at least one example each of the popular box and folding models. It is also well to have on hand two or three miniature cameras. If the department volume is considerable, a motion-picture camera may be advisable. It is not necessary to keep duplicate models of any except the most popular sellers. The pharmacist should attempt to sell from sample cameras and by close stock control order fill-ins so as to maintain systematically the camera stock at the best selling level. The stocks should be kept strictly up to date and, if necessary, mark-downs should be taken promptly in order to dispose of old models.

Film is a staple of the photographic department and for that reason the pharmacist should always carry a representative assortment of sizes and of types, as well. This means carrying not only a stock of the popular large sizes, but also film for the miniature and motion-picture cameras. Flood and flash bulbs are now "must" items for the pharmacist who is after his share of business in this line.

#### WHO SHOULD OPERATE THE PHOTOGRAPHIC DEPARTMENT?

The best results from the photographic department are secured when one person is placed in complete charge. Obviously, this person cannot be in the store at all hours, but the department should be his responsibility. He can be responsible for ordering and for displays, and whenever possible camera prospects should be turned over to this individual for his special service.

Many photographic enthusiasts are experts and naturally wish to buy from salespersons who are fully informed. For

this reason anyone operating a camera department should make it a point to study picture taking thoroughly. The manufacturers of photographic supplies and equipment have available a number of helpful pamphlets, which can be secured by merely writing for them.

Not only should the head of this department read the manufacturer's bulletins but, if possible, he should develop experience in picture taking at first hand. He will usually find not only that it is an interesting occupation, but that his own understanding of the subject is a source of added revenue for his store. The pharmacists who have done the most successful job of merchandising photographic supplies have been those who have taken an active interest in the field themselves.

It is particularly helpful in building photographic business if the salesperson can discuss intelligently with customers the causes of good and bad prints. Likewise, it is very convincing if the clerk can point to some pictures and say, "I took these myself!" Customers like to know that the salesman is apparently an expert in photography.

**SELL THE PICTURE THAT THE CAMERA TAKES.**—The salesperson should always remember that he is selling the means of making pictures—not merely items of merchandise. What the prospect is interested in is the kind of pictures that the camera will take. Therefore, it is the salesman's duty to sell the prospective pictures and not alone the camera. The salesperson should point out to the customer, with questions aimed at his interest, that pictures will make his sports, golf, travel, or other pursuits more enjoyable; also, that he will have a great deal of satisfaction in taking pictures of his children and members of the family.

The salesclerk will do well to keep clearly in mind one particular point: it is interest in the picture that the camera will take—what it will do—that sells the higher priced instruments. Camera enthusiasts are not necessarily people with high purchasing power. On the contrary, they are frequently persons who have to make a real sacrifice in order to own a camera. For that reason it is up to salesman to develop a true enthusiasm.

**WHAT CAMERA SALES LEAD TO.**—Each camera prospect is also a potential film and finishing customer. It is, therefore, necessary to keep in mind that this latter business may be more profitable than the sale of the camera. The camera is but the first of a long series of profitable transactions. The customer calls for film, calls with exposed rolls, and calls for prints and enlargements. When the camera is sold, the store should try to attract this latter business, too.

When one is selling cameras, it is well to keep in mind that certain types produce more film-supply business than do others. Normally, the higher the price of the camera, the more film will be used during the lifetime of the instrument. Also, folding cameras use several times as much film as box cameras. Therefore, sales of folding cameras should be encouraged, if possible, in preference to the box type. New-type cameras use more film than do old ones; this is particularly true of the miniature cameras. Therefore, if the pharmacist can sell one of a newer type, he is greatly increasing his potential film business.

The importance of a camera sale as a potential volume builder should not be lost sight of.

**HOW TO SELL CAMERAS.**—When a prospective camera buyer comes into the store, he usually has no particular model in mind. Therefore, it is the salesman's duty to guide the customer's choice to the camera likely to give the greatest satisfaction. The following points have proved very helpful to many salesmen in selling cameras:

1. Find out what kind of pictures the customer wishes to take. The prospect usually depends on the salesperson to guide him in the choice of the camera that will give the highest satisfaction.
2. If possible get a tentative decision as to picture size. Show the customer an album illustrating the various sizes of pictures and, of course, enlargements made from miniatures.
3. The price range is a most important factor. Unless the prospect mentions a specific price limit, postpone the

mention of price until a few models have been shown. Let the price come naturally as the lens and shutter equipment and other accessories are explained.

4. Sales will be made more readily if the choice is limited. As the prospect rejects a camera, remove it from consideration.
5. Get the prospect to handle the cameras if possible. Ask him to take one in his hands and put it up to his eye. Let him try it.
6. Do not talk at length about the technical features of the camera unless the prospect shows evidence of interest. It is much better to concentrate on a few good selling points than on all the details connected with the equipment.
7. Explain to the inexperienced prospect how easy it is for the amateur to take pictures and add that as he becomes more familiar with picture taking and sees how easy it is, he can take advantage of the versatility that the camera offers.
8. After the decision to purchase has been reached, give the prospect detailed instruction as to the care and operation of the instrument. Be sure that he gets and understands his instruction booklet. It must be kept in mind that this customer is a potential prospect for many dollars' worth of film, provided he can take pictures successfully. Therefore, be sure to instruct the prospect on the best method of taking pictures. If possible, give him some printed material to read.
9. Urge the customer to bring in his first roll so that you can go over the prints with him. He will appreciate this interest and you may be able to develop him into a steady customer for films and photographic equipment.

**SELLING FILM AND PHOTOGRAPH FINISHING.**—Film is the staple of the photography department. When picture takers know that the pharmacist stocks their size in all the popular types quickly, they form the habit of coming to his store for all photographic supplies.



Impulse or suggestion selling can account for a large volume of film sales, provided that the retailer always has a counter dispenser in a prominent place. It reminds customers of their film needs, and even sells when he is temporarily busy with other customers.

It is well to keep a supply of folders and leaflets on the counter advertising the various types of film, as customers are eager to gather information about photography.

Picture takers come to the store three times to complete one transaction: (1) for film, (2) with the exposed rolls, (3) for the finished prints. This opportunity for continuous profits distinguishes the photographic line from many others in the store. The merchant should make each of these calls more profitable to the store by using the practical suggestions given below.

*The Purchase of Film.*—There are four points to watch when selling film to the customer: (1) sell enough rolls to each customer; (2) place two or three rolls before the customer and say, "Will these be enough?" (3) follow the example of many retailers who, before week ends and when supplying vacationists, sell more rolls by offering a refund on unused rolls returned—needless to say, few rolls are ever returned; (4) sell film by suggestion.

Customers buying in other departments often need film and will be grateful for the suggestion. If a customer is buying picnic supplies, some time during the sale it is wise to suggest film for his camera.

During the camera buyer's first call, the clerk should bid for the second call, with the exposed rolls, by praising the store's finishing service and submitting as proof the display of sample prints and enlargements.

*Returning with Rolls for Finishing.*—The second call is the first occasion for the customer to give his name. The clerk should write or print it legibly and, if possible, connect it with the customer's face, so that he can call him by name when he returns for the prints. When the salesperson makes out the order he should suggest having two prints made for each exposure. Extra print sales can be gained easily in this

way. The customer may want a print for his album, another to carry about or to send to his friends.

The second call is also a good chance to sell more film. This will probably take very little salesmanship, since the customer knows that his camera is not loaded and so the more easily sells himself the rolls. With film in their cameras and extra rolls handy, picture takers naturally will take more pictures.

*The Call for the Prints.*—Of the three calls, the third offers the best opportunity for salesmanship. First of all, the salesman should open the way for the customer to look at his picture prints while he is still at the counter. The tactful, friendly interest of the salesman will be rewarded by his being allowed a look at the prints. Without any taint of high-pressure selling, the following points should always be kept in mind:

1. Favorite subjects worthy of enlargement
2. Extra prints for members of a group
3. Pictures suitable for photographic greetings

The third call is also the time for helpful criticism of the results. Double exposures, blanks, faulty timing, camera movement, awkward composition can be dealt with most effectively when the results are first seen.

Besides the three calls mentioned above, additional trips are made for reprints and enlargements from negatives already made. From the selling angle these extra calls are similar to the third call. It is profitable to sell the beginner enlargements as soon as possible.

The clerk should make sure that the customer's camera is loaded. He should ask about his film needs in order to start a new series of three calls.

Having each customer's size and type of film is the foundation of the success of many a camera department. Picture takers, as well as any other type of customers, patronize the store where their complete needs are to be found.

Many picture takers have their cameras with them when they come in to buy film. Some will ask the clerk to do the loading for them. This is usually a good time to put in a word

or two about the latest models. A man with a box camera may be ready to graduate to a folding model, or a faster lens may be in order.

With the entire photographic department concentrated in one spot, film and finishing customers are confronted with the latest models on display. It is well to let them make the comparison for themselves. Many will realize without further prompting that the old camera has done its job and should be retired.

Replacement sales are vitally important to the store. Once a start is made in the direction of a change of cameras, the prospective owner will be just as enthusiastic over the new camera as if he were a beginner.

*Film-finishing Charges.*—Many pharmacists lose profitable photographic finishing business because their charges appear too high to customers. Much of this volume goes to mail-order finishers who advertise low prices with complete satisfaction guaranteed.

Some merchants seem to feel that the developing of film offers an opportunity to secure an excessively high margin because customers are not entirely familiar with charges for this service. However, such is not the case. Customers soon become aware of prices that are too high and, as a result, sales are adversely affected.

Many pharmacists enjoying a satisfactory finishing volume have found it best to keep developing and printing costs (one print of each negative) at or below the original cost of the film. This handy rule has proved very satisfactory in most instances.

**SELLING CAMERA ACCESSORIES.**—Accessories round out the picture taker's pleasure and tend to keep his camera busier. Consequently, popular attachments and supplies should be displayed prominently at the film-and-finishing counter. The extras that make picture taking so much more fun and that keep cameras busier are sold easily during the third call described on the preceding pages.

Accessories fall into several groups, according to their purpose: camera attachments and other sundries used in

taking pictures; protective and convenience items, such as carrying cases, neck and hand straps; home developing and printing equipment and supplies; albums and mounting supplies.

One should employ the same method in selling other accessories. For example, the portrait attachment should be mentioned when the proud parent asks how to take pictures of his youngster. The pharmacist should tell him how close he can get with the portrait attachment and still get clear pictures of the baby. Out-of-focus pictures are the cue for a demonstration of a range finder, particularly if the picture taker has a large-aperture lens with consequent lack of depth of focus when it is used wide open.

Consistent display is important. Unless the customer can see sundries, he will not know the line carried by the store, nor will his curiosity be aroused concerning it. Camera accessories should be shown in place on the camera as well as separately with their attractive cartons. Related accessories should be shown together, so that one can suggest another.

A card file of customers and their purchases is especially valuable at the photographic counter. By keeping a record, the pharmacist knows what accessories each picture taker owns. Then he can suggest additional attachments and is not likely to ask the owner of a self-timer, say, to buy another one.

Such tab keeping may seem to involve a lot of clerical work, but the filling in of the card as sales are made will soon become a part of the clerk's routine. The very fact that the store shows such interest makes a good impression.

Albums deserve constant emphasis, along with photographic paste, dry mounting tissue, and white ink for writing captions. An interesting album constantly suggests reprints for friends, enlargements of favorites, likely photographic greeting subjects, as well as further pictures of similar or related subjects. The clerk should impress each picture taker with the importance of a file or album for negatives, particularly "miniatures."

**PROMOTING THE PHOTOGRAPHIC DEPARTMENT.**—Retail advertising of cameras, film, and picture taking should emphasize

the service that the particular store can offer. It is possible to build up a personality for the store on the basis of expert photographic service, demonstrated ability to help customers make better pictures.

Direct mail is used successfully by many dealers to supplement enclosures in photofinishing delivery envelopes. The material ranges from post cards to letters accompanying booklets at graduation time or before Christmas. The mailing list, of course, is all-important. Unlike most merchandise, the photofinishing requires that the customer's name should be taken when he leaves exposed rolls. These names should be treated carefully. They may form the nucleus of a productive mailing list, especially when an accessory folder is going out. Furthermore, a picture taker is the best of all prospects when gift cameras are in season. Names of new arrivals in the neighborhood must be added, addresses changed, removals weeded out. Maintaining a good list takes time, but once it is started, its value grows. The list should be divided into at least two groups: (1) new prospects for cameras, and (2) picture takers to whom accessories may be sold or suggestions given concerning more active use of their cameras.

Literature is profitable advertising at the counter and by mail. No photofinishing delivery envelope should ever leave the store without an enclosure. These may be inserted at the photofinishing plant or at the counter. Picture takers form a selective market for accessories, attachments, albums, and in many cases for better cameras.

Picture-taking displays inside the store help pharmacists sell to customers of other departments and make for additional sales to those coming directly to the photography counter. Such displays should be simple and small.

Like window trims, interior displays should be timely, tied in both with local events and with national advertising. If any form of retail advertising of photographic equipment can be said to be of first importance, the award certainly would go to window and counter display—the goods at the point of sale.

# Merchandising Candy, Tobacco, and Sundries

## CHAPTER 18

IN ADDITION to the merchandising of drug products, prescriptions, the soda fountain, toiletries and photographic items, a variety of miscellaneous articles must be carried if a drug store is to produce the net profit it should. In several instances these latter products are sold in greater volume and are responsible for more net profit than some of the former. For that reason the present chapter is devoted to the merchandising problems which are associated with candy, tobacco, hosiery, stationery, and similar items.

During the year 1940 the people of the United States ate an average of 16 pounds of candy per person and spent an average of almost \$5 each for candy. The total candy sales volume for the country as a whole was more than \$600,000,000. In terms of the average drug store, that meant that its customers spent \$11,285 annually for candy, or \$32 per day. Unfortunately, a rather small proportion of this huge total was sold by retail drug outlets. Instead of selling \$32 worth of candy each day, the typical drug store sold less than \$3 worth. The balance was sold by other types of stores, particularly grocery and variety stores.

There was a time many years ago when the drug store was the principal candy depot of the community. Not only did the drug store sell boxed candies and sell great numbers of them, but it also carried a considerable amount of bulk candy,

which was sold in even greater volume. Gradually, however, other merchants took the candy business from the drug store. They drew away this business not because they were better able to handle it, but because they showed a greater interest in it and did a better merchandising job on confectionery products. Not until the past four or five years have the majority of pharmacists begun to appreciate anew the value of the candy business.

## Merchandising Candy

The drug store can recapture the candy market if the pharmacist will by aggressiveness and merchandising skill surpass the effort put forth by his outside competitors. It will take more than order taking and price selling to overcome some of the handicaps that pharmacists have thrown in their own way to success. The drug store is probably the most logical of all retail candy outlets, and if these products are merchandised properly, drug stores as a group can add millions of dollars to their total annual sales. The typical neighborhood drug store can and should do at least \$7 a day in candy alone. In many ways the candy department offers the greatest single opportunity for added sales volume in the drug store.

There are many who feel that the chain grocery and variety stores have ruined the candy business for drug stores. However, this is not true. Undoubtedly these outlets have done a highly successful business in this field, but there is still ample opportunity for the enterprising pharmacist.

The surprising thing about the sale of candy in food and variety stores is that these stores secured this tremendous volume of business at a relatively high gross profit. During the year 1939 chain grocery stores did a business of more than \$30,000,000 in candy at an average gross margin of 27 per cent. This margin, although approximating the pharmacist's average cost of doing business, is not so low as to be a severe competitive handicap. Many drug stores in the United States are doing a very successful candy business at an even higher average gross margin. Some stores secure 35 per cent and most of them have a gross profit of more than 30 per cent. A large

chain drug company, which has done one of the most successful candy-merchandising jobs in the country, has been averaging 32 per cent gross profit on its candy sales.

When it is properly merchandised, candy brings a high profit to the store and also attracts regular customers who purchase other products. The successful merchandising of candy is built around two major factors: (1) the right kind of stock, and (2) a good selling job.

**CARRYING A COMPLETE CANDY LINE.**—Drug stores should carry a well-assorted candy line and not try to concentrate on candy bars, box candy, or any single classification. Many more customers can be attracted if a wide assortment of candy is stocked. The candy department should carry a good variety of bulk goods (including prepackaged candy in Cellophane bags), popular-priced packaged goods, better lines of higher priced packaged goods, bars, and mints. People of all classes and tastes patronize the drug store, and the drug store candy offerings must take cognizance of this in matters of price and quality, or certain classes of the trade will go elsewhere to buy their candy.

When one is selecting packaged candy lines, it is preferable to choose those that are nationally advertised or, at least, those whose local acceptance is unquestioned. An unknown line will not have the response needed to make the candy department a lively one.

The price line of packaged candy should include some well-known boxes selling from \$1 to \$1.50 a pound, other lines selling from 69 to 89 cents a pound, and a low-priced line at the 25-cent level and usually featuring some boxes at 29 cents. Many drug stores are doing a very fine merchandising job on these lower priced lines, in competition with the grocery stores. Bulk candy should be packaged in Cellophane bags to retail at from 10 cents to 25 cents each.

It is particularly important that the candy stock be fresh at all times. Not only boxed candy and bar candy should be fresh, but bulk candy as well. Many chain, variety, and individual stores have adopted a rule that bulk candy should not be kept more than 30 days in open trays or bins. If the



candy has not been sold within 30 days, it should be marked down or, if necessary, thrown away. It is much better to take some loss on the candy than to run the risk of losing good customers through purchases unsatisfactory to them.

**DISPLAYING CANDIES.**—Inasmuch as candy is largely impulse merchandise, it should be displayed to attract the attention of as many customers as possible. For that reason it

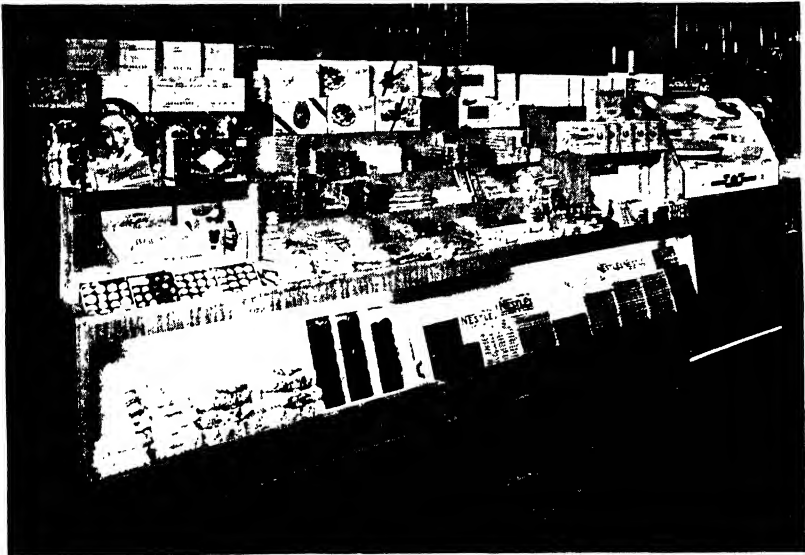


Fig. 65.—An open candy display case (The Samuels Drug Store, Winthrop, Mass.). (Courtesy of Grand Rapids Store Equipment Company.)

should be placed near the front of the store, where practically everyone coming in or going out of the store will pass the department. Its best location is usually between the tobacco case and the front door, where the men will pass the displays (men and children purchase more than 90 per cent of the candy). If a large candy department is planned, it is well to give it the front, center-aisle location.

To do a good candy business, a drug store should devote at least 8 to 10 feet of space to this department. It takes about 12 feet of space to give good display to candy bars, boxed candy, bulk candy, and candy in packages. An attrac-

tive open candy display of this size is shown as Fig. 65. A closed candy case featuring bulk candy is shown as Fig. 66.

*Open Display.*—Candy should be displayed in the open so that customers can wait on themselves at times. The “candy bar,” as conceived by *Drug Topics*, features this principle. In this fixture the bulk candy is displayed behind glass in the sections directly below the gum and the mints. In the rear of these glass sections are sliding drawers to enable pharmacists



Fig. 66.—A closed case for promoting the sale of bulk candy. (Courtesy of *Drug Topics*.)

to reach the bulk candy displayed in front. The balance of the space can be devoted to box candy, bags of bulk candy, or large candy bars. If the candy department features candies packaged in Cellophane bags, it is well to display them on step-up displays. Candy in bags should be made as readily available as possible to customers, and the step-up display does accomplish this.

*Care of Stock.*—The candy department should be kept spotlessly clean; this is particularly important if bulk candy is handled. Candy is a food, and cleanliness and freshness are paramount considerations in the minds of customers. Boxes

of candy should be dusted daily. The candy bins for bulk candy should be cleaned weekly. These should be scrubbed inside and all particles of candy and sugar removed from every crack. Only lukewarm water should be used, to which only a pinch of soda has been added. Soap or other cleansing agents should not be used as they are likely to contaminate the candy.

The candy display should be "departmentalized" so that the lower priced packaged goods are separate from the higher priced packages. Likewise, the bars should be separate from the bulk candy.

*Displaying Candy in the Window.*—It is not possible to do a really successful job of candy merchandising unless the candy is given its proportionate share of window space. Not only should candy be displayed in windows around Mother's Day, Easter, and similar occasions, but it must be given regular display.

When it is displayed in windows, candy should be made to look as clean and appetizing as possible. The window glass should be clean and bright. If the frames are warped, they should be checked to see that the paint is not scaling off and that it is not soiled. The floor of the window interior should be covered and spotless. Bulk candy should be shown in containers with transparent tops so that the candy does not come in contact with any part of the window. If price is a principal feature of the window display, it should be prominently shown, not once but several times, in various parts of the display. The candy display should not be intermixed with other merchandise, but should be a separate unit by itself. If a whole window can be devoted to candy, the appearance is much more effective than when this merchandise is thrown in with hot-water bottles, castor oil, etc.

If the show window happens to be on the south or the west side of the store, great care must be taken to protect the display from the heat of the sun. Candy—chocolate, in particular—deteriorates under the influence of heat.

**PROMOTING CANDY SALES.**—Although candy is sold with regularity throughout the entire year, there are certain big-

volume periods. Saint Valentine's Day, Saint Patrick's Day, Mother's Day, Easter Sunday, Hallowe'en, Thanksgiving, and Christmas offer unusual opportunities for the promotion of candy. These are times when packaged candy should be brought out and given a major spot in the advertising and store display. Candy boxes are sure eye catchers; when properly displayed, they have tremendous suggestion value because they are reminders of some anniversary or occasion.

Many pharmacists make a point of keeping a record of birthdays and wedding anniversaries. If these records are kept, a post card or a telephone message may very easily result in the sale of a profitable box. Occasions of this type call for rather elaborate and attractive packages.

*Box-candy Promotion.*—Although some box candy is purchased every day, this type is particularly adaptable to special-occasion selling. Easter, Christmas, and similar periods afford real opportunities for the alert pharmacist to secure a highly satisfactory volume in this department. Those who wish to secure a sizable number of advance orders for candy will find it convenient to follow the following program:

1. Set up a sales quota for each of the several employees of the drug store, covering the promotion period.
2. Make up a customer list including regular and likely prospects. Divide this list among the proprietor, pharmacist, and any sales clerks that the store may have and hold each one responsible for contacting his prospects by letter, by telephone, or in person.
3. Give each employee special training on the product and the way to sell it.
4. Set up an advance-order counter display.
5. Put in a special window display.
6. Advertise to customers that the store has made a special effort to take care of candy needs.

## Merchandising Tobacco

To many pharmacists the tobacco department presents a particularly acute problem because of the low gross margin

on tobacco items. Especially is this true of cigarettes. Many pharmacists sell the popular brands of cigarettes at virtually the wholesale price. As a result, the average gross margin for the tobacco department is exceptionally low.

The usual reasons given for justifying the sale of cigarettes at profitless prices are that because competition is doing it

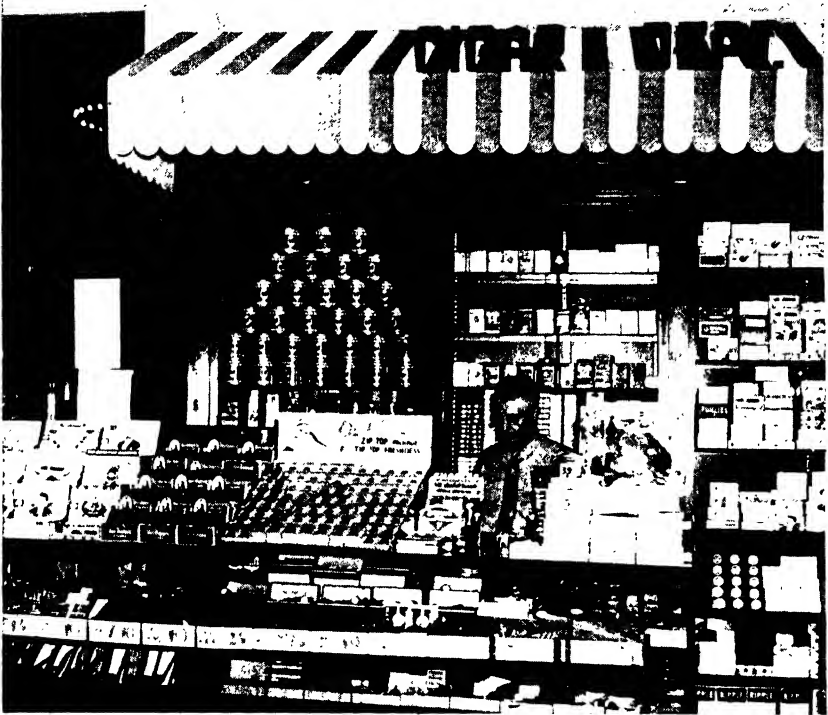


Fig. 67.—An attractive and convenient tobacco department (Aldridge-Van Antwerp Drug Co., Mobile, Ala.). (Courtesy of Drug Topics.)

this competition must of necessity be met, and that low cigarette prices attract customers who may purchase other items in the store. Undoubtedly, there is considerable truth in both of these reasons, but it is doubtful if they should be recommended as good merchandising practices. Cut prices on cigarettes may be fine for the cigarette manufacturers in the short run, but they are hardly conducive to net profits for the merchant. It would appear that pharmacists in general

should not encourage unreasonably low prices on these items. On the other hand, it is not necessary to sell cigarettes at the average gross margin for the store as a whole, because these items justify a lower margin than other products. They sell with very little effort, they have a very rapid turnover, and markdowns are almost unknown. Those who have given considerable study to the margin on cigarettes appear to feel that a merchant is entitled to a reasonable margin on a package of cigarettes and the generally approved figure is 2 to 3 cents on a package costing 12 cents.

**LOCATION OF THE TOBACCO DEPARTMENT.**—To a considerable extent, tobacco can be classified as demand merchandise. But owing to the fact that customers buying tobacco products do not like to be inconvenienced, it is necessary to place the tobacco department near the front of the store. The usual location is near the soda fountain, so that the lower-salaried help in the store can serve the tobacco customers. The tobacco department is a traffic builder and for that reason the exact location can be manipulated to facilitate store traffic. For example, it can be moved from the right to the left side of the store, in order to draw more people to one side or the other. Figure 67 shows an attractive and convenient tobacco department featuring open display of cigars.

**CIGARS.**—Although in many drug stores, cigarettes may not be considered profitable items, this is not so in the case of cigars. Most pharmacists look upon cigars as the major source of profit for the tobacco department. Cigar buyers are not so price conscious as cigarette buyers and, for that reason, prices are seldom cut. Most druggists can secure a gross margin of 17 to 20 per cent on their cigars, and this is an attractive margin in view of the cost factors involved in selling this class of goods.

The principal factor in the success of cigar merchandising, other than good display and adequate stock, is fresh merchandise. Persons who buy cigars do not like to purchase "dried-out" cigars and on that account they will go to considerable inconvenience to get fresh merchandise. The importance of keeping cigars fresh can hardly be overemphasized.

*Keeping Stock Fresh.*—In areas that have a naturally humid climate, the problem of keeping cigars fresh is not a major factor. However, in the northern sections of the United States, where cold weather means heated stores, cigars must be given special care to prevent their drying out. Cigars can be kept fresh if the pharmacist will watch two things: (1) to keep them in a humid case, and (2) to watch his stock so that he will get a rapid turnover and thus keep the cigars in good condition. Cigars should not be placed in showcases that are without any humidifying devices. Mechanical devices do not cost much and they will pay for themselves many times over. A humidifier that has an electric-light bulb in a can or a bottle of water is especially effective. If the pharmacist does not wish to invest in a humidifier of that type, sponges placed in the showcases will help. A brick soaked in a bucket of water and replaced every 24 hours is another satisfactory substitute for a mechanical humidifier. However, if bricks are used, the pharmacist should have two sets of bricks, so that one set can be kept soaking while the other is in the case. They should be changed daily.

Under no condition should cigars be stored near radiators or steampipes, or in direct sunlight. At the same time, they should not be stored near coffee, tea, onions, or other odorous substances, as they will pick up these odors.

*Other Policies.*—Pharmacists should be particularly careful of the brands of cigars that they purchase. They should select only fast-moving brands, such as are preferred by their particular customers. Although it is impossible to state exactly how many brands a pharmacist should carry, it has been found that the typical individually owned drug store should carry from six to ten 5-cent brands, at least two 10-cent brands, one or two of the two-for-a-nickel brands, and perhaps one or two brands selling for more than 10 cents apiece. However, the exact price range will depend on the desires of the store's customers.

The amount of space devoted to the cigar department is dependent on the number of brands carried. Inasmuch as most cigar boxes are carried in showcases, it usually requires

a 6-foot case for 18 to 20 different brands. If the cigars are carried in the showcase, cigarettes, pipe tobacco, and accessories can be placed in the wall fixtures.

## Merchandising Sundries

The merchandising of sundries offers one of the best opportunities for increasing drug store sales and at the same time adding materially to profits. However, there is grave danger that the pharmacist may go too far in adding these sundries. Many pharmacists have come to feel that the public resents having a drug store cluttered up with lemon squeezers, kitchen mops, strainers, and other gadgets. It is undoubtedly true that in some instances people hesitate to have their prescriptions filled in such stores.

Practically every drug store, other than the strictly professional pharmacy, must sell some sundries. The important problem is: What sundries should be carried? Obviously, if the pharmacist is not careful, his store may approximate a department store in the variety of merchandise that he stocks. When that is the case, his strictly drug sales are bound to suffer. The common-sense procedure appears to be to handle only such sundry items as are closely related to drug items or such as are by precedent associated with drug stores. Stationery, some electrical appliances, cameras, greeting cards, and similar items have so long and close an association with the drug store that they can be handled with little adverse effect on the sales of prescriptions and drug items.

In general, sundry items carry a better gross margin than tobacco, candy, packaged medicine, etc. Also, they are largely impulse items. For that reason they deserve some of the best display space in the store. One of the most logical positions for sundries is the central part of the store. They can best be handled in step-up, open-display equipment, where customers can see and feel them. Sundry items in general should be displayed in open racks, on counters, or on tables. However, the pharmacist should be careful to have his store retain a look of professional dignity, which customers desire and approve.



The potential volume of sundry sales is very large, and almost any pharmacist can expand his sundry volume if he so desires. The typical individual drug store doing a daily volume of about fifty dollars should do at least 6 per cent in sundries, or about three dollars. Those who wish to exceed this figure find little difficulty in doing so if they place sundries on open display, so that customers can see and handle them.

**STATIONERY.**—Stationery requires special care in merchandising because of the fluctuation in sales (ranging from a low in June to highs in September and December). There is also a considerable variation in the demand for different lines. For example, school supplies make up an extremely important line for seasonal selling when school opens. On the other hand, stationery is a relatively stable seller and one which can be sold profitably throughout the entire year.

The variations in stationery sales require special care in keeping stocks adequate for peak selling—and tapering off in anticipation of slack periods. Special provision should be made for checking and ordering.

School supplies, cheap stationery, and picnic goods can be displayed on open tables or racks. On the other hand, higher grade boxed stationery should be kept on shelves or in showcases where it can be protected. Social stationery is a profitable item for drug stores not faced with close-by stationery or department-store competition.

**HOSIERY.**—A recent but rapidly growing department in the drug store is the hosiery department. Hosiery presents very definite merchandising problems and the care and expertness with which these are handled will determine the profit from hosiery sales. In general, all efforts should be directed toward making hosiery a prestige department. This does not mean that high-priced lines should be carried, but it does mean that the department should maintain a high standard in display and in completeness of size and color assortment. The drug store should aim to secure regular customers for this merchandise.

If the department is leased, the pharmacist has fewer problems than if he buys and sells the hosiery himself. Likewise, of

course, he has a smaller gross profit. Unless the pharmacist has had considerable experience with this type of merchandise, he should try to make some arrangement with his supplier to keep a well-balanced stock. It is necessary to watch buying so that stocks can be tapered off in anticipation of a change in color demands for the various seasons.

Hosiery "outs" are particularly deadly, and selling efforts in the full-fashioned grades should be concentrated on one brand. The display of a number of hosiery brands is equivalent to telling the customer that the store has not been able to make up its mind on the relative value of the hosiery carried.

**SPORTING GOODS.**—How far the average pharmacist should go in the establishment of a sporting-goods department is a perplexing problem. There are several factors to be considered. The first is the ability of the neighborhood or town to absorb sporting goods. Some places absorb much, some absorb little, some absorb one thing, some another. The next factor is the effect on other merchants. If the pharmacist stocks sporting goods, he may encroach on the hardware merchant, and that may arouse some antagonism. A third factor is whether or not the store has someone who is interested in selling sports equipment. To make the department profitable, there must be understanding and appreciation of the various articles of equipment. It is doubtful whether a sporting-goods department can be successful unless it is promoted by someone who is interested in the merchandise and the sports in which the merchandise is used.

In resort areas the drug store is a logical place to find fishing tackle and supplies. Baseball bats and gloves are sporting goods that have been sold in drug stores for many years. Baseball equipment for children can usually be handled with considerable success. Tennis equipment can easily be sold in drug stores, but many pharmacists find golf equipment difficult to sell. Golf balls can sometimes be handled advantageously, but it is doubtful whether the pharmacist will find that it pays to stock golf clubs.

# Making the Soda Fountain Profitable

## CHAPTER 19

THE AVERAGE length of drug store fountains is today 63 per cent greater than in 1924. This is not accidental. It is a concrete expression of the now generally recognized truth that the soda fountain can be made one of the most profitable departments of the drug store.<sup>1</sup> Operating in such a way as to yield an average gross profit of about 50 per cent, the typical fountain returns a net profit of 14 per cent, according to two studies of operating costs and returns.<sup>2</sup>

Certain other figures on fountain operations revealed by the survey technique are significant. One is that in seven typical city drug stores, both chain and individual, located in both downtown and neighborhood locations, 26.1 per cent of the net dollar sales of these stores were made at the fountain, and that this same department accounted for 38.5 per cent of the number of all sales transactions. A fountain can be made an important *traffic builder* for the store as a whole.

<sup>1</sup> It is recognized that volume varies tremendously. There is a place for the small individual drug store fountain with sales of \$15 per day or even less. Double that, or even find sales of \$100 or as great as \$200 or more, and the operating problems differ. An attempt has here been made to discuss problems common to all sizes of operations, not to any particular size.

<sup>2</sup> A Dun & Bradstreet survey released in 1938 and a survey published in the *American Druggist* in 1940 each showed the net profit on the fountain to be 14 per cent. Many experienced fountain operators feel, however, that this net figure is higher than most stores achieve. Certain it is that profit varies greatly.

**CONTRIBUTIONS TO PROFIT.**—It must be realized that the frequency figures are averages. First revealed by the St. Louis Drug Survey of a few years ago, they have been checked and rechecked and have been established as norms that should guide the pharmacist in determining whether or not he is obtaining average results from his fountain. It must be recognized that the mere operation of a fountain does not *insure* a net yield of the amount mentioned. Many fountains are operated at a net loss because of inefficient management and technique. Some merchants recognize the loss; others do not. Too great an investment in a fountain in proportion to logically attainable sales may reduce or eliminate profits. Poor purchasing, excess inventories, inefficient serving, improper sales policies, poorly selected and poorly trained personnel, and a multitude of small losses may together account for an actual loss in the operation of the fountain. This loss exists just as truly when it is not recognized as when definite steps are being taken to reduce it. Proper accounting methods should be applied to the fountain, for otherwise its true contribution to the earnings of the store cannot be determined.

**PROFIT BY LINES.**—Attention is directed to Table 19 because it summarizes the results of two exhaustive studies of fountain-operating results and, insofar as average figures can be helpful, it reveals certain significant facts that should direct the intelligent fountain operator in making his merchandising plans for this important department of the drug store. Perhaps the most striking fact is the general agreement in the results of the two studies. Conducted at different times and under different conditions and so tabulated as to reveal different facts, they are very closely in accord on the basic facts, *i.e.*, the relative profit contributed by different kinds of fountain merchandise. Thus they unite in showing that syrup beverages, fruit drinks, and the rather relatively unimportant grocery items, make the greatest contribution to profits in proportion to sales volume.

In significant contrast is the low profit, or loss, resulting from the sale of the various kinds of sandwiches and hot-plate meals. Too often the pharmacist is deceived by the relatively

larger sale involved and confuses it with net profit. The favorable position of the old reliable ice-cream soda or sundae is a comforting fact. Although it is a nuisance to sell bulk ice cream, the St. Louis pharmacists who contributed to this study seemed to be making a profit in handling it.

Table 19.—A Summary of Fountain Results  
(As a percentage of net sales)

Product	St. Louis Survey			U. S. Department of Commerce Survey		
	Gross margin	Expense	Net profit	Material costs	Overhead	Net profit
Syrup beverages.....	67.1	49.9	17.2	30.7	36.7	32.6
Fruit drinks.....	67.8	34.6	33.2	35.9	38.3	25.8
Milk drinks.....	30.3	24.7	5.6	69.4	18.3	12.3
Ice-cream soda.....	49.7	35.3	14.4	53.0	28.5	18.5
Sundaes.....	47.5	33.4	14.1	55.0	27.3	17.7
Package and bulk ice cream.....	.....	.....	.....	56.5	21.4	21.1
Factory packed.....	32.9	14.2	18.7			
Bulk.....	43.2	30.7	12.5			
Sandwiches.....	49.5	55.6	-6.1*	46.9	48.6	4.5
Hot-plate meals.....	52.0	61.2	-9.0*	43.0	59.6	-2.6*
Luncheon beverages.....	66.6	43.7	22.9	38.9	42.5	18.6
Desserts.....	33.4	26.7	6.7	56.6	30.2	13.2
Grocery items.....	55.1	24.2	30.9	42.6	28.2	29.2

\* Loss or low net return on food is usually caused by attempts of small fountain operators to go too far into the serving of meals. Food is basically profitable, but it must be handled properly. Moreover, it must be remembered that if a profit is to be made the merchant must not be afraid to ask enough for it. A cut of 5 cents on an item will increase its sales, but a similar cut on other items will have the same result, viz., increased sales and a net loss.

Careful cost accounting such as that involved in the two studies summarized in Table 19 serves as a guide to promotional efforts by the fountain operator. For example, effort spent in increasing demand for sodas and sundaes and directed to niceties in serving them is justified by profit possibilities. If it is a fact that these sales can be increased by special advertising, or by the addition of a cake or a cookie, the profit justifies the additional expenditure. Neighborhood pharmacists may well make plans for developing the sales of bulk or packaged ice cream, for both can be sold at a profit. But it is not believed

that grocery or specialty items should be emphasized, even though the profit involved seems to be attractive, since they do not fit into the normal operation of a drug store.

### Fountain Policies

The merchandising ability of the pharmacist is shown in part by his ability to adjust to the merchandising opportunities of his location the policies that govern the operation of his soda fountain.

**TWO SIZES?**—Some fountain operators have found it wise to offer two sizes of such products as malted milks, featuring one at 10 cents and another at 15 cents. In some localities both would be 5 cents higher. Careful cost analysis shows that it is possible to secure the same net profit from the smaller serving if its size is correctly adjusted. Many customers do not wish to spend the larger amount; even more do not wish the larger quantity. In fact, one survey<sup>1</sup> found that the 10-cent product sold three and one-half times as fast as did the 15-cent drink.<sup>2</sup>

**THE COUNTER FREEZER.**—The long raging controversy over the advisability of using a counter freezer for the manufacture of ice cream, in preference to purchase of manufactured ice cream, cannot be settled here. Careful weighing of the arguments presented by the advocates of both points of view suggests that the final decision must be made largely on the basis of the individual preference of the fountain operator. It seems to be established that in many markets it is possible to prepare and freeze the ice cream sold at the store's fountain and to make some savings. Variations in the cost of both the "mix" and the commercial ice cream from market to market prevent any useful discussion of cost differentials.

Impressive arguments are presented by adherents of each point of view. It is economical to use a counter freezer, say some. Perhaps just as many thoughtful fountain operators believe that when the cost of electricity, refrigeration, the time

<sup>1</sup> *Druggists' Circular*, May, 1938, p. 37.

<sup>2</sup> Care should be taken not to inflict sales of the higher priced product on customers who prefer the smaller or cheaper preparation.

of an employee, and the cost of accessory ingredients such as nuts, flavors or fruits, as well as the basic mix are combined, and an allowance is made for depreciation and interest on the investment, nothing is gained in the prime cost of the ice cream.

Some believe that cost variations are not so important as are certain specific advantages claimed for each method. Counter freezer advocates assert that the product is distinctive and that it often sells better because it resembles "home-made" ice cream, although under the laws of at least some states it cannot be so designated. One successful pharmacist in a smaller city told the writer that he has found it possible to have a greater number of varieties since he installed his counter freezer than when he bought from a commercial ice-cream company; and that the ability to make small quantities of special flavors to please customers who desire novelties for luncheons or dinners is another advantage. Others point to the rather common availability of a wide selection of ice cream supplied by the manufacturers in 2-gallon containers in most markets.

In summary, it may be said that the entire matter seems to hinge upon the ability, personality, and interests of the individual operator. If he likes to experiment with recipes and to feature certain types of varieties not generally available, and if he does not feel it to be a nuisance to buy the mix and freeze the cream, he may derive a considerable personal enjoyment from the plan and may thus find an outlet for his distinctive merchandising ideas. Other pharmacists do not wish to undertake the additional labor and to give thought to providing ice cream in this way. They, therefore, simplify their problem by buying ice cream from the commercial seller.

**SELLING BULK ICE CREAM.**—The general principle that policies must conform to market opportunities finds many applications in the management of a soda fountain. The sale of bulk ice cream illustrates this point. Pharmacists in downtown city locations do not, as a rule, find it wise to feature this product or to carry an intensive inventory. Those who find many homeowners among their customers may well give at-

tention to developing this business, as sales may be increased and profits enhanced; for, although bulk sales do not yield so attractive a net margin as do packages, there are many buyers who have definite preference for bulk cream.

*Losses that Are Often Incurred.*—It is also essential to avoid some of the significant losses that often accompany the sale of ice cream. For fountain use it should be rolled into the



Fig. 68.—Use of soda fountain but retaining professional atmosphere (The H. W. Meinen Pharmacy, Fort Wayne, Ind.).

dipper by circular strokes. Take the first dipper from a new container at the edge or straight across the surface. Follow this round by the circular movement until an even layer is removed. Not only is this the most economical way to use the dipper, but soft ice cream and ice crystals can thus be kept at a minimum. Keep the temperature in the wells such that it will not be necessary to use undue pressure in dipping. Besides this, there is a gain when ice cream is sold rather than being allowed to stick to the side of the container, only to soil the sleeve of the attendant.

For bulk sales it is usually best to use a spade. With it a piece of ice cream can be cut out that is as close as possible to



the size and shape of the container. Use the spade to push the cream into the corners of the container. The cream can be pushed into any remaining corners as the top of the container is pressed on.

*Dipping Loss.*—One of the greatest hindrances to successful soda-fountain management is loss in selling ice cream. The average operator gets only 14 or 15 quarts, instead of the supposed 20, out of 5 gallons of ice cream, the loss being occasioned by the fact that ice cream contains air and, when it is improperly dipped, the air is out and the bulk reduced by just that much. Often this loss is great enough to turn a prospective profit into an actual loss. Dipping for the fountain trade, although not so wasteful as for carry-outs, often occasions a loss of as high as 25 per cent.

A useful check is made possible by weighing from time to time. A gallon of ice cream should weigh from 72 to 75 ounces. Weigh a dipperful of cream, as dipped by the average attendant, and see how many dipperfuls are being taken from a gallon. There should be about 60 scoops from a gallon, with a number 30 dipper; 48 with a number 24; 28 with a number 16; and 24 with a number 12. Cost calculations can be made more accurately if the number of dips secured is divided into the cost per gallon of the ice cream. Such a calculation is often very enlightening to a fountain operator who is not accustomed to careful cost accounting.<sup>1</sup>

*Merchandising Ideas.*—The alert pharmacist can do much to increase the sale of bulk ice cream. He can and should identify himself with his neighborhood, so that when anyone thinks of ice cream they will think of the pharmacist at the same moment. Remember children by giving each a "birthday cone." Send bulk cream to ill persons, especially children. Some use contests to center attention on the ice-cream department. Recipes calling for the use of ice cream are illustrative. Give the bulk ice-cream cabinet a good location in the store. Keep it shining and clean at all times. Feature one special ice-cream item at least each week end, but do not overlook

<sup>1</sup> Certain data in this section are taken from *Soda Fountain Magazine* for March, 1941, and from an article by Charles Shaw of the Taylor Freezer Corporation.

the sale of the two or three staple flavors. Tie into popular tunes. Help local celebrations by special names for some of your specials. One Southern pharmacist has found that business is aided by giving free cones to all children who get a perfect mark in "deportment," and sodas to all children who bring in their mothers' telephone books so that he can stamp the name of his store and the telephone number on the front cover. Window displays can be used to promote the sale of ice cream and other fountain products. Use the sales aids furnished by the manufacturer, for in general they incorporate basically sound merchandising ideas.

### Fountain Techniques

**CARE IN MAKING DRINKS.**—Space is inadequate to present full directions for making fountain drinks. Moreover, certain agencies connected with the fountain industry have made good directions and recipe books available to all fountain operators. These books cover almost any possible need and, if consistently used, will go far to increase the business of any soda fountain. Certain pertinent comments may, however, be useful.

It has been well said that the reputations of many fountains have been built around service of a quality ice-cream soda.<sup>1</sup> If the reputation is to be maintained, it is necessary to *adopt and continue to use* a standard formula. Otherwise, consistently good sodas cannot be served. One good formula is as follows: Put 1½ ounces of chocolate syrup into a 14-ounce thin soda glass. Add one soda spoon of whipped cream, *mixing* the cream well with the syrup. Draw a fine straw of carbonated water until the glass is two-thirds full. Add two dipperfuls of vanilla ice cream. Finish with a coarse and a fine stream. Then top off with a touch of whipped cream.<sup>2</sup> Because of the psy-

<sup>1</sup> See *Fortune*, September, 1940, for an outstanding example, the Howard Johnson Restaurants. This article contains many good ideas that can be used by others, although many of the policies, and even the products, cannot be fitted into the everyday work of the average fountain operator.

<sup>2</sup> From "Let's Sell Ice Cream," The Ice Cream Merchandising Institute, Washington, D. C.

chological effect on watchers, some operators use two number 24 scoops rather than one number 16. Two scoops look larger than one. For the same reason, some use 14-ounce glasses rather than the 12-ounce size, which is most common. The cost of the additional ingredients is small.

The most popular drinks among those made of milk and ice cream are, of course, the malted milk and the milk shake. In dollar volume, sales from these two items exceed the cola-like drinks. A demand exists that can be tapped for your fountain if you prepare a satisfactory and consistent quality product. Since over 70 per cent use chocolate for flavoring, it is important to know whether your trade prefers milk chocolate, sweet chocolate, or bittersweet.

It is likewise important to discover the proper time for mixing each drink and to mix it just that long. Since aeration, which is essential to a good drink, is lost by overmixing, the quality of the final product can be quickly lost when careful attention is not given to the time element. Overbeating makes the drink less fluffy and creamy.

A useful formula for a chocolate malted milk is as follows: 6 ounces of whole milk, two number 16 dipperfuls of ice cream, 1 ounce of chocolate syrup, and 1 ounce of malted-milk powder. Such a drink should normally sell for either 15 or 20 cents. If it is desired to offer one at 10 cents, reduce the whole milk to 4 ounces, the ice cream to one number 24 dipper, use  $\frac{1}{2}$  ounce of chocolate syrup and only 2 soda spoons of milk powder. A large chain uses the following formula:  $1\frac{1}{2}$  ounces of chocolate syrup, two number 16 dipperfuls of ice cream, 5 ounces of 4 per cent butterfat milk, and 2 soda spoons of malted-milk powder. This drink is mixed for 1 minute. It is served in a 10-ounce glass liner. A soda spoon of whipped cream is drawn down inside the glass, which is then filled two-thirds full. Malted-milk wafers, a soda straw, and the mixing cup with the remainder of the drink are placed before the customer. This service is priced at 17 cents.<sup>1</sup>

**SERVING THE CUSTOMER.**—The experience of many successful fountain operators has shown that certain standard

<sup>1</sup> C. E. Henderson, in the *Soda Fountain Magazine* for October, 1940.

procedures can be established for serving customers. When these steps or rules are followed, the fountain assistants tend to observe them almost automatically, with the result that better service is given than when methods of customer contact are left to the judgment or to the indifference of the waitress or the fountain operator. Certain illustrative procedures will serve to indicate what is meant and should suggest other similar methods of improving service in fountains.

When a customer enters the store and sits down at a table, in a booth, or on a stool, he is entitled to *prompt, courteous, intelligent, and quiet* service. It is reasonable to assume that a purchase is intended. Hence, a napkin should be placed in front of the customer and at the same time a glass of ice water should be set at the upper right-hand corner of the napkin.

The glass should never be filled above the rim, and it should never be slammed down on the bar or table in such a way as to spill its contents. Nor should the water glass be carried so that the hand is cupped over the top of the glass. The menu should be handed to the customer, for it is far better to do this than to allow her to hunt for it. One survey showed that 10 per cent of the customers of drug store fountains had to ask for the menus. If silverware is to be used, place it on the napkin rather than on the fountain or the table. Touch only the handles with the hands. It is only courtesy to avoid placing the silverware so close to the edge that it is likely to fall off. If a two-course serving or more is ordered, all used dishes should be removed before a subsequent course is served. A clean napkin—if the paper variety is used—should be given with each course. The water glass should be filled at frequent intervals with ice-cold water or ice, not store-temperature water. A second serving of coffee is an extra service which pleases many customers.

*Little Things.*—Nothing is more important in establishing good service than to watch for and avoid little things that tend to give a bad impression. Illustrative is the importance of keeping moisture off the fountain bar; otherwise, it gives a

messy appearance and often dampens the sleeves of customers. Soiled dishes are never attractive. They never suggest good food or sanitary service. Hence, be sure that they are removed as soon as the customer leaves fountain or table. Avoid leaving a catsup bottle in front of an ice-cream customer. An encrusted mustard dish does not increase appetite. Avoid filling soup plates so full as to lead to their slopping over onto the plates or even the table. Keep moisture and grease off the fountain top by using a towel wrung out of hot water and changed at least every 15 minutes, when service is active. Careless attendants serve water glasses with damp hands. It is likewise bad to try to handle the water glass and the menu or the napkin with one hand.

A number of factors of carelessness come under the general head of "smearing." Avoid getting whipped cream on the outside of a glass. The best technique is to draw a spoonful of cream over the edge of the glass, for it will then drop down onto the malted milk or other drink. A drink from a clean glass tastes better than one from a glass that is smeared. Be very careful in serving orange juice to avoid smearing or running it over the edge of the glass. If this takes place, a careful but quick wiping will restore the attractiveness of the outside of the tumbler. It is better, if necessary, to pour the juice into a clean glass. Be careful to wipe off each plate before serving a salad or similar food on it. A cold plate from the refrigerator helps the sale of summer salads. Segments, rather than slices, of lemon prevent much messiness when they are squeezed by the customer.

*Carelessness.*—A careless attitude may be shown by the way in which dishes are handled. Do not shove, slide, or bank them when serving a customer. Show respect for both the dishes and the food by placing them slowly and accurately in front of the customer. Place the silverware *on top of the napkin*. Do not complicate arrangement of food on a service tray by placing the coffee cup on the saucer while it is on the tray. A towel is a necessary part of the equipment of a waitress, but it can be kept out of sight under the tray when thought is given to this seemingly small matter. It is really important,

because wet towels, untidy dishes, sloppy service, and an indifferent attitude are illustrative of many matters that will encourage customers either to make additional purchases or to become regular customers.

It is usually bad practice to hurry the customer. It is granted that space at the fountain and in the booths is valuable, especially at rush hours, but no customer likes any suggestion that he is not entirely welcome to come to your fountain and stay as long as he wishes. Hence, it is not wise to remove a half-full cup of coffee, even though you are reasonably sure that the meal has been finished. It is far better to say, "May I get you some ice water?" for that is a polite suggestion that you are sure the customer has finished and that the space is needed for someone else. Placing the check *face down* is as fundamental as is the use of "Thank you."

*Other Service Points.*—Promptness is so important that it cannot be overemphasized. When a customer enters your store, he has the right to expect to be served. If your fountain is successful, in the majority of cases the attendants cannot give immediate service because they are engaged with other customers. But the customer has the *right to be recognized*. A nod or a smile serves as well as would a long speech, for it tells the customer that he has been seen, that the operator knows that he wishes to be served, and that the service will be given at the earliest possible moment. No reasonable customer can expect to take precedence over those who came in before him; but there is no excuse for the attendant's cleaning the fountain, washing dishes, or arranging a display while a customer waits to be served. One survey showed that at the average fountain one-fourth of the customers did not receive prompt attention. Only three-fourths of the sales involved showed that the attendant seemed or acted pleased to serve the customer.

Successful fountain operators find that it pays to repeat the customer's order, for in that way misunderstandings are avoided, and the repetition serves to strengthen the details of the order in the mind of the attendant. It is disconcerting to

give an order, receive no comment or acknowledgment of it, receive it without a word, and be compelled to break the silence by asking the amount of the check.

Attendants who do not listen carefully to orders are a source of dissatisfaction in fountain-customer relations. White bread when rye was ordered, chocolate ice cream rather than vanilla in the soda, or cream in the coffee when black was specified, are examples of the dozens of violations of this principle. Each one tends to break down the pleasant relation which should exist. Even if the customer does not resent the error, it appears on the cost sheet for usually another service is required.

*Use of Slang.*—Many fountain operators have an impression that the use of slang or a special vocabulary is a good plan. Others do not think so. They point out that it tends to reduce the formality of the occasion and may perhaps suggest a lack of respect for the customer's order that may be interpreted as lack of appreciation of the patronage. For example, they believe that such a phrase as "Shoot a red head," when a cherry cola-like drink is ordered, is not wise. "Burn one with a cackle," when reference is made to an egg malted milk, or use of the phrase "farmer's lunch" for a banana split are equally bad in the judgment of many successful fountain owners. Hence, many of the most capable fountain operators of the country do not permit the use of slang under any conditions. With this policy your authors are in entire agreement.

*Service Checking.*—It is hard for the busy drug store owner to watch all the points of service that have just been suggested. He does not have time for regular checks on all these items. Moreover, he is often too close to the job and to his employees to note all the service points. For this reason, some larger fountain operators have certain of their feminine friends make periodical checks to determine how the average customer is being received and what her reaction may be. In that case, some such formula or checking score sheet as the one below may well be used. Even though outsiders as checkers do not always seem feasible, the owner or his wife can use it to advantage. The score sheet follows.

## Checking Points on Service

1. Appearance of waitresses:
  - a. Clean, neat, attractive?
  - b. If not, why not?
    - dirty apron—face—hair untidy—too much make-up—dirty hands?
2. Attitude of waitress or fountain man:
  - pleasant—courteous—helpful—lack of interest?
3. Attitude toward other fountain workers:
  - courteous—razzing—bad jokes?
4. Proper care in placing setup:
  - counter dry and clean?
  - silver properly and quietly placed?
  - slopping avoided?
5. Plate treated with respect when served?
6. Appearance of the plate pleasing?
7. Fill water glass often with ice cold water or ice, and renew the butter?
8. Waiting time for each course?
9. Additional items suggested?
10. Check placed face down and weight on it?
  - “Thank you” used? Was it for the right person? Was it necessary to ask the customer what had been served?

**FOUNTAIN CLEANLINESS.**—One of the really vital factors in the successful operation of a fountain is that of keeping it clean. Nothing fancy or involved is included in this statement. It refers to just ordinary sanitary cleanliness—the kind that could stand the inspection of the pharmacist’s wife at any time. Apply this test and see how many times the good housekeeper will be able to make constructive suggestions. That is not too much to ask. Food must come from clean equipment if it is to be tasty and if it is to appeal to the customer in such a way as to bring her back to your fountain. When at a bridge party a remark like this is made, “I wonder if \_\_\_\_\_’s fountain is really clean. You know, I saw a cockroach there the other day,” damage is done to your business that is hard to repair.

**Personal Cleanliness.**—One important factor is cleanliness on the part of everyone who works at the fountain. Attention



should be paid to such ordinary things as soiled aprons or other linen, shoes that have not had a shine for weeks, or hose that have holes or are sloppy in appearance. Rubber heels are desirable. It is not too much to expect that everyone will clean finger nails before going on duty. Nails should not have too much polish—in fact, none is preferable for fountain attendants. Hair should be neatly arranged. Lipstick and rouge—if used at all—should not violate the standards of good taste. Bad breath should be avoided at all costs.

Other personal matters are important. Nothing is more disastrous than allowing the distasteful odor of perspiration to permeate a service section. Gum chewing should carry a heavy penalty, as should wiping hands on apron or uniform, running hands through one's hair, or handling food directly with the hands.

*Unfortunate Habits.*—Employees should never be allowed to eat in the presence of customers. It is better to taste food than to smell or sniff it to test whether it is ready to be served. Visiting among the employees, even though there is no work to be done, is almost as bad as is a too personal attitude toward some.

*Fountain Care.*—The pharmacists of a Southern city combine to check each other's fountains at frequent intervals. They have found that the following factors are important: Are ice cream dippers kept clean by leaving them in running water? Are such items as syrup jars, ice-cream cabinets, back bars, drainboards, sinks, work boards, and electric mixers always spotlessly clean? Attention is paid to the condition of water and soda glasses and their sanitary condition. Are they dry? Are coffee urns in good order and free from stains? Are the water glasses washed, sterilized, and really dried? Almost a hundred other points are considered by this group. The importance of frequent checks of this kind cannot be overemphasized.

*How to Keep a Clean Fountain.*—Experience shows that careful routine cleaning and checking is the only way to keep a fountain clean and in a sanitary condition. An established routine should be followed. Although conditions vary as do the

individual preferences of pharmacists or fountain owners, a standardized routine for the fountain attendant like the one that follows<sup>1</sup> is suggestive of what should be done and how it may be accomplished by careful routine.

### MONDAY MORNING

1. Wash counter with hot water and soap or a good cleaning agent.
2. Scour and polish draft arms and drip pans, and wipe them thoroughly with dry cloths.
3. Scrub and polish work board, drainboard, cabinet tops, and basin.
4. Wipe off syrup-jar tops with wet and dry towels.
5. Fill chocolate jar and milk pump with fresh contents.
6. Clean back bar, counter slab and display, highly polished glass-ware, etc.
7. Clean back-bar accessories.
8. Clean and polish spoons.
9. Clean icebox and arrange for supplies for the day.
10. Inspect cooler box and draw off carbonated water from draft arms. Test temperature of carbonated water.
11. Inspect carbonator and gas supply. Vent air from carbonator.

### MONDAY EVENING

1. Take up floor racks, clean them with hose, and set them up to dry.
2. Scrub floor around and under fountain.
3. Scrub and sterilize refuse receptacles and chutes with hot water and ammonia water or bicarbonate of soda.
4. Wash, polish, and sterilize all glassware.
5. Wash, scald, and have ready for refilling in morning chocolate jar and pump.
6. Put milk, perishable fruits, and syrups in icebox.
7. Wash and thoroughly scald milk pump. Place it on the counter to air.
8. Empty into porcelain containers the contents of syrup jars requiring refilling. Wash, scald, and refill.
9. Wipe off front of counter.
10. Wash with soap and water, and dry stools, chairs, and tables. Remove stains and chewing gum.

<sup>1</sup> Used with the permission of the Bastian-Blessing Company, Chicago.

## TUESDAY

1. Repeat Monday's duties.
2. Wash back-bar mirrors.
3. Clean and polish back bar, cabinets, and woodwork.
4. Polish back-bar accessories, straw holders, glass holders, sundae cups, etc.
5. Thoroughly wash and polish all syrup pumps. Remove spring and plunger and scour working parts. Reassemble. Pump hot water through the working parts. Dry and polish.
6. Wash thoroughly draft-arm nozzles.

## WEDNESDAY

Repeat Monday's duties.

## THURSDAY

Repeat Monday's duties.

## FRIDAY

1. Repeat Tuesday's duties.
2. Remove all stocks from back-bar storage cabinets. Clean and replenish all stocks.
3. Clean underside of cabinet tops.
4. Scour and rinse syrup-jar trough.
5. Defrost and remove all moisture from mechanical ice-cream cabinets. Scour, rinse, and dry. Remove all contents from salt and ice fountains, scour, rinse, and dry. Remove all sediment and slime from cooler box and from soda and sweet-water coolers. Use bicarbonate of soda to sweeten and remove foul odors. Thoroughly scour, rinse, and dry. Replace sweet water to both standpipe level and ice-cooler box with ice broken to the size used in packing ice cream, or fist size, several inches deep over the coolers.

## SATURDAY

Repeat Monday's duties.

## ONCE EVERY TWO WEEKS

If you have a mechanical fountain, remove water bath, all slime and sediment from the coils. Remove ice formation from the boiler by allowing lukewarm or city water to flow over it. Do not use an ice pick. Do this after business hours and the fresh water bath will be chilled ready for use the next morning.

## EACH YEAR

Wash carbonator annually. This flushes out coils and coolers.

# Selecting, Training, and Supervising Employees

## CHAPTER 20

**T**HE ESSENTIAL factors in retail drug store success are carefully selected merchandise, effective sales promotion, prudent store management, and a staff of employees able to sell and serve the store's customers properly. Each of these factors has a vital bearing on the ultimate success of the store, but none is more important than that of personnel—the selection, training, and supervision of employees. Unless the problems associated with the employment and management of workers are handled wisely, a store can hardly expect to prosper.

Many pharmacists fail to realize that frequently a customer's most vivid impressions of a store—and of the pharmacist himself—are secured through contacts with employees. To the customer, the salesman or the salesgirl is the pharmacist's personal representative. What he or she does or says in dealing with that customer is as the proprietor's own act and voice. If the clerk gives poor service, is discourteous, inattentive, or downright insolent, it is the pharmacist who loses the customer. On the other hand, if the clerk is energetic, helpful, and smiling, the customer will enjoy trading at that store and sales volume will rise and the pharmacist will benefit.

The management of store personnel is important not only because of the relationship of personnel to store patronage, but also because the payment for personal services constitutes the largest single item of operating expense. More than 61 per cent

of the total operating expense of drug stores is accounted for by salaries and wages.<sup>1</sup> The significance of that factor in ultimate net profits is obvious. If the efficiency of the personnel can be increased, there is a direct effect on net profits. For example, a decrease in personnel expenses of 10 per cent means a direct addition to net profits. Likewise, any additions to personnel expense, if not accompanied by direct gains in sales or reductions in costs in other items, are certain to prove direct deductions from the drug store's possible net profit. Clearly, then, the selection, training, and supervision of employees are of utmost importance to the successful operation of the retail store.

## Selecting Salespeople

The first personnel function in a retail store is that of employment—selecting the right person for the job. In a drug store it may mean the hiring of a pharmacist, a soda-fountain clerk, a waitress, or a floor clerk. But regardless of the type of employee hired, great care must be exercised. It is well to regard each new employee as a sort of partner and to select him as such.

It may be said that, as a rule, the typical pharmacist devotes too little attention to the selection of employees. There appears to be a rather generally accepted opinion among pharmacists that it is unnecessary to make a careful investigation of the prospective employee's fitness and aptitude before hiring him. This, however, is an erroneous impression and a most unwise practice. The pharmacist is purchasing services that are essential, and the potential quality and productiveness of these services should be investigated with at least as much care as would be given, for example, to the purchase of an automobile. Over a period of time, the money paid to employees for personal services will amount to many thousands of dollars and great care should be taken to see that a wise expenditure is made.

<sup>1</sup>The 1940 Retailer-Operating Cost Survey published by Dun & Bradstreet shows that the total average operating costs of drug stores is 28.1 per cent of net sales. The salary and wage item approximates 17.4 per cent.

**ANALYZE THE JOB.**—The first step in the selection of a new employee is a job analysis. It is obvious that in few instances can a pharmacist use just any new employee. He must secure the type of person who is qualified to perform the work to be done.

Before setting about the task of selecting salespeople, it is necessary to analyze the clerk's duties, in order to determine just what qualifications the new man must possess. How much technical knowledge does the job require? What physical, age, or character factors are involved? The job should be studied from several angles, in order that recognition may be made of all vital factors affecting the work.

Just as one would study the precise work to be performed by a machine in a factory in order to determine just what kind of equipment is necessary, before making a purchase, the pharmacist should study the work to be performed so that he may determine just what type of employee he needs.

However, the jobs in drug stores are of much the same pattern. A good deal of study has been given to job analysis in order to set up employee qualifications for those jobs. We may, therefore, pass to the next phase of the problem of selection—that of the personal characteristics or qualifications requisite for salespeople. It is well to put down on paper a practical set of characteristics that drug store employees should possess, so that this list may serve as a guide in the selection process.

**CHARACTERISTICS OF GOOD DRUG STORE SALESPEOPLE.**—The ability to succeed in any vocation is determined by three factors—basic ability, personal traits, and interest in the work. Just as sound purchasing procedure involves a statement of specifications before supplies are purchased, it is equally useful to set up certain specifications to be followed in selecting salespeople. The problem is, however, much more difficult when employees are involved than when steel or coal is tested; for not only is it much harder to determine the degree to which certain characteristics exist in a person, but there is no common agreement on what characteristics—*i.e.*, specifications—are desirable. Although the characteristics most useful

vary for different drug store employees, there seem to be certain general characteristics of successful drug store salespeople that can be used as a guide.

The qualifications of good drug store salespeople are centered largely about five factors: personality, education, experience, personal and family history, and health and physical fitness. Each employee should measure up to satisfactory standards in regard to those qualifications.

*Personality.*—Retail selling seems to attract a certain type of personality. Thousands of persons could never be happy or successful in this work. Others find happiness in making a sale and in meeting people.

It is difficult to appraise accurately the intangible qualities that are normally associated with personality, but they do have to be given consideration. The most important of these characteristics affecting the success of drug store salespeople are considered here.

1. Appearance.—Neatness is a highly desirable qualification for drug store employees. The ability to create a good appearance by facial expression, carriage, and clothing is needed. Good manners also are an integral part of good appearance.
2. Character.—Inasmuch as drug store merchandising is a repetitive process, successful salespeople must possess essential elements of sound character, such as, honesty, integrity, and dependability. Customers will not continue to buy from people whom they do not trust.
3. Industry.—The ability to work hard and systematically is a most important qualification for the drug store employee, as this type of work necessitates long hours.
4. Control of Emotions.—An even temperament is essential. The quality of patience is highly desirable, as customers are frequently irritable and unreasonable.
5. Determination.—The ability to exhibit determination in spite of difficulties is important. Selling is filled with

discouragements, and successful salespeople do not give up readily.

6. **Aggressiveness.**—Retail clerks should possess aggressiveness, but not necessarily the type of aggressiveness usually associated with “high-pressure” selling. They must try hard to sell, but they must always keep in mind the customer’s welfare.
7. **Intelligence.**—The ability to think logically is always an asset for anyone engaged in selling.
8. **Ability to Talk.**—A good salesperson should be able to express his ideas in speech and by demonstration in a clear and interesting manner. This does not mean the performance of a chatterbox. It means the ability to convey clear-cut impressions to customers so as to arouse their interest in the merchandise offered for sale.
9. **Ability to Get Along with People.**—A further important characteristic of selling personality is the ability to get along with people. Anyone engaged in selling should possess a natural liking for people and derive genuine pleasure from being with them.

*Education.*—It is difficult to state with finality the amount of education that a drug store employee should have had. In most instances the amount of education is not nearly so important as the results of that education.

In the case of pharmacists it is required by the laws of most states that they be graduates of some pharmaceutical school. A high school education may be sufficient for other employees, and it is probably well to insist upon this as a minimum. Many successful pharmacists are rejecting all applicants for selling jobs who do not have high school diplomas.

Prospective employees who have had some training in merchandising, chemistry, and biology are usually superior to those without it. Persons who have attended night schools or correspondence schools thus show a desire to get ahead.



*Experience.*—The general policy in regard to experience is to give preference to the applicant who has had satisfactory past experience of the right type. In the absence of other information, this is undoubtedly a wise course to follow. Naturally the man who has secured the proper kind of previous experience is a preferred applicant. However, experience is not everything. In many instances it is more important that the man possess certain basic qualifications that make for success in selling. The experienced man usually has a temporary advantage over the inexperienced man, but after a period of a year or two this advantage disappears and then the man's value to the store depends on his possession of the right fundamental characteristics.

The best type of selling experience is that gained in organizations that provide careful sales training for their employees.

*Personal History.*—Almost every employer makes some check on an applicant's previous personal history, but in many instances the checking is done rather casually. This information, however, is most important in its bearing on the possible success of the employee and should be considered very thoroughly. What one has done in the past is most likely to be indicative of what that person will do in the future.

There are several specific types of personal history information that will prove valuable in influencing an ultimate decision. Among them are

1. *Age.*—In general it can be said that new employees should be at least eighteen years of age and it is better if they are somewhat older. Salespersons in their twenties and thirties are usually more successful than those who are younger or older.
2. *Height and Weight.*—Retailers do not seem to agree on the significance of either height or weight on sales success. The common-sense procedure would be to avoid extremes and to place major emphasis on other more essential qualifications.
3. *Marital Status.*—Men with dependents are usually more stable than single men, but they usually need

larger incomes. Also, a man's family sometimes objects to the long hours and the evening work necessitated by drug store employment.

4. **Nationality and Religion.**—It has been found best, in general, to employ clerks of various nationalities and religion in about the same proportion as these factors occur among a store's customers.
5. **Previous Employment.**—An applicant should be able to furnish satisfactory references as to his work, if he has had previous employment. When the applicant is inexperienced, an educational reference may replace the employment type.

A record of successful retail drug store experience is to be preferred to other types of employment. But, regardless of the type of work that the applicant has performed in the past, he should have a clear record with his previous employers with respect to honesty, willingness to work, ability to get along with people, and similar qualities.

*Health and Physical Fitness.*—Health and physical fitness are peculiarly important for drug store employees, because of the nature of the work and the effect on customers. The working hours are long and the necessity for standing practically the entire time when on duty requires good health and fitness. Weary salespeople are not patient and understanding with customers. Also customers will have more confidence in pharmacists who appear to be the picture of health themselves.

Anyone who is to be employed in the candy, soda fountain, or cosmetic departments, must appear clean cut, neat, and healthy. A clear complexion is a requisite in any person who sells in these departments.

**WHERE TO LOOK FOR NEW EMPLOYEES.**—Although most pharmacists do not find it necessary to hire many new employees, it is essential that each new employee be the best possible person available for the opening. This means that employers cannot depend on casual applicants who seek the positions. The pharmacist will have to search for the right men

and women for his store. It is necessary to seek out alert and efficient sales help; otherwise one is likely to find his choice limited to those whom others do not want to hire.

When faced with the problem of employing a pharmacist, one may obtain either a new graduate from some pharmacy school or a registered man who has had experience. Recent graduates usually request smaller starting wages but they may lack experience and maturity, which are important qualities. Anyone employing graduates would do well to contact school authorities, as they can be of considerable help in supplying information about their graduates. If possible, it is well to make the selection before the applicant's graduation so that the new man can be tried out temporarily during vacations or after school hours.

Pharmacists with experience are at this writing hard to find in most localities. A good course is to consult drug store associations, pharmacy groups, and wholesale druggists regarding the men who are available.

Sales help other than pharmacists can be obtained from several sources, but undoubtedly one of the best is the local high school. Admirable cooperation is usually provided by the principals and teachers. They will furnish lists of those graduating and give personal information concerning each one.

**MAKING THE SELECTION.**—After the position to be filled has been studied for the purpose of determining just what qualities the pharmacist should seek and several likely applicants have been located, the merchant must utilize several methods of determining just which person is best qualified for the position. By means of interviews, application blanks, and the checking of references an intelligent selection can be made.

*The Interview.*—The interview is for most pharmacists the chief means of securing information regarding the abilities of an applicant. However, an interview, if it is to be of much value, should be conducted properly. It is not merely a casual conversation with an applicant but a means of diagnosing his abilities.

The interview is one of the best methods of sizing up applicants for positions in the drug store and is extremely important

both to the firm and to the applicant. In fact the interview has a dual purpose, that of determining to what extent the applicant is fitted for the job and how the job fits the man. For this reason the applicant has a right to expect to be given full and accurate information on the nature of the work, the competitive position of the store, its policies that affect his work, and the opportunity for advancement should he do successful work.

Recognizing the limitations of the interview as an aid in selecting employees, many pharmacists have found it necessary to follow certain definite methods and principles. In conducting the interview it is desirable to set the applicant at ease so that a true appraisal can be made. The manner of the interviewer is extremely important. If he is brusque and too quick in his movements and in his questions, the applicant is at once placed under a handicap. The first questions should not be those of primary importance or of a kind likely to embarrass the applicant. Minor but important questions relating to one's education or his present place of residence illustrate this point.

A second principle is that a hurried interview may be worse than none, for only misconceptions can result when not enough time is allowed really to learn to know something about the prospect.

A third interview principle that pharmacists will find advantageous is that the applicant should be interviewed by more than one person if possible. Conversations with different individuals give a balanced or average judgment and tend to reduce the personality factors, such as the tendency of some interviewers to over- or undervalue appearance, nationality, etc.

Another factor to keep in mind when interviewing prospects is that the applicant should be treated in as fair a way as possible to insure his good opinion of the store, even though no job is offered him. A store's good will in the community can be injured by rude employment methods.

*The Application Blank.*—Although most drug stores are not large enough to warrant the printing of application blanks, some permanent record should be made of the applicant's

personal history. The information contained on the application blank should include his full name, his address, the length of time he has lived in the place, information as to his education, and his special training. It should also include details regarding physical characteristics, such as height, weight, complexion, and physical peculiarities. Furthermore, it should give a record of his place of birth, some family information, his religion and church affiliation. A record of his previous employment, with the date and wages earned, should also be included.

The application blank should summarize all the information that the pharmacist can use and that can be obtained from the applicant in writing. Figure 69 shows an application blank that can be used in the process of selecting drug store employees.

After the application blank is filled out, it should be carefully studied by the pharmacist for the purpose of supplementing the information that he has secured in the interview with the applicant. Any discrepancies or apparently weak spots should be followed up.

*References.*—References are useful aids in the eventual selection of personnel. They may be of two kinds—employment and personal. When the applicant is inexperienced, an educational reference may replace the employment type. The employment type of reference is a statement of fact given upon the request of a pharmacist and should include the facts of employment, such as period, rate of pay, success attained, appraisal of certain characteristics of the employee, and the reasons for leaving if they are known.

A personal reference is given by a qualified person and covers such matters as character, integrity, and standing in the community. It should be based upon either personal or business acquaintance. Personal references or recommendations are valuable if honestly given. The least useful type is the "To whom it may concern" type of testimonial. That is almost worthless, because the employer is unlikely to tell the whole truth, especially as to unfavorable points, in a letter that is carried by the applicant. Also such documents are too

Before filling out this application, read paragraph preceding your signature on page 2.

Fill out in your own handwriting.

Position for which application is made \_\_\_\_\_ Date \_\_\_\_\_ 19\_\_\_\_

Name in full (print) \_\_\_\_\_ Social security number \_\_\_\_\_

Present street address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_

Permanent street address \_\_\_\_\_ Telephone \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ How long have you lived there? \_\_\_\_\_

**Physical**

Height \_\_\_\_\_

Weight \_\_\_\_\_

Complexion \_\_\_\_\_

Wear Glasses \_\_\_\_\_

Any defect in:

Sight \_\_\_\_\_

Speech \_\_\_\_\_

Hearing \_\_\_\_\_

Hands \_\_\_\_\_

Feet \_\_\_\_\_

Other \_\_\_\_\_

What serious illnesses have you had? \_\_\_\_\_

How much time have you lost through illnesses in past three years? \_\_\_\_\_

What is your opinion of your general health now? \_\_\_\_\_

Have you taken recent physical examination? \_\_\_\_\_

For what purpose? \_\_\_\_\_

Did you pass? \_\_\_\_\_

Are you willing to take a physical examination? \_\_\_\_\_

**Personal**

Date of birth \_\_\_\_\_ Age \_\_\_\_\_

Place of birth \_\_\_\_\_

Birthplace of father \_\_\_\_\_

Father's occupation \_\_\_\_\_

Birthplace of mother \_\_\_\_\_

Are you a citizen of U. S.? \_\_\_\_\_

Nationality \_\_\_\_\_

Single \_\_\_\_\_ Married \_\_\_\_\_ Widowed \_\_\_\_\_

Divorced \_\_\_\_\_

Separated \_\_\_\_\_ How long \_\_\_\_\_

Children \_\_\_\_\_

Other dependents \_\_\_\_\_

Own home \_\_\_\_\_ Rent \_\_\_\_\_ Board \_\_\_\_\_

Have you ever been bonded? \_\_\_\_\_

Amount \$ \_\_\_\_\_

What company accepted your bond? \_\_\_\_\_

Can you give a surety bond (at our expense)? \_\_\_\_\_

What are your church affiliations? \_\_\_\_\_

Were you ever in military service? \_\_\_\_\_

Explain \_\_\_\_\_

General Education and Special Training

Name of school or college	Attendance in years	Did you graduate	What degree	Subjects specialized in
High school				
College				
Pharmacy				
Other				

Attach recent photo here

Are you a registered pharmacist? \_\_\_\_\_ What States? \_\_\_\_\_

To what pharmaceutical societies do you belong? \_\_\_\_\_

What languages other than English do you speak? \_\_\_\_\_

Read? \_\_\_\_\_

Have you received any special sales training from your employers or elsewhere? \_\_\_\_\_

Explain? \_\_\_\_\_

Fig. 69. Application blank

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## Character References

Name three persons other than employers or relatives, who know you well, either personally or in business.

Name	Address	Occupation	How long acquainted
1. _____	_____	_____	_____
2. _____	_____	_____	_____
3. _____	_____	_____	_____

## Experience

Give consecutive record of employment during past ten years; begin with last position,

From	To	Employer	Address	Nature of position	Net weekly earnings	Reasons for leaving	May we write

Are you employed at present? \_\_\_\_\_ If so, why are you making this application? \_\_\_\_\_

Name relatives in our employ \_\_\_\_\_

Name personal acquaintances in our employ \_\_\_\_\_

What is the minimum compensation per week you would accept? \_\_\_\_\_

Would you accept temporary employment for three months to prove your fitness? \_\_\_\_\_

For how much are you in debt and whom do you owe? \_\_\_\_\_

When would your services be available? \_\_\_\_\_

In space below briefly set forth why you desire a connection with us and why do you think you would make a successful representative:

It is understood that any agreement entered into between the \_\_\_\_\_ (fill in company name here) and myself is based upon the truth of the statements herein contained.

\_\_\_\_\_  
Signature of applicant

for drug store employment.

often vague and general. The best type of recommendation is that written in confidence in response to a specific request.

When properly handled, references can be a valuable aid to employment, since they often disclose important factors that would not otherwise have been uncovered. Temporary or routine employees are sometimes taken at face value, but even then embarrassment has arisen, especially when something comes up that might have been prevented had references been investigated. It will pay most pharmacists to get a credit report on prospective employees as the credit reporting agencies have access to much information that might otherwise go unnoticed.

### Training Employees

The purpose of training in drug store merchandising, as in other lines of endeavor, is to bring about the improvement of the workers in efficiency and productiveness. Wherever ability and skill are required, training is necessary. This is so obviously the case that everyone agrees as to the value and necessity of training wherever complicated equipment is used—as in the factory, the laboratory, and the machine shop—or wherever technical knowledge is needed, as in the professions.

Although not so highly technical as many types of work, drug store merchandising has its technical side, as well as its need for skill and specialized knowledge. Training is necessary to aid the drug store employee to obtain this information. Lack of it is an economic waste that rests heavily not only on the employees in the stores where they work but also on manufacturers that depend for their existence on sales made through retail channels. Any improvement in the efficiency of drug store employees will not only redound to the immediate advantage of the workers themselves and of their employers, but also of producers whose products are sold through such drug stores, and of consumers who are customers of these stores.

Some pharmacists feel that their stores are too small to warrant any training program. However, it is necessary to keep in mind that the training of salespeople occurs, whether it is supervised or not. If the pharmacist does not provide



training, his employees will acquire it otherwise. Some may learn by copying, often unconsciously but sometimes deliberately, the methods of other employees with whom they come in contact. Training gained by the employee's own unaided efforts is frequently quite the wrong kind. Experience may be the best teacher, but often she is the most costly one and certainly a slow one. The trial-and-error method may be proper procedure for certain laboratory experiments, but if the technician knows what should or might work and what elements cannot possibly be combined, much time is saved. The retail field is a laboratory—one in which it is difficult to combine the proper elements.

Time and money may be saved for the pharmacist and the morale of his employees may be preserved by a carefully planned training program. It may not need to be a complicated one, but it should be carefully thought out so that each employee is provided with necessary information.

**METHODS OF TRAINING.**—Training employees is essentially a teaching process. As such, it is subject to the basic laws and methods used in imparting instruction of any kind. Salesmen are to be taught how best to perform their tasks. It is the responsibility of the pharmacist to convey this information to his clerks. In order to do this most effectively, the pharmacist must profit from the experience of educators in conveying information to students. It has been found that the best methods of conveying this information involve three rather definite steps. (1) **TELL** the salesman how to do his job. This may be done through a talk, written or printed material, pictures, in some instances films, etc. (2) **SHOW** the sales-clerk how to do his job. Telling him how to do it is not enough. He must be instructed by actual demonstration just how he should perform his work. This may be done personally by the pharmacist. It may be done by wholesalers' and manufacturers' representatives. It may be done at store meetings, or through films. (3) **REQUIRE** the trainee to *perform* the task. In a well-rounded training program this should be done under the direct supervision of the pharmacist. If the latter will watch carefully while the salesclerk deals with a customer, he should

be able to point out the clerk's weaknesses so that they may be corrected before the next customer is approached.

These three steps in the training process—telling, showing, and correcting—are essentials in any good training program. If the pharmacist will constantly keep these steps in mind as he instructs each clerk, he will be reasonably certain that he is using the most effective and modern method.

**EXTENT OF TRAINING NECESSARY.**—The amount of training that should be given to drug store employees will vary in accordance with the capacities and previous experiences of the men. Naturally, some individuals have to have more extensive training than others. Some will have to have sales training; some, product training; some, merchandising; while some will need to be given extensive training in store routine. As most drug stores have relatively small selling forces, it will be necessary to tailor a training program to fit each individual member of the organization. New employees will have to be given much more extensive and thorough training than men who have been selling for some time. However, all salespeople should have a thorough understanding of the topics outlined in the training program set forth in the following paragraphs.

**BASIC DRUG STORE TRAINING PROGRAM.**—A new and inexperienced clerk beginning work in a drug store has a great deal to learn before he can become of real value to his employer. It will not be possible to give this employee all the information that he needs in the first day or two of his employment, but he should be allowed to develop gradually. An hour or two of training every two or three days, for the first two weeks, and then at least three hours of training a week thereafter, for the next five weeks, should enable the pharmacist to convey a considerable amount of information to a new employee.

*Subjects Presented.*—Among the subjects that are usually presented to beginners in drug stores are the following.

1. **General Store Rules and Policies.**—Probably the first training a new employee should be given has to do with the store rules and policies. A brief session with the new man may prevent many serious misunderstandings

later on. The pharmacist should emphasize what his new representative should know regarding the store and its policies.

2. **Store System.**—Each clerk should understand the detailed methods of recording sales, operating cash registers, wrapping packages, etc.
3. **Knowledge of the Store Personnel.**—New employees need to be introduced to others working in the store. The pharmacist should introduce each new employee to every other employee in the store with a few words of friendly greeting. This should be done so that the new clerk is made to feel at home. The proprietor certainly wishes each employee to feel that he is a part of the organization.
4. **Training in the Products Handled.**—Before a clerk can successfully sell, he must know as thoroughly as possible the merchandise he has to sell. This knowledge is entirely essential to every salesperson, but to acquire it calls for plenty of hard work and study. The pharmacist must keep in mind that it is his salesclerk's function to educate the customer about the merchandise that he has for sale. It is certainly difficult to do this unless the clerk knows that merchandise thoroughly himself. He must not only know the merchandise, but he must have the ability to utilize that knowledge in selling.

Entirely too many salespeople depend on the impression that the value which a manufacturer has put into his line should be easily recognized by the customer and that this will in itself consummate a sale. However, such is not the actual case. Unless a salesclerk knows his merchandise in detail and brings some of this information to his customer's attention, the hidden merits of the products of the manufacturer may be lost. The customer cannot recognize the full value of the product unless it is pointed out to him.

If the salesperson is to sell merchandise intelligently and if he is to be able to answer the customer's questions accurately, he must be thoroughly versed in the products that he sells. There is only one way to obtain this information and that is by systematic study of the various groups of items in the pharmacist's stock. It is not possible in a book of this kind to convey to the pharmacist all the information that the salesclerks need to have about all the products handled. However, progressive manufacturers have made available to pharmacists many booklets, pamphlets, films, broadsides, and other materials presenting instruction concerning the products to be sold. Educational material of this kind should be thoroughly studied by drug store employees in order that they may secure the knowledge which their customers expect them to have.

5. **Merchandise Locations.**—Every employee should be taught the locations of the various lines of merchandise within the store. When customers make inquiries about goods, it is always desirable that the information they need should be given as promptly and accurately as possible. For that reason every employee should know the location of the various types of merchandise within the store. Customers lose interest when the clerk is unable to locate items of merchandise readily.
6. **Store Etiquette.**—The pharmacist should spend some time in demonstrating to employees the proper personal conduct toward customers that the store expects of its employees. This is a highly important and elementary form of instruction, which is needed in every store.
7. **Retail Selling.**—Naturally, one of the most important parts of the drug store employee's training program consists in instruction in retail selling. The clerk must know how to approach customers, how to introduce merchandise, how to demonstrate items, how to display goods, and how to close a sale. This information, which,

without training, may take months to acquire, can be taught in a short time by means of demonstrations by the pharmacist.

The techniques of retail selling are treated in greater detail in Chaps. 12 and 13.

8. Nonselling Duties.—In addition to the selling duties that each clerk must perform he may have many in which no selling is involved. Clerks may have to be trained in arranging department displays, checking stock, making reports, soda-fountain routine, etc. Chapter 23, Store Routine, discusses in detail the nonselling duties in a drug store.

*New-product Training.*—One portion of the training program important enough to warrant special mention at this time is the training in new products. Whenever a new product or item comes into a drug store, special effort should be made to see that every salesperson knows about it. He should also be told what it is and be made familiar with the name of the brand, the name of the manufacturer, the name of the material, the style or model, and similar items of information. He should also be told why it is worth the price. This makes it necessary to go into detail regarding the materials, the workmanship, and the way the product compares with other merchandise of the same type.

If the pharmacist will tell his clerks why this new product was bought, that will help. Perhaps it is a good article at an exceptional price, or perhaps customers have asked for it. Whatever reason prompted the pharmacist to buy the merchandise, this reason should be brought to the attention of the clerks.

One other factor of importance regarding a new product is that of the best way to present it to the customer. The clerk should be told which is the most effective method of presentation, how to display the article, and what products there are with which it may be associated. If the pharmacist will make a determined effort to acquaint his clerks with new merchandise, he will find that his sales will be helped materially.

*Product Examinations.*—A successful training practice of many pharmacists is that of quizzing employees regarding specific products. This is done during slack periods in the store for the purpose of giving constructive bits of information to clerks. A Columbus, Ohio, pharmacist used this method to acquaint a new employee with some barbiturate derivatives. He called the young pharmacist to the shelves and took down the containers one by one. He then asked the young man about the composition and merits of each product. By his own admission the clerk got pretty well confused with the therapeutics of the various “rings and chains,” but after some serious study, that young man proudly maintained that he was fairly well versed on some of the differences of these barbiturates.

Registered men in the same store frequently take preparations from the shelves and ask one another to comment on their actions and uses. This practice has resulted in an entirely new interest in various products. One enthusiastic pharmacist made the statement, “Those labels read like storybooks now, especially when you know the pharmacology of the basic ingredients.”

### Following Up Training with Supervision

It is not enough merely to tell employees how to do their jobs. Pharmacists have found it is necessary to check up occasionally on each employee's performance. The pharmacist who closely controls and directs the activities of his employees finds that such supervision makes their performance much more efficient. It is possible to improve an employee's accomplishments by well-directed suggestions. Frequently a few words of advice from the proprietor will enable the employee to adapt new methods that are much more productive than the ones the clerk has been using. In certain instances minor alterations can be made in old practices, with a resultant jump in productiveness.

When checking up on employees or while giving suggestions to them, it is necessary to do so in a tactful way. No employee who makes a mistake or who does wrong should

ever be criticized in the presence of others. All such discipline should be done in privacy by the pharmacist, and the guilty one should never be subjected to any embarrassment before his fellow workers. If it is necessary to reprimand or correct an employee, the matter should be treated in a way that will demonstrate to the employee that the criticism is for his benefit and also that it is being given with the recognition that he is a human being.

When checking the work of employees, the pharmacist will frequently find it helpful to have a check sheet such as those illustrated in Chap. 22. Forms like these have proved to be very practical in larger stores, but they are equally adaptable to small organizations. Copies of a form of this kind can be run off very readily on a typewriter or a mimeograph. Its chief value is that it spots the good and the faulty features of each employee so that corrective measures may be taken.

# Paying Employees

## CHAPTER 21

THE IMPORTANCE of the amounts paid out in wages, salaries, and other forms of remuneration to drug store employees constitutes ample reason for special consideration of this subject. Salaries and wages constitute the largest single item of retail operating cost since in the average drug store they consume between 17 and 18 per cent of gross sales. In these expenses there may lie a source of great loss and, on the other hand, a real opportunity for improvement in drug store operation.

WHAT A GOOD COMPENSATION PLAN SHOULD ACCOMPLISH. Any compensation plan for store employees should be directed toward the accomplishment of certain objectives as well as toward conformance to the fundamental principles of reward. A compensation plan that achieves the following objectives can be said to be a sound plan.

1. Such a plan should direct the employee's efforts to those activities that are profitable to his employer. These include rendering the kind of service to customers that will cause them to concentrate their purchases with the store; they include securing new customers; they include selling merchandise with good profit margins; and they include the performance of other services that will enable the pharmacist to operate more effectively and efficiently.



2. The plan should lead the employee to give proper consideration to the interests of his customers. Only by acting for their interests, as well as the interests of his employer, can the salesperson render the kind of service that makes for long-run success.
3. The plan should stimulate the employee to put forth his best efforts in the accomplishment of his tasks. In other words, it should incorporate features that will encourage each man to do his level best at all times. We all work better if given the proper stimulation, and the compensation plan should contribute what it can to that objective.
4. The plan should attract to the store organization men of the proper type for the work to be accomplished and it should help to keep them there. The earning possibilities should be high enough to attract good men and hold them, but not too high or too low in relation to what competitors are paying for the same type of service.

LIMITATIONS AND POSSIBILITIES OF A COMPENSATION PLAN.—Only by means of a well-balanced compensation plan can one hope to achieve all the objectives listed above, and any plan that meets the necessary requirements should be a keen-edged cutting tool for clearing the way to a high level of merchandising productiveness.

A word of warning is in order, however. The pharmacist cannot expect his compensation plan to be used as an effective substitute for management. A good compensation plan will *help* the pharmacist accomplish his task efficiently, but it cannot perform the entire task of merchandising management. It can furnish a limited amount of stimulation and direction of effort, but other incentives and other types of supervision are still necessary. There are definite limitations to the accomplishments through a compensation plan and, if it is to function at peak effectiveness, it should be supplemented by other methods of supervision and stimulation.

**CHARACTERISTICS OF A GOOD COMPENSATION PLAN.**—Not only should the compensation plan be directed toward the accomplishment of the objectives already mentioned, but it should meet certain general requirements or tests that experience has demonstrated are necessary for any sound compensation plan. These requirements are

1. *Adequacy.*—The compensation provided by a good plan should be adequate from the standpoint of value received and in the light of competitive levels of wages. It should provide an income sufficiently high to enable the employee to maintain a standard of living that is commensurate with the importance of his position and compatible with that of persons working in similar jobs elsewhere.
2. *Simplicity.*—A plan that is easily understood by both the employee and the store and has few complicating factors is to be preferred over other plans. However, simplicity is not to be worshiped above other essential characteristics. Actually, it is a characteristic of secondary importance.
3. *Proportionate Reward.*—The pay should be proportionate to the volume of sales made by the salesperson, to the profitableness of the employee to the store, and to the results accomplished. The salesperson who is doing a better piece of work than his fellows should be given a greater reward. Good sales effort should be compensated accordingly and, likewise, the employer should not pay excessive wages for unprofitable sales results.
4. *Incentive.*—The plan should stimulate the employee to do and want to do those things that will produce profitable drug sales over a long period of time.
5. *Protection for Customers.*—It should be so designed as to discourage any actions that are detrimental to the best interests of customers.

6. *Flexibility*.—It should be flexible enough to operate effectively during all seasons of the year and also adaptable enough to meet the normal variations that occur in the course of business.
7. *Promotion*.—The plan should incorporate some provision for promotion in pay and reward for continuous service. In many instances the primary opportunity for promotion may be that of advancement in position, but, in addition, some periodic increase in pay should be provided for employees who render long and loyal service.
8. *Uniform Earnings*.—The plan should enable the employee to earn a reasonable uniform income each month, as his expenses are relatively regular from month to month. It is difficult for a man to adjust his living standards wisely to an income that varies widely from time to time.
9. *Promptness*.—Prompt reward should be given to the worker for the service he renders. A man is much more likely to be stimulated by an incentive plan if his reward follows closely upon the heels of his accomplishment. The fact that most profit-sharing plans fail to meet this requirement is one of their principal drawbacks.
10. *Fairness*.—A final characteristic of a good compensation plan, but not necessarily the least important, is that of fairness. The plan adopted should be fair to the employer and to the worker. Adequate compensation should be provided, but the employer should not be expected to make unreasonable contributions to the employee. Likewise, the man should be protected against conditions that are beyond his control.

Not every compensation plan can measure up 100 per cent to these requirements, but if each pharmacist will test his present plan against these specifications, he will be able to put

his finger upon certain weaknesses that may lend themselves to improvement. The purpose of enumerating these characteristics is to set up certain ideal standards toward which pharmacists may well strive.

### Types of Compensation Plans

Inquiry among pharmacists throughout the nation has disclosed that there are many different types of compensation plans in use. However, the vast majority of pharmacists confine themselves to the use of the straight salary plan. Among the other plans there are four that predominate. These are:

1. The straight commission
2. The straight salary plus a small commission or bonus on sales
3. Straight salary plus P.M.'s
4. Salary plus a share of the store profits

**STRAIGHT SALARY.**—The most common and probably the oldest form of remuneration for small drug stores is the straight salary plan of compensation—a definite sum each hour, day, week, or month. For stores employing but two or three salespeople, this plan is undoubtedly the best, and that is particularly true when each person employed must perform many kinds of work, and where record keeping would be laborious, if not, indeed, impossible. This method of wage payment is simple and convenient. It assures the employee regular earnings, a characteristic which is vitally important. There is nothing in the method of computation concerning which arguments may arise.

The straight salary can and should be adjusted at any time to suit changes of conditions. Customer service also is facilitated by the use of the straight salary plan. The salesperson on a salary is likely to be more patient in serving slow and irritable customers. Moreover, straight salary is often more attractive to the new applicant than is a plan in which all or part of the compensation depends upon accomplishment on the job.

However, the straight plan has a number of drawbacks, the primary one being the lack of direct stimulus to increase sales volume. There is very little in the plan to induce special

individual effort. It tends to make employees easygoing, as it places no emphasis on specific results. Pharmacists using the straight salary plan find that they must supervise carefully the work of their employees.

Although the straight salary plan has been widely adopted it usually functions best in those stores in which the proprietor can maintain intimate and close contact with his employees. When this plan is adopted, it becomes the duty of the proprietor or manager to provide the stimulus that would be incorporated in other compensation plans.

**STRAIGHT COMMISSION.**—The straight commission wage plan has had a relatively limited use as a payment plan for drug store salespeople. This plan is adapted to certain specialized conditions, which do not exist to a great extent in any drug store. Under the commission plan, salespeople are compensated in direct proportion to the volume of sales that they produce.

The commission plan encourages salespersons to secure sales volume and possesses considerable stimulus, but it is much better adapted to stores selling articles of high unit value, such as furniture, electrical refrigerators, radios, and similar merchandise, than it is to drug stores, where the average unit of sale is but a fraction of a dollar. The plan has the advantage of being simple and it provides a strong incentive to build up personal customer following. It stimulates strong interest in the business and the proprietor may not need to provide other methods of incentive. The salesperson is "on his own" and naturally works hard to increase his own production.

A further advantage of the commission plan is that it guarantees a planned selling cost for the store. When this plan is employed, the store management can be assured that actual selling costs will be as planned. For example, if an 8 per cent commission is agreed upon, the selling cost, regardless of unplanned fluctuations in sales volume, will be fixed at 8 per cent. This stability of labor cost facilitates more accurate expense planning.

On the other hand, the straight commission method of compensation tends to cause salespeople to look upon

customers as their "meal tickets." If not supervised closely, salespeople on commissions tend to "grab" customers away from one another. In many instances such salesmen tend to force high-price merchandise on customers and to rush sales. Shoppers who are spending but a few cents in a store are frequently passed by and in some cases are rudely treated.

Most pharmacists who have tried this plan have found that the straight commission plan does not work very satisfactorily in small-volume drug stores. There is little control over the salesman, his earnings fluctuate widely, the employee's commissions are not necessarily related to the profitableness of the merchandise sold, and he feels as though he is working for himself rather than for the company. Many instances of unfavorable reaction have been reported in stores using this method of compensation.

*Straight Commission Rates.*—The commission rates paid in drug stores vary widely, depending on the type of store, the location, the markup policy adopted, and the departments in which the salespersons are employed. When the earnings of employees are derived entirely from commissions, the commission rates paid to drug store salespeople vary from 3 to 12 per cent, with 8 and 10 per cent as the most common.

Independent drug stores should try to keep their total labor costs under 15 per cent, including proprietor's salaries.<sup>1</sup> In order that they may do this, the total sums paid as compensation for selling services should not be more than 10 per cent. In the few stores that are large enough to have workers assigned to individual departments, the commissions paid should be about as follows:

<i>Employee</i>	<i>Commission Rate Per Cent</i>
Tobacco clerk (cut-rate department)	2-3%
Tobacco clerk (standard-price department)	3-5
Tobacco and candy clerk	3-7
Drug clerk	8-10
Cosmetic clerk	8-12
Pharmacist	10-15
Fountain clerk or fountaineer	12-20

<sup>1</sup> The average for all drug stores is 17.4 per cent. See Chap. 26.

Obviously, there will be wide variations in individual stores, but the above rates will apply to many individually owned drug stores.

**SALARY PLUS COMMISSION.**—In an attempt to combine the advantages of the straight salary and straight commission plans of remuneration, many of the larger drug stores have found that a combination of a salary plus a commission is satisfactory. Under this plan the salesperson is paid a minimum salary and then a small commission on all sales or on sales over a definite amount. This plan works very well, provided it is carefully thought out before being put in operation.

The salary plus commission plan operates with a basic salary and a small commission on total sales. The usual commission rate is  $\frac{1}{2}$  of 1 per cent. For example, a clerk might be paid an \$18 basic weekly wage plus  $\frac{1}{2}$  of 1 per cent on all sales. If this particular clerk produced \$300 in sales volume, his total remuneration would be

Basic weekly salary	\$18.00
$\frac{1}{2}$ of 1 per cent of \$300	<u>1.50</u>
Total earnings	\$19.50

The salary plus commission method has several advantages, among which are the following:

1. It is simple and easily understood.
2. It provides a fixed regular income.
3. It offers a reward for extra effort.
4. Little supervision is necessary.

The chief criticisms of this plan are

1. The small incentive is ineffective with many clerks.
2. All salespeople, whether efficient or inefficient, receive extra compensation.
3. The extra sales volume may come from the sale of leaders and low-margin merchandise and the clerk is credited, regardless of the type of his sales.

Some stores employ a variant of this plan and increase the commission on all sales over a fixed amount, such as \$300 weekly. On sales of \$400 they would then pay a salary of \$18 plus  $\frac{1}{2}$  of 1 per cent of \$300, plus 1 per cent of the sales over \$300, or 1 per cent of \$100. The total wage would be \$18 plus \$1.50 plus \$1 = \$20.50.

The salary plus commission plan is particularly well adapted to the small-volume store seeking a compensation plan that is simple, inexpensive, and offering incentive. This is particularly true if a commission is paid only for sales over a definite sum or quota.<sup>1</sup> One Southern store, which pays its drug clerks 2 per cent on all sales over \$200 weekly, has found that the plan has produced very satisfactory results. The employee has a definite goal and secures extra pay for better than average performance.

Another progressive pharmacist in a Western city of some hundred thousand people gives his employees a bonus of  $2\frac{1}{2}$  per cent on all sales over a fixed quota. The quota that he sets for each salesperson is based largely on the past sales for the preceeding 5 years. For example, if the sales volume for Clerk A has averaged \$10,000 a year for 5 years, he secures a bonus of  $2\frac{1}{2}$  per cent of all sales of over \$10,000. The bonus is paid monthly, as the quota is set by months. In this way both the worker and the pharmacist profit when the sales volume is increased. A similar plan can be worked out for practically any drug store.

**SPECIAL BONUSES, P.M.'s, OR SPECIAL COMMISSIONS.**—A practice in wide use in retail drug stores is that of offering bonuses or P.M.'s (pin or prize money) to salespersons for selling special items or lines of merchandise. A number of manufacturers offer monetary incentives to retail drug clerks for pushing particular lines. Such methods of remuneration are effective in producing the results desired by the manufacturer, but there is considerable doubt as to the wisdom of this practice from the pharmacist's viewpoint. In many instances customers are urged to buy goods that may not fully satisfy

<sup>1</sup> This method is sometimes referred to as the quota bonus plan. Its success is primarily dependent on the setting of accurate quotas.



them. This, in turn, may result in the development of ill will for the store. Premiums tend to concentrate the attention and interest of salespeople on the items on which bonuses are paid rather than on goods that may be most in demand and most profitable. Whenever a store utilizes this form of stimulus, it departs from its real purpose of serving the public.

Chain stores have utilized P.M.'s extensively, possibly because manufacturers have made premiums widely available to chains and other large-scale outlets. The authors interviewed one chain operator who said that all his salespeople were paid bonuses, but all the bonuses came from P.M.'s.<sup>1</sup> This same person made the statement that, outside his fountain and tobacco departments, more than 30 per cent of his merchandise carried P.M.'s and more than 90 per cent of these were offered by manufacturers (only 10 per cent applied to private-brand merchandise).

It is difficult to avoid paying bonuses to salesmen when the bonuses are paid directly by the manufacturer to the salesperson. However, it seems that pharmacists should discourage this practice if possible. If they would order such bonuses and P.M.'s paid to the store directly instead of to the individual salespersons, the store would benefit, as it would be given more impartial selling help.

**PROFIT SHARING.**—Some pharmacists have worked out plans whereby their employees receive part of their compensation in the form of a share of the earnings of the business. In most instances, however, profit sharing is confined to store managers and employees in positions of responsibility.

Thoughtfully conceived profit-sharing plans are theoretically sound and, under some conditions, they have operated with admirable success. They do not, however, solve the problem of a good employee compensation plan. Profits in drug stores are usually neither regular nor substantial, and it is doubtful whether the sums that could be paid to clerks would

<sup>1</sup> The clerks employed by this chain are paid hourly wages, which, except for pharmacists, are very nominal. They receive an average bonus of about one-fourth their base wage, which is entirely derived from P.M.'s.

be sufficient to give employees a feeling of participation with the owner in the success of the store.

Although profit sharing may not be applicable to all the employees of a drug store, it can be used effectively in rewarding those who participate in the management. Store managers whose compensation depends in part on the net profits earned in the store will try hard to make the business successful. They may strenuously oppose the employment of extra help, they are likely to push aggressively high-profit merchandise, and they will take a real interest in enlarging the store's group of patrons.

When a profit-sharing plan is placed in operation, it is customary to give the store manager from one-sixth to as much as one-third of the net profits. However, it is common to specify in profit-sharing agreements that the store manager's portion of these profits will be based upon costs and expenditures for which he himself is largely or entirely responsible.

## The Amount of Compensation

To most pharmacists a particularly perplexing problem is how much shall be paid to their employees. Even when the amount has been determined satisfactorily, the problem does not stay solved, because conditions may change. As a result, pharmacists are constantly trying to decide about the specific sums to be paid to the various types of employees.

The basic factors controlling wage rates are the characteristics described in the first part of the present chapter. However, those characteristics apply more directly to the type of plan than they do to the specific amounts paid to each employee. In general, it can be said that the three elements controlling the actual wage rates are

1. *What competition is paying for similar help.* In order to secure competent employees, a pharmacist will have to offer salaries that match those offered by others engaged in the operation of drug stores. For example, a pharmacist may have to be paid \$35 per week because competitors are paying that wage, whereas a fountain

clerk may be hired for \$14 per week for the same reason.

2. *What the store can afford to pay.* No store can long continue to pay wages in excess of those warranted by the store's volume of sales and gross profit. Each drug store should try to keep its total outlay for salaries and wages at a level commensurate with its gross margin. The total should not exceed 18 per cent and should approach 15 per cent if possible. The percentages given on page 396 may well serve as a guide for specific types of employees.
3. *What the management wishes to pay in order to secure the employee's good will and whole-hearted cooperation.*<sup>1</sup> Some stores may pay wages that are higher than they need to pay, because they desire to please the employee and secure his interest in the welfare of the firm.

<sup>1</sup>One point which may well be brought to the attention of pharmacists is that although most drug store owners desire to secure their employees' good will and to treat them with the utmost fairness, drug store employees work too many hours. Many work 60 and 70 hours a week whereas 48 to 54 hours is considered the maximum work week in most types of stores. Department stores are rapidly nearing a 40-hour week and in July, 1941, the Great Atlantic and Pacific Tea company, the largest retail organization in the United States, announced a five-day 48-hour week for its employees.

# Evaluating the Work of Employees

## CHAPTER 22

CLOSELY allied to the work of selecting, training, and paying employees, is the task of evaluating their performance. Every pharmacist attempts to appraise fairly the work of his men, and it has been a most baffling problem to find yardsticks or standards to judge accurately their performances in order to determine if an employee is actually earning his pay. Frequently those used are far from exact and there are few merchants who will state that they know what really constitutes satisfactory performance within their organization.

**NECESSITY FOR ESTABLISHING PERFORMANCE STANDARDS.** If a satisfactory job of direction is to be exercised, it becomes necessary to establish performance standards and make periodic appraisals of employees, so that the work of each salesperson may be evaluated fairly. This is essential because of the following reasons.

1. It is necessary to spot unusual or below par performance on the part of the individual employee as well as the force as a whole.
2. The compensation that a worker receives is contingent upon the degree of accomplishment. Men are usually rewarded somewhat in proportion to their contribution to the success of the company, and if employees are to

be compensated properly, their accomplishment must be appraised with reasonable accuracy.

3. Lacking means of judging his work, the store salesperson is unable at times to detect his own deficiencies, while the pharmacist is unable to help him effectively. However, when there is a satisfactory yardstick, the shortcoming can be pointed out, and the salesperson can probably be trained to overcome his weaknesses.
4. Promotion should be based in part upon the quality of the worker's performance and the ability shown in that work.
5. Pay-roll costs have risen persistently in the past few years; therefore, it becomes necessary for pharmacists to maintain their employees at the highest levels of productivity. Only through "weeding out" the inefficient employees after careful appraisals can personnel expenses be kept within bounds.

**TYPES OF EMPLOYEE RATING.**—The pharmacist finds that he has very few standards that can be set up, absolutely and effectively to measure the work of employees. Most criteria in use are only approximations, which must be used with caution. It is no doubt true that progress is being made toward the establishment of satisfactory measures, but the goal at present is still a long way off.

The ultimate standard of performance is the extent to which the salesperson accomplishes his duties, but those duties are generally too indefinite to make possible an accurate evaluation. For that reason a variety of performance standards are being used in appraising the work of drug store employees. In general, standards ratings can be classified as either achievement ratings or quality ratings, or combinations of both.

**REQUIREMENTS OF A GOOD SYSTEM OF EVALUATION.**—A system of comparative employee ratings affects the general quality of the work and exercises a tremendous influence upon the attitudes of drug store employees toward their jobs and their employers. Any method of appraisal that distorts facts

or treats employees unfairly is likely to breed more discontent than any other error that the pharmacist can make in his relations with his associates. Judgments must not be arrived at hurriedly and without adequate consideration of all the facts. Because of that, the following are the basic requirements of a good system of employee evaluation.

1. Complete employee records must be kept. Records of sales, wages, and customer relations must be kept, as any attempt to make comparisons without adequate information would lead to misjudgment.
2. The records must be kept up to date. Records should reveal what the employee *is* and not what he *was*.
3. Records must be simple and concise.
4. Opinions must be properly checked and evaluated. They should be free from personal bias and prejudice. Several opinions are better than one.
5. Checkups should be made with regularity. Every three months is not too frequent.
6. Intelligence standards should be set. Employees should be rated as below standard, standard, and above standard. The pharmacist should strive to bring his employees above average.
7. The employee should be informed of the details of the rating system. Otherwise the full benefit is not realized from the plan.

**ACHIEVEMENT RATINGS.**—Inasmuch as many drug stores have cash registers that can be used to keep records of individual sales, it is possible to know exactly how much each salesperson is selling, what each person is costing the pharmacist, and what each one is doing toward making the business successful. An examination of data of this type will help greatly to determine the value of each salesperson to the business.

In order to appraise the sales work of employees, it is important to have the following types of information on each person.

1. The total amount of sales of each selling employee
2. Number of customers each salesperson serves
3. Average sale per customer
4. Cost per sale of each sales employee
5. Amount of the store's sales—daily—weekly—monthly—yearly
6. Total number of customers served during the period set.

If a pharmacist knows the amount of his sales and the number of customers served during any period, he can divide the number of customers into the volume of sales and secure the amount of the average sale made in his store for the period. This naturally is very important information, because there is an average sale which generally marks the division point between loss and profit. Each retailer should if possible, keep his store's average sale above that division point in order to show a profit.

When the amount of each employee's sales is known and the number of customers each serves during any period also is known, one can easily secure the average amount of each worker's sales by dividing his sales by the number of customers he has served. By dividing each salesperson's total earnings by the number of customers served, the pharmacist can get the average amount it costs to serve a customer.

These facts about the average sale and the cost per customer reveal which are the efficient and which the inefficient salespeople. They also show those who should sell more merchandise and those who should wait on more customers.

To be of service in building a business, records must be kept, analyzed, compared, and used. Following is a suggestion for profitable use of sales records.

**ANALYZING SALES RECORDS.**—Suppose that the following conditions are present in a drug store.

Benson, a salesman, waits on 30,000 customers in a year, sells \$10,000 worth of merchandise, and gets a salary of \$1,250 a year. His average sale would be

$$\begin{array}{rcccl} \textit{Sales} & & \textit{Customers} & & \textit{Average Sale} \\ \$10,000 & \div & 30,000 & = & 33\frac{1}{3} \text{ cents} \end{array}$$

His cost per customer would be

$$\begin{array}{rclcl} \text{Salary} & & \text{Customers} & & \text{Salary Cost per Sale} \\ \$1,250 & \div & 30,000 & = & 4.17 \text{ cents} \end{array}$$

Tyler, another salesman, waits on 15,000 customers, sells \$6,000 worth of merchandise, and gets a salary of \$1,040 a year. His average sale, by the same method of calculation, would be 40 cents. His cost per customer would be about 7 cents.

The owner personally waits on 40,000 customers, sells \$20,000 worth of merchandise, and pays himself a salary of \$2,080 a year. His average sale would be 50 cents; his cost per customer,  $5\frac{1}{2}$  cents.

When these figures are put together, as in Table 20, the comparative selling ability and value to the business of the three men are revealed.

TABLE 20.—COMPARATIVE VALUE OF SALESMEN

<i>Salesmen</i>	<i>Customers</i>	<i>Sales</i>	<i>Average sale</i>	<i>Salary</i>	<i>Salary cost per sale</i>
Benson . . . . .	30,000	\$10,000	\$0.33 $\frac{1}{3}$	\$1,250	\$0.041 $\frac{1}{100}$
Tyler . . . . .	15,000	6,000	.40	1,040	.07
Owner . . . . .	40,000	20,000	.50	2,080	.05 $\frac{1}{2}$
Total store . . . . .	85,000	\$36,000	\$0.42	\$4,370	\$0.0514

The figures in Table 20 show that Benson is below the store's average sale (42 cents), and that his cost per customer is below the store average. He should sell more to the customers he waits on to increase his average sale.

Tyler averages about 7 cents' worth more of merchandise to a customer than Benson; his average sale is below the store average; and he waits on entirely too few customers. The small number of customers served makes his cost per customer extremely high.

The proprietor is setting a pretty fast pace. He might ask himself such questions as "Why do my salespeople sell so much less than I do?" "Would it pay to let Tyler take over some of my customers to allow me to give more time to records and other things of importance in managing the business?"



“What can I do to get my salespeople to sell more to customers?”

*Computing the Value of a Clerk.*—In many instances it is valuable to know just how profitable is each clerk compared with the proprietor and fellow employees. In the present example, Tables 21 and 22 show the net profit or loss made on each employee. Table 21 is based on the assumption that expenses are apportioned in proportion to the sales made by each person. Table 22 is based on similar conditions, except that the store expenses are shared equally by the proprietor, Tyler, and Benson. In either case the net profit for the store

Table 21.—Analysis of Profitability of Individual Salespeople

Item	Total store		Benson	Tyler	Owner
	Amount	Per cent			
1. Sales.....	\$36,000	100	\$10,000	\$6,000	\$20,000
2. Gross profit.....	\$11,880	33	\$3,300	\$1,980	\$6,600
3. Selling salaries.....	4,370	12.14	1,250	1,040	2,080
4. All other operating expenses.....	5,710	15.86	1,586	952	3,172
5. Net profit (line 2, minus lines 3, and 4).....	\$ 1,800	5	\$ 464	—\$12 (loss)	\$ 1,348

Table 22.—Analysis of Profitability of Individual Salespeople (sharing operating expenses equally)

Item	Total store		Benson	Tyler	Owner
	Amount	Per cent			
1. Sales.....	\$36,000	100	\$10,000	\$6,000	\$20,000
2. Gross profit.....	\$11,880	33	\$3,300	\$1,980	\$6,600
3. Selling salaries.....	4,370	12.14	1,250	1,040	2,080
4. All other operating expenses.....	5,710	15.86	1,903	1,903	1,903
5. Net profit (line 2, minus lines 3, and 4).....	\$ 1,800	5	\$ 147	—\$963 (loss)	\$ 2,617

is \$1,800, but the analysis shows that the owner is responsible for the major portion of it. Benson is barely profitable, and the store is apparently losing money on Tyler.

A condition like this, which reveals Tyler as an unprofitable salesman, is an occasion for a heart-to-heart talk about where he stands and what he must do. He should be taught how to sell more to more customers in order to make himself valuable to the business and to make his place secure and worth more to himself.

To get facts such as these, as to which salespeople are earning their pay, it is necessary to secure cash-register records of the amount each sells and of the number of customers each serves. It would be impractical for pharmacists to keep such records daily, but it is entirely worth while to secure such data occasionally for sales employee appraisals. These data can be secured from the tape on cash registers that have individual employee keys.

*Determining Salary Percentages.*—A very important check on the efficiency of salespeople is that afforded by salary cost percentages. Each selling employee should strive to keep his selling cost percentage as low as possible. In very few instances should it go above 10 per cent for any extended period, unless the employee has nonselling duties to perform. Most drug stores should attempt to work toward an 8 per cent figure. However, in the case of registered pharmacists, the percentage relationship may go somewhat higher than 10 per cent, particularly in those drug stores not doing a reasonably large prescription business.

A convenient table for determining selling cost percentages is contained in the booklet, "Expenses in Retail and Wholesale Businesses," which is available on request from the National Cash Register Company, Dayton, Ohio.

**QUALITY RATINGS.**—In addition to the sales records of an employee, it is possible to rate him on certain intangible qualities that make for success in drug store merchandising. Among such qualities are health, appearance, initiative, industry, accuracy, manner, loyalty, responsibility, knowledge, and cooperation. Naturally, it is difficult to rate these qualities, but a number of forms are in use which make

this process relatively simple. The form shown in Fig. 70 is illustrative of those that can be used by the pharmacist for rating and evaluating his own employees.

	Good	Average	Poor
Appearance			
Attitude toward job			
Knowledge of merchandise			
Selling ability			
Suggestive selling			
Attitude toward customers			
Personal acquaintance with customers			
Friendliness			
Cooperation			
Self-improvement			

Fig. 70. Drug store employee's rating scale.

A form that has been especially designed by the authors for drug store use is that shown in Fig. 71. This check sheet can be used by the pharmacist to evaluate a number of characteristics of a salesperson in such a way that both the strong and the weak points are made to stand out. If each sales-clerk is checked every 3 months with this check list and the observations are followed up, a decided improvement in sales effectiveness should result.

A checkup of this type takes only a short time and, even if only a slight increase in the employees' efficiency were noted, the results would be very worth while. However, in many instances the employees' performance may be greatly stimulated. Forms of this kind widely used in other types of business are just as adaptable to the retail drug store. Although they are seldom adopted by two- or three-man drug stores, they might well be used advantageously in such stores.

Name \_\_\_\_\_ Age \_\_\_\_\_ Sex \_\_\_\_\_ Date \_\_\_\_\_  
Departments worked \_\_\_\_\_ Time with store \_\_\_\_\_ Years \_\_\_\_\_ Months \_\_\_\_\_

	Poor	Fair	Good	Excellent	Score
<i>Personal appearance</i>					
Clothing	_____	_____	_____	_____	_____
Hair	_____	_____	_____	_____	_____
Face	_____	_____	_____	_____	_____
Hands and fingernails	_____	_____	_____	_____	_____
<i>Personal attitude</i>					
General attitude	_____	_____	_____	_____	_____
Cooperation with associates	_____	_____	_____	_____	_____
Satisfaction with work	_____	_____	_____	_____	_____
Desire to follow instructions	_____	_____	_____	_____	_____
Interest in work	_____	_____	_____	_____	_____
Manner in which he performs his duties	_____	_____	_____	_____	_____
<i>Personal characteristics</i>					
Industry-diligence	_____	_____	_____	_____	_____
Habits	_____	_____	_____	_____	_____
Honesty	_____	_____	_____	_____	_____
Initiative	_____	_____	_____	_____	_____
Personality	_____	_____	_____	_____	_____
Resourcefulness	_____	_____	_____	_____	_____
Health	_____	_____	_____	_____	_____
Judgment	_____	_____	_____	_____	_____
<i>Selling effectiveness</i>					
Condition of stock in department (neatness)	_____	_____	_____	_____	_____
Condition of stock balance and size	_____	_____	_____	_____	_____

Fig. 71. Check sheet for

These quality ratings are naturally a matter of opinion in some degree, but a form such as those illustrated will make this judgment more accurate than an over-all and unguided evaluation of a salesperson. If the store has several employees, it is possible to arrange these employees in order of merit. It is also possible in this way to detect in some individuals certain weaknesses, which may be corrected.

USE OF STANDARDS BY PHARMACISTS.—When the criteria for evaluating the work of salespeople are once established, the pharmacist is immediately confronted with a problem as to what type of comparisons he should make. How should the standards be used?

It may be possible to apply some standards indiscriminately throughout the organization and to check each man's

Displays	_____	_____	_____	_____
Promptness of customer approach	_____	_____	_____	_____
Pleasantness of customer greeting	_____	_____	_____	_____
Interest displayed while serving customer	_____	_____	_____	_____
Demonstration of merchandise	_____	_____	_____	_____
Trading up (does he try to sell better merchandise)	_____	_____	_____	_____
Suggestive selling	_____	_____	_____	_____
Stress benefits	_____	_____	_____	_____
Convincingness	_____	_____	_____	_____
Handling objections	_____	_____	_____	_____
Knowledge of merchandise	_____	_____	_____	_____
Speaking to people by name	_____	_____	_____	_____
Cultivation of customers	_____	_____	_____	_____
Selling speed	_____	_____	_____	_____
Selling effort	_____	_____	_____	_____

Score \_\_\_\_\_

Weaknesses \_\_\_\_\_ Steps to be taken to correct weaknesses

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Remarks (general estimate of salesperson's ability and value). \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Instructions: If you desire to give salesperson a numerical rating, score Poor, 1 point; Fair, 2 points; Good, 3 points; Excellent, 4 points.

Score less than 70, Unsatisfactory

Score 70 to 85, Fair

Score 86 to 104, Good

Score 105 and over, Excellent

drug store employees.

performance against that of the general average. However, the best results are obtained when salespersons are compared with other salespersons who are working under substantially the same conditions. For example, one soda-fountain employee should be compared with another soda-fountain employee and one pharmacist with another pharmacist.

In addition to comparing a person's work with the work of other people who are doing substantially the same thing, the proprietor can compare an employee's performance with the man's own past record, noting how his present performance compares with his record during the same month of the previous year. Comparisons can also be made with the performance of other salesmen employed by cooperating pharmacists.

# Drug Store Routine and Housekeeping

## CHAPTER 23

**E**VERY drug store, whether large or small, has a great deal of detail or routine work that must be done. Some of this routine is closely associated with selling merchandise, some is concerned primarily with keeping the store clean, some has to do with the proper display and arrangement of merchandise, some has to do with the marking and receiving of merchandise; and in any drug store there are a great many other routine as well as professional tasks to perform. It is the purpose of the present chapter to review very briefly some of the more routine tasks of the drug store employees and to outline a series of duties for each person employed by the store.

**GENERAL PROCEDURE.**—Whenever possible, every person who does some selling in the drug store should be responsible for certain definite departments. For example, if the store has three clerks and two registered pharmacists, the pharmacists should be assigned the duty of keeping the prescription room and drug and proprietary-medicine departments in order. They may also be assigned the sickroom and surgical dressings department. Each of the three clerks should be given definite departments. One may be made responsible for cosmetics; another, for candy and tobacco; and the third, for the soda fountain. It is much better to have the departmental responsibility centered on certain individuals than to make it a general obligation of all employees.

The first duty of a person in charge of a department, when he comes to work in the morning, is to check his stock. He should see that his department is neat and orderly. Items out of their places should be rearranged, and stock that has run low should be replenished from reserve stock. In many drug stores employees will be able to do this checking at night before they leave.

If new merchandise is added to forward stock, the older items should be moved to the front of the shelves, so that they may be sold first. If new items are taken into stock, they should be given preferred display space, at least for a time, to determine their sales possibilities.

Merchandise should be checked not only to see that it is in its right place but also to see that it is in good order. Labels that have been soiled should be replaced. Merchandise that shows signs of handling should be carefully cleaned or wiped.

Other duties are those of making sure that all goods are properly price marked; that department signs, counter cards, and show cards are in their proper places and are clean and fresh. New counter displays should be put up and arranged for the day's selling. Any trash or litter on the floor about the department should be promptly placed in wastebaskets or litter cans out of sight.

Each department head should see that he has a plentiful supply of wrapping paper and twine on hand. He should also see that his cash register is properly balanced so that the sales for the day may be correctly recorded.

## Sales Routine

Every sale made should be recorded on the cash register. If the register has provision for departmental sales, the sales to each customer should be classified by departments, so that the proper sales records may be kept.

All sales should be registered promptly and accurately. If a sale is not registered properly, the register receipt should be voided. This canceled receipt should then be placed in the register drawer, so that the cash will be correct when it is checked against the total accumulated by the register. Under

no circumstances should register receipts issued for an incorrect ring be destroyed.

If an "over-ring" is made on one sale, this should not be followed by a "short-ring" on the next sale. Such procedure is bound to result in many errors. The proper method of handling this situation is to void the "over-ring," placing the register receipt in the cash-register drawer, and then the clerk can ring up the correct sales total.

When a customer gives a clerk money to pay for her purchase, the salesclerk should place the money on the register ledge. Next, the sale should be rung, the change taken out, the receipt and change given to the customer, and the money then placed in the register. However, this procedure should not be followed if the clerk has to leave the cash register to hand the customer her change.

**MAKING CHANGE.**—Many salespeople know the best plan for making change, but it is very easy for them to grow careless. Making change starts when the customer gives the clerk the money. For example, assume that it is a \$3.39 purchase and the clerk has been given a \$5 bill. The proper procedure is to state the amount received from the customer and repeat the total of the sale as follows:

"\$3.39 from \$5." Then the change should be counted out to the customer so that there can be no misunderstanding.

"\$3.39 and 1 cent makes \$3.40—10 cents makes \$3.50—50 cents makes \$4, \$1 makes \$5. Thank you. Please call again."

The clerk should never try to arrive at the proper amount of change by deducting the amount of the sale from the money received. Also, the change should be handed respectfully to the customer and not dropped on the counter.

If the merchandise is to be wrapped, the register receipt should be enclosed in the package. When the purchase is not wrapped, the receipt should be securely attached to the merchandise with gum tape in such a way as not to cause damage.

**WRAPPING PACKAGES.**—Unless the customer specifically requests that the goods purchased shall not be wrapped, the



salesperson should always wrap them. If the items are small, they may be placed in a sack; otherwise, they should be wrapped in a package.

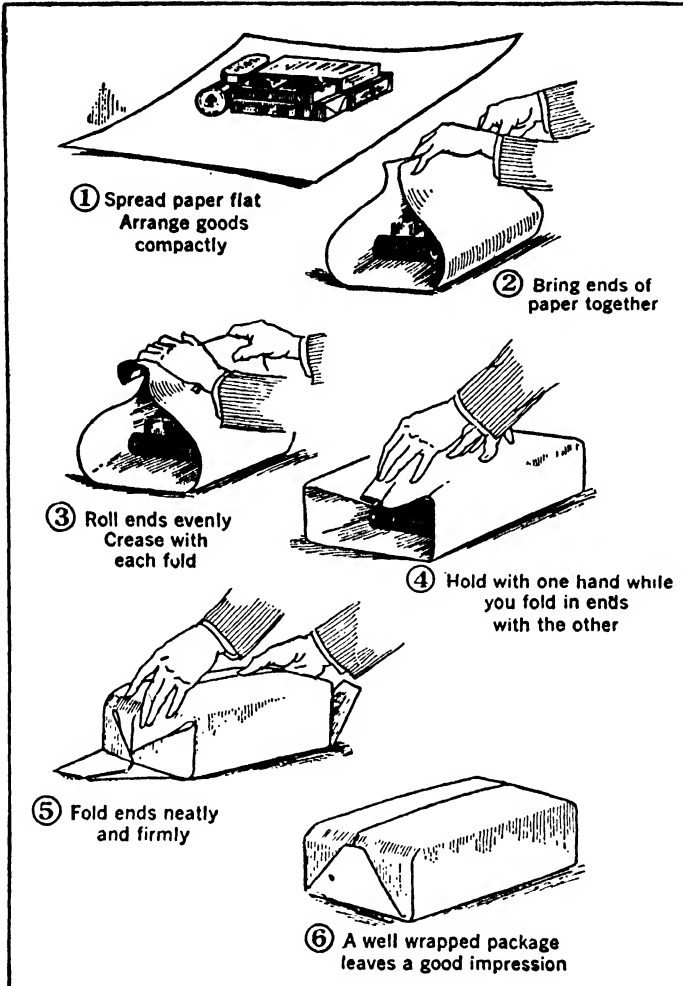


Fig. 72. (a) How to wrap a package. (Courtesy of The Progressive Grocer.)

Salespersons who must wrap the parcels they sell need to learn the art of package wrapping as well as that of selling. A good-looking package wrapped before the customer who has

just made a purchase helps to clinch that customer's opinion of the expertness and high quality, not only of the clerk, but of the store as a whole. A poorly wrapped package tends to discount all the work that the salesperson may have done in selling the customer up to that time. Expert package wrapping may be studied and learned by anyone who will take the pains to observe and to practice how such bundles are made.

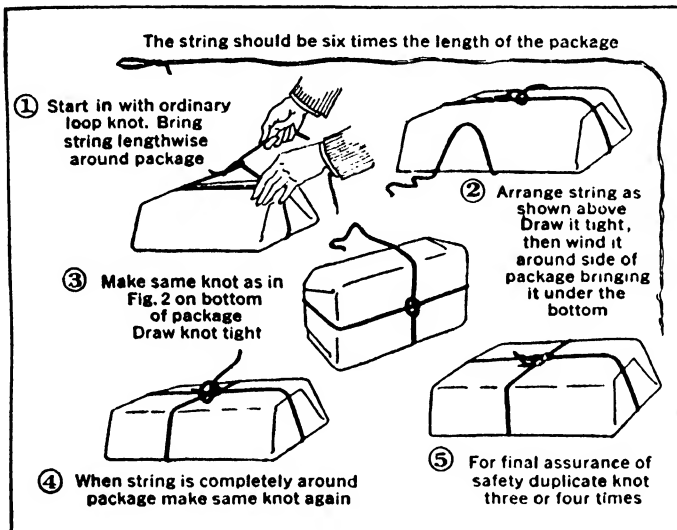


Fig. 72. (b) How to tie a package. (Courtesy of The Progressive Grocer.)

The first requirement in good package wrapping, aside from the skill of the salesperson who does the packaging, is suitable wrapping material. Paper should be of the right size and weight (ordinary brown kraft paper or "butcher's" paper is not appropriate for a drug store); boxes or bags should be of the right size and of the weight most suitable to the goods that are to be enclosed; and the right kinds of twine or sealing tape should be at hand. Then, the wrapper should make a neat-looking package, compact in shape and size and safe and easy to carry. Figures 72a and b show the correct way to wrap and tie packages neatly. Before goods are wrapped,

they should be carefully checked and counted, to make sure that they correspond to the selections and purchases of the customer.

Goods should be inspected by the salesclerk before they are wrapped, to ensure their being in perfect condition. Merchandise that has any defect should not be sold unless the imperfection has been called to the attention of the customer. Any other practice would be dishonest.

### Receiving and Marking Merchandise

In addition to the routine associated with selling, every drug store has a certain amount of detail work incident to the receipt and marking of merchandise. These tasks are usually assigned to the floor clerks, each one usually handling the merchandise for his department. Even though this work is spread throughout the organization, it must be performed very carefully.

One of the small but troublesome losses often incurred by pharmacists is failure to receive and place on their shelves all goods actually paid for. Mistakes or carelessness in the receiving process are at fault. If an item costing 70 per cent of what the consumer pays and selling at the very desirable net profit of 5 per cent is not actually received, it will be necessary to sell 14 such items to overcome the loss that was incurred when the item was mistakenly considered as having been received. But some pharmacists may feel that such a thing never happens in their own stores. To these men it may be revealing to think about what should be done if losses in receiving are to be prevented.

THREE STEPS IN THE RECEIVING PROCEDURE.—Three distinct steps characterize the receiving process: (1) taking the goods from the deliveryman, *i.e.*, the express or freight agent or the driver or the deliveryman from the wholesale house or the transportation agency, the important part of this step being *examination* of the package to make sure that it is in good order and that the shipper's name and the number of packages correspond to those on the receipt presented by the carrier; (2) the simple *signing* of the receipt; and (3)

*checking* the contents of the package. Each step will now be considered.

*Accepting Delivery.*—When goods come by truck from a supplier, the pharmacist is often busy in the store. The boy knows where to leave the goods; consequently, he puts them in the “back room” or the basement and presents some form of shipping order, invoice, or receipt to the pharmacist to be signed. Often the pharmacist is so busy that he cannot check the goods upon their arrival. Therefore, he combines the first two steps above mentioned, *i.e.*, receives the goods *in absentia* and receipts for something that he has not himself seen and that he cannot be sure has been delivered. Just at this point there might easily be a chance for trouble and loss. But the pharmacist has a defense in the legal status of the process.

When a merchant receives goods under these conditions he does not become responsible for paying for them. His signature merely means that the store will act as bailee, *i.e.*, custodian for the goods. Unordered goods may be signed for without the merchant's becoming legally responsible for paying for them. The order form given to the salesman constitutes the order and is thus the contract. The receipt is not a contract. Even more important in the daily operation of a store is the fact that the merchant is not stopped from making a *claim for shortage* or *breakage* after the goods have been checked.

*Checking.*—The importance of the third step in receiving—checking—is thus obvious. If the pharmacist tells his clerk to put on the shelves the goods that he will find in the back room, and does not himself check to make certain that the goods called for on the invoice or shipping order are actually there, he loses his last opportunity to avoid payment for goods not received.

It is not intended to suggest that shippers try to defraud the retailer by making incomplete shipments, but it is recognized that the human element is involved. Seller's shipping routines sometimes break down and orders are shipped as complete and as tallying with the shipping order when such is not the case. If the merchant does not detect this fact by a

careful check, he will thus have to pay for goods that he has not received. Managers of chain units have learned by experience that they must check all receipts with extreme care, for they are charged at retail for all orders received or supposedly received by them. It is not less important for independent pharmacists to use the same precaution. It is perhaps unfortunate that incomplete accounting procedures tend to cover up or fail to reveal losses occasioned by carelessness or by nonchecking.

Merchandise received from manufacturers and wholesale druggists is much easier to check than that received from wagon distributors. The usual practice with the latter is to have the driver check the pharmacist's stock, replenish it, and then present a bill for the amount delivered. This procedure practically eliminates any opportunity for the pharmacist to check the accuracy of the inventory or the invoice. It would appear that a much better method of handling the receipt of magazines, ice cream, potato chips, and other similar items from wagon distributors would be to have the pharmacist or some employee check the inventory with the driver, and then personally receive the goods. This method would remove much of the danger of shortage.

*Records.*—Experience has shown that it pays to keep some form of receiving records. The great majority of drug stores do not do so. They simply file their copy of the shipping order, or put it on "the hook" and await the receipt of the invoice. Some do not even do that much but assume that the goods called for by the invoice have been received. They overlook the common occurrence of back orders. Normally, the shipper's records and accounting system protect the receiver as well as themselves. But why should the pharmacist depend on the accuracy of the records of the shippers? He is just as much concerned as they are.

It is, therefore, recommended that the pharmacist—even in a one-man store—follow the practice of many successful merchants and set up a simple receiving record. It need be but a single sheet at a time. It should record the essential facts, *viz.*, the name of the shipper, the date goods are received, the

number of packages, and their condition. The form can also be used for receipts from wholesalers, although some columns may not be needed. Such a record is useful for a number of reasons. (1) It enables the merchant to know whether a shipment has been received. If the shipper should claim that such is the case, the absence of the signature plus the fact that there is no entry in the receiving record will go far to establish nondelivery. (2) Even more important is the fact that such a record makes it easy to compare invoices with receipts before the invoices are paid, and thus to prevent payment for goods not received.

CLAIMS.—Claims may arise in a number of ways. One is damage by the carrier other than the shipper's own truck. Each package should be examined before the receipt is signed and given to the representative of the carrier, *i.e.*, the truck or express driver. If there is outward evidence of damage and that fact is not noted when the goods are received, later claims against the carrier are difficult or impossible, for the receipt includes an acknowledgment that the goods have been received *by the consignee in good order*. If there is evidence of possible breakage or even loss, that fact should be noted before the receipt is signed.

It is important to note that if the goods are sent f.o.b. the store, the shipper must file the claim with the carrier. But if the goods are purchased, f.o.b., point of shipment, the merchant must file the claim. The easy way to determine which case exists is on the basis of who pays the freight. If the pharmacist pays it, he must file the claim. In that case the shipper's responsibility ends when he delivers the goods to the carrier. Since procedure in making claims varies considerably, it cannot be discussed here. The local representative of the railroad, express company, or intercity truck line will be glad to be of assistance in explaining just what to do.

If a shortage is discovered in a shipment from a wholesaler or if breakage has occurred, the pharmacist is advised to notify the wholesaler as soon as the error has been detected and to ask that credit be given for the discrepancy. The wholesaler is entitled to know as soon as possible that an error has

been made. This procedure is recommended, although it is recognized that most wholesalers will grant a claim based on shortage or breakage when it is presented at the next visit of the salesman. But by that time the pharmacist may forget to present it. He is very likely to do so unless his records are complete enough to remind him that an error was made. Unfortunately, the records of most pharmacists are not so complete.

This entire procedure is based upon the honesty of the pharmacist. If almost 100 per cent were not honest, the wholesaler could not take the unsupported statement that a breakage or a shortage had occurred. If it is suspected by the wholesaler that complete honesty does not govern a pharmacist's statement, the wholesaler has an effective defense, for he merely instructs his salesmen to forget to tell the offender about some especially attractive deal. The authors know of pharmacists who have been effectively cured of frequent claims of shortage in just that way.

**MARKING.**—The majority of retail drug stores take their inventory at cost. Most chain organizations and the drug departments of department stores operate under the retail method and take their inventory at retail, rather than at cost. If inventory is to be valued at cost, it is necessary to know what the cost was or is. For this reason cost marks are commonly used for other than staple items such as tobacco, soap, and tooth paste, which sell in such quantities as to make the marking of individual items impractical and unnecessary.

If cost marks are not used, it is necessary to refer to invoices or to trust one's memory to determine the cost. Items which, like cigarettes, are purchased so often as to deeply impress the cost on the buyer's memory or for which invoices are always currently available, can be valued at the inventory time on the basis of current prices. Other items are valued in accordance with the cost mark. The result is to value some goods on the basis of what was paid some months ago while others are valued as of almost the day of the inventory. This confuses cost and market but, since the U. S. Treasury Department will accept either basis of valuation, and gives the

retailer the choice of selecting whichever one is the lower as the basis for calculating income-tax returns, the effect is perhaps neither illegal nor particularly misleading.

Established practice leads to placing a code mark on goods for which it is desired to know the cost price. The time-honored form of code—one almost universally used—is some one word having either nine or ten letters.

Thus, if the word "pharmacist" is used and the simplest possible form of code is followed, P is assigned the value of one, H the value of two, A the value of three, and so on. An item costing \$1.45 would be marked in code as costing PRM. In order to conceal the code from the public and even from some employees, it is common to provide that some letter near the middle of the word shall represent 1 and then to proceed from that letter. The character standing for 1 can be changed each year, if necessary; but if that is done, all merchandise must be remarked according to the new code. It is desirable to keep all marks as simple as possible, for if they are complex, the probability of mistakes in decoding will be greatly increased.

*Date Marks of Merchandise.*—Many pharmacists find that it is highly desirable to mark items of merchandise with the date on which they were received, so that the length of time an article has been in stock can be determined instantly. This is considered by some pharmacists to be one of the most effective methods of stock control, as it helps in spotting old and slow-moving stock.

One of the simplest methods of dating stock is to code according to the month and year. For example, if an item is received in August, 1941, the date would normally be written 8-41. However, when this date is placed on an item of merchandise, the code mark becomes 148. If it were received in March, 1942, the code mark would be 243.

## Specific Duties of Employees

**DUTIES OF THE PHARMACIST.**—The most important drug store employee is the pharmacist, as his work is the heart of retail drug merchandising. The sales made at the soda fountain, the candy case, or the sundry counter may be very



profitable, but they are secondary in importance to those made by the pharmacists.

The principal duties of the pharmacist are concerned with the prescription department, and he must compound prescriptions with the most painstaking care. If he is to perform this task properly, he must understand his duties and his obligations thoroughly. Since it is not possible in the present chapter to go into great detail as to the entire scope of the pharmacist's work, his duties are shown below in outline form.

### DUTIES OF THE PHARMACIST

1. Compounding of prescriptions
  - a. Filling of the prescription
  - b. Registration of all poisons dispensed
  - c. Filing of prescriptions for narcotics of exempt list
  - d. Pricing of finished prescription
2. Dispensing of all drugs
3. Keeping prescription room in good order
  - a. Keeping prescription counter clean
  - b. Arranging stock systematically
  - c. Keeping poisons in a place apart from the rest of the stock, preferably under lock and key
  - d. Avoiding stock shortages
  - e. Pulling out all deteriorated chemicals and drugs
  - f. Proper labeling of all poisons in compliance with the existing laws of the state
  - g. Keeping all drugs and chemicals for bacteriological products in refrigerator if it is so required to keep them from deteriorating
  - h. Keeping all narcotics under lock and key
4. Condition of apparatus used in filling prescriptions
  - a. Keeping scales and weights clean to avoid possible contamination
  - b. Keeping autoclaves and sterilizers in proper condition
  - c. Keeping pill tiles and graduates clean and checking that they are not chipped
  - d. Checking thermometers for proper calibration

5. Receiving and marking incoming drug and prescription merchandise
6. Duties to the physician: furnishing information concerning drugs when it is requested
  - a. Source of drug
  - b. Purity rubric of drug
  - c. Assay of drug
  - d. Constituents of the drug
  - e. Use of the drug
7. Duties to the general public
  - a. Warning public of substances that are poisonous
  - b. Giving information to public regarding insecticides, fungicides, fumigants and how to use them properly

**DUTIES OF THE FLOOR CLERKS.**—In general, floor clerks are primarily responsible for selling merchandise. In order to do this successfully they must study the items they sell, so that they may talk intelligently to prospects about the articles. They must know how to arouse customers' desires; they must keep their departments neat and attractive at all times. However, in addition to strictly selling duties, they have a number of routine tasks.

A suggested outline of the routine responsibilities of floor clerks is presented below:

#### DUTIES OF FLOOR CLERKS

1. Department housekeeping
  - a. Wipe off stock and fixtures each morning
  - b. Rearrange stock after waiting on a customer
  - c. Keep litter off floor, merchandise, and fixtures
2. Condition of stock on shelves
  - a. Cleanliness
  - b. Order of the stock
  - c. Prices of the merchandise properly affixed
3. Responsibility for displays
  - a. Compulsory displays
  - b. Signs for displays
  - c. Floor cases and interior displays
  - d. Frequent change of displays

4. Receipt and marking of merchandise
5. Maintenance of stock records and notifying proprietor of all stock shortages

**PROPRIETOR'S DUTIES.**—The proprietor or store manager has a wider range of duties than any other person employed in a drug store, since he has administrative as well as routine duties. He must be salesman as well as purchasing agent. He must be display man in addition to being an office employee in charge of records. In short, he must be a competent all-round businessman. He must know what to do, how to do it, and when it should be done.

If a pharmacist is to be successful, he must be a good merchant. He must know how to make fair and reasonable profits without indulging in misrepresentation, without imposing unreasonable working conditions or inadequate wages on his employees, and without resorting to unfair and unethical practices with wholesalers and manufacturers from whom he obtains his merchandise.

To be able to accomplish the above things, the proprietor has the following specific duties to perform.

#### DUTIES OF THE PROPRIETOR

- I. Administrative duties
  - A. Select, train, and supervise all employees
  - B. Supervise all buying
  - C. Keep records
  - D. File reports
  - E. See that store licenses and certificates are properly posted
  - F. Check on new trends in drug store merchandising
  - G. Read trade papers in order to keep abreast of competition
- II. Appearance of the store exterior: check on
  - A. Condition of sidewalk
  - B. Condition of windows
    1. Clean
    2. Proper signs
    3. Proper lighting

- C.* Signs
- D.* Awnings
- E.* Entrance to store
- F.* Doors in proper working order
- III. Appearance of store interior: check on
  - A.* Condition of equipment
  - B.* Lights
  - C.* Telephone booths
  - D.* Floor
- IV. Basement and stock rooms, see that
  - A.* Stock kept up to date and replenished
  - B.* New products obtained
- V. Supervise advertising, promotion, and store display
  - A.* Newspaper advertising
  - B.* Handbills
  - C.* Advertising through letters
  - D.* Select times for special merchandising efforts
  - E.* Contact doctors and hospitals
  - F.* Plan and check condition of store and window displays

A major part of the proprietor's efforts should be devoted to the task of seeing that his store is operating effectively. In order to do this it is necessary to check constantly on all phases of the store's operation.

Owing to the fact that most pharmacists spend many hours a day every day in the year in their own place of business, they become so accustomed to seeing the same things over and over that frequently they are unable to appreciate the commendable things in their stores and fail to observe the objectionable features that are plainly noticeable to a customer coming into the store only once a week or less.

To correct this situation, it is suggested that, the first thing on arriving at his store in the morning during the first week of each month, the proprietor actually grade his store just as a professor grades a pupil's examination paper, using the inspection sheets shown in Appendix A.

The forms illustrated utilize weighted factors, so that the proprietor may score numerically the various activities. In that way performance grades expressed in percentages can be used. By means of these check sheets specific weak spots may be singled out, so that the proper corrective action may be taken.

## Store Maintenance and Housekeeping

Every store soon develops a definite store atmosphere. It is an intangible something that sets one store apart from all others. A good atmosphere makes a store interesting, pleasing, and inviting to customers. A major factor in store atmosphere is housekeeping and maintenance.

Housekeeping in a store means much the same thing as housekeeping in a home. The main purpose of good housekeeping is to keep the store, its equipment, and its merchandise spotlessly clean, bright, orderly, and inviting. Good store housekeeping is, therefore, a definite help not only to good appearance but also to economy of time, energy, and cost of operation. It plays a major role in facilitating the sale of goods. It prevents waste and losses. Even the store building and equipment themselves, when properly cared for, depreciate more slowly and serve their purpose better than they would otherwise.

**IMPORTANCE OF GOOD HOUSEKEEPING IN THE DRUG STORE.** The art of housekeeping and store maintenance must be exercised every hour and every day. It is difficult to overemphasize the importance of good store housekeeping in retail success. Regardless of how good may be the merchandise that the store carries or how reasonable its prices, if the housekeeping is poor, the store will not be an attractive trading place and will not secure and hold the volume of business that otherwise it might deserve. Customers like to buy in a store that is as orderly and spotless as a Dutch kitchen—and it is pleasant to sell there.

At the present time there is a marked tendency toward better and better standards of retail store housekeeping. The keenness of competition among drug stores for the con-

sumer's dollar has resulted in the most thorough survey of every factor likely to influence the consumer in placing her purchases, and invariably it has been found that the appearance of a store is an important factor. This is probably more true of a drug store than any other type of retail institution. Customers expect stores handling drug products to be spotlessly clean, and they expect establishments handling foods to be kept in the same way. In addition to increased sales, other desirable results of good housekeeping are a reduction in the percentage of necessary markdowns and an increase in the percentage of stock-loss recovery.

The duties of store housekeeping usually fall to all employees. Everyone must contribute his share toward keeping the store neat. This is particularly true of new employees. Not only is the work important in itself, but, besides, it constitutes excellent discipline and training for future drug store operation. A young man or woman who does not appreciate the value of good store housekeeping can scarcely hope to assume charge of the details of merchandising.

Store housekeeping includes the maintenance of the store with its equipment as well as keeping it spotlessly clean. It includes cleaning, sweeping, the maintenance of store arrangement, and similar duties.

**CARE OF STORE EXTERIOR.**—The exterior of the store not only must be kept clean but it should also be repainted or refinished at fairly frequent intervals. There are few things that contribute so much to the run-down or out-of-date appearance of a store as will a dirty, poorly kept, or faded-out store front. The expense of maintaining a store front in good repair is not great. Indeed, no store can afford to operate without this expense. Saving a few cents on the outside means losing many times more in sales volume inside the store. The store exterior must always be kept attractive and new in appearance. The pharmacist must constantly hold in mind that it is the store front that gives the customer his first impression, and first impressions are extremely important.

*Windows and Bulkheads.*—Windows and bulkheads should be washed as frequently as necessary. This usually means at

least twice a week. Stores in downtown areas, as a rule, find it necessary to wash their windows every day.

In order to keep windows looking attractive pharmacists should avoid the use of glue in attaching streamers or posters to windows, as the glue damages the glass. Use only scotch tape or rubber cement for this purpose.

*How to Prevent Frosting of Windows.*—In the northern portion of the United States many pharmacists find that their windows become frosted in cold weather. Among the several methods of preventing this are the following four, which have been used successfully by pharmacists.

1. Set an electric fan in the window to keep the air circulating evenly through the entire area. Use with caution. If the store's interior is very warm and it is extremely cold outside, the fan must not throw warm air directly against the cold glass, which might crack.
2. Bore holes and place ventilators in the woodwork above and below the glass. This allows the air to circulate and often prevents frosting and freezing, especially if the interior air is fairly free from moisture.
3. Hot-water pipe or pipe from a furnace, placed inside the window, below the glass, often prevents frosting except in extreme weather. (This method has the drawback of raising the temperature of the air in the window. In very cold weather heat should never be applied directly to the glass, for it may crack.)
4. An inexpensive antifreeze solution—1 pint of denatured alcohol and 1 ounce of glycerin—may be rubbed on the window after cleaning it thoroughly with a cloth. (This method leaves window slightly smudged.)

*Metals.*—Metals should be kept polished with a good metal polish. However, metal next to plate glass should not be cleaned with a polish, as it may damage the glass. After the metal is polished, it is a good practice to apply a very thin film of light oil, which should be removed each day with a soft cloth and a new coating applied. If this is done, it will not be

necessary to polish the metal more frequently than once or twice a month.

*The Sidewalks.*—The sidewalks should be swept clean every morning. Stores that pride themselves frequently flush the sidewalk with a hose and in some instances even add a scrubbing, if necessary, to give it a fresh appearance. If waste paper or other refuse gathers on the sidewalk, at the curb, or even out in the street near the store during the day, it should be cleaned up as often as necessary.

*Vestibule.*—Every part of the vestibule, including the transoms, should always be kept clean. It should be swept at least once each day. If the vestibule has a tile floor, extra precautions should be taken in the winter to keep it free from snow and ice.

*Store Awning.*—Store awnings should receive very careful attention. They should always be thoroughly dry before they are rolled. Small holes or rips should be repaired while they are small to keep them from becoming larger. It is always well to roll up the awning before a storm, so that the wind cannot do any damage. The awnings should always be down on sunny days, to protect the windows from sunlight. After sundown, however, they should be rolled up, so that they will not interfere with the view of the window from the sidewalk.

*Back Entrance.*—Many pharmacists fail to see that the back entrance of the store has the same kind of attention that is given to the front one. The back door should always be kept clean. Straw, trash, or rubbish should not be allowed to accumulate around the back door, even for a day. The back-door chute and exit should be locked securely when not actually in use.

**CARE OF STORE INTERIOR.**—The interior of the store must be kept even more spotless than the exterior. When the customer enters he must be greeted by a room that is pleasingly attractive. This means not only a neat store but one that is well lighted and free from offensive odors. In a drug store serving sandwiches and food at the fountain this is particularly important. It means in many instances the installation of a fan, to remove food odors.



*Daily Care and Maintenance.*—To keep the store inviting at all times necessitates constant housekeeping. It means, in addition to the daily routine of cleaning and dusting, constant attention to minor repairs that are essential for maintaining a well-kept appearance.

Salesclerks should be instructed to spend part of their time in rearranging their stock, polishing fixtures, cleaning glass, etc. Trash from behind the counters should be removed. The store should be swept thoroughly each night, just before closing and as many times during the day as may be needed to keep the floors clean. The floors must always be clean.

All equipment must be dusted thoroughly each morning. This includes the front of counters, the back of show windows, back trims, etc.

Metal cans should be properly placed to receive waste paper, boxes, etc., and the clerks required to use them for that purpose.

In the sweeping of floors, care must be taken so that the fixtures are not marred by the push broom's striking them. It is a good plan to pad the edge of the broom with soft strips, tacking them fast on the front and back of the broom. Pins, nails, and tacks should not be used on shelves, paneling, or counters, as they will mar the woodwork.

*Care of Floors.*—The kind of care to be given to a store floor is dependent upon the kind of flooring material used. Floors of wood should be washed frequently and oiled when necessary. It is a good plan to oil them once each week. After oiling wood floors it is well to sprinkle a small quantity of powdered feldspar, pumice, or sand on the floor, to prevent customers from slipping.

Linoleum floors require special treatment such as that recommended by the linoleum manufacturers. Before the linoleum is washed it should be carefully swept, and no stiff scrubbing brushes should ever be used. Linoleum floors should be washed with warm soapsuds, but never with strong washing powders or lye. After being washed, linoleum should be polished with wax and perhaps varnished or lacquered occasionally. Most pharmacists find it best to follow very carefully

the recommendations of the manufacturer of the linoleum floor.

*Redecorating.*—About the first of February every year it is a good plan for the pharmacist to look his store over very carefully and make a list of the decorating that may be necessary. The conditions of the show-window floors, ceiling, and backgrounds should be checked, as well as the interior of the store. Interior walls may need nothing more than just washing, or starching, or perhaps a new paint job. The store ceiling should be cleaned or repainted, in order to obtain the best results from the store lighting. If painting or redecorating is necessary, a competent redecorating contractor should be consulted.

**CARE OF DISPLAY EQUIPMENT.**—The store equipment should be kept entirely free from dust, and to accomplish this necessitates dusting every day. About once a year all equipment should be thoroughly cleaned with a cleaner recommended by the manufacturer of the equipment.

Furniture polish should not be used on finished surfaces unless the manufacturer recommends it. Many items of store equipment have specially prepared surfaces of lacquer, which in time will become dull and lifeless from the constant use of furniture polish.

Metal fixtures must be kept in good condition. Counter display fixtures of metal are usually finished with a coat of lacquer or the surface is highly polished. It is well to go over these with a soft cloth on which a few drops of light oil has been applied. This treatment, followed by wiping with a clean cloth, will keep the finish in excellent condition. Metal fixtures when not in use should be stored very carefully. They should not be placed on a concrete floor or where there is dampness. It is best to wrap them in oil paper or cloth on which a few drops of light oil have been placed.

**CARE OF MECHANICAL EQUIPMENT.**—The mechanical equipment in a drug store necessitates very careful maintenance. In most instances it is best to follow the recommendations of the manufacturers of this equipment.

*Electric Fans.*—Electric fans require special attention during the seasons when they are not used. In the fall, fans

should be taken down carefully, cleaned, wiped off with an oily rag to prevent rust, wrapped, and then stored in a place in the stock room where they will not be moved or damaged. Stores having ceiling fans in the outside vestibule should remove the blades and cover the motors. Blades for each fan should be wrapped together and stored separately. If blades are mixed, the fans will not run true.

*Cooling Equipment.*—The care and operation of cooling or air-conditioning equipment are an individual problem in nearly every installation; the contractor will usually furnish the necessary instructions. Guardrails should be built around compressors and other automatic equipment if they are exposed, as that will prevent injury to the equipment by boxes and crates, which otherwise may accidentally fall against the machinery.

*Cash Registers.*—Cash registers should be kept clean, or they will not operate properly. Foreign materials, such as pins, clips, rubber bands, etc., should be kept out of and away from the cash register. Cash registers should never be oiled. Most pharmacists have found that the cheapest method of keeping the cash register in good repair is to have the regular care undertaken by an authorized register service man.

*Heating Plant.*—If the pharmacist is responsible for the operation of the heating plant in his store, he must give it very careful attention. Flues and ashpits should be kept clean at all times. In the case of a steam furnace, the water should be kept at the proper gauge reading. The boilers should be drained two or three times during the heating season and refilled with fresh water. Each time the boiler is cleaned, the safety valve should be removed and a pint of light lubricating oil poured into the boiler before the water is let out. When the safety valve is replaced, its threads should be covered with white lead. During the summer months the boiler should be kept filled with water.

When the boiler is in operation, the water should be kept up to, not above, the water line marked on the water gauge. The boiler should be cleaned and placed in first class condition before it is used in the fall.

In shutting off a heating system where unit heaters are used for radiation, the pharmacist should be sure to shut off all lines at the boiler, as well as the individual heater. Unit heaters should be checked at the end of the heating season and cleaned. Fan motors should be oiled if necessary, and covered if they are not to be used during the summer for ventilating only.

Floor units that can be removed during the summer should be thoroughly cleaned and stored. Space that must be occupied by this equipment during the winter can then be utilized for selling. In the removal of heating equipment of this kind it is necessary to be sure that all connections, such as gas, electric, or water, are carefully protected to avoid being accidentally opened or injured.

Most cities require that boilers be enclosed in a fireproof enclosure. This is not true in every case, and care must be taken, in cases where a boiler room is not provided, to keep merchandise and rubbish away from the heating equipment. If possible, the heating plant should be set apart by a fireproof partition.

*Fire Prevention.*—One of the commonest risks or hazards for the pharmacist is loss by fire. Losses caused by fire can be avoided by the proper prevention methods, and actual losses can be minimized by fire insurance.

The principal causes of fires in retail businesses can be traced to careless housekeeping. Because of this, it is necessary to educate all the workers in a pharmacy in housekeeping and in improvements in fire prevention. Every store should be supplied with one or more chemical fire extinguishers for use in emergencies. These extinguishers should be emptied and recharged at least once a year. When this is done, they should be properly tagged in such a way as to show the date of recharge. When fire extinguishers are tested, they should be tried on fires in an alley or in a vacant lot.

Automatic sprinklers will help to reduce the possibility of serious damage by fire. They also materially reduce the cost of insurance.

# Store Policies That Produce Profits

## CHAPTER 24

EVERY well-ordered business enterprise finds it necessary to formulate and establish certain general policies by which it may operate. These policies constitute definite courses of action predetermined for the purpose of securing uniformity of action so long as substantially similar conditions exist. They should be based on definite and presumably adequate knowledge, and should indicate the aim of the business concern and the approximate means of its accomplishment. They seek to provide necessary guidance in the solution of problems that arise recurrently in the different departments of the business.

The ultimate success or failure of any organization—particularly one engaged in retail drug merchandising—is in a large part dependent on the policies enunciated and pursued by the proprietors. Few drug stores can prosper among present-day highly competitive conditions unless they are guided by a soundly formulated policy program that leads the organization unerringly to its goal. Partial or temporary success may be achieved without sound policies, but long-run prosperity seldom comes to those who follow ill-defined policies.

**ADVANTAGES OF GOOD POLICIES.**—Although some retailers find no occasion to formulate sound, long-run policies, profit-minded pharmacists consider it extremely beneficial to rely on

definite policies to govern their actions. The principal justifications for the adoption of store policies are several. In the first place well-defined policies enable an organization to act promptly along well-considered lines of action. When problems arise, solutions may be expedited because a policy exists.

A second advantage of sound policies is that time is saved. A decision may be made and applied to recurring situations without taking the time of the pharmacist on every occasion when a similar problem arises.

Another reason for carefully outlining policies is that uniformity of action is assured by doing this. Whenever similar problems are raised, they can be handled in essentially the same manner. The store is thereby saved the embarrassment of meeting like problems in diverse ways, and deviations from a previously outlined course of action are prevented.

Fourth, store policies are usually adopted only after careful consideration of all the factors involved. In the absence of a policy, temporary and personal considerations often affect action. But when a policy is under consideration, the procedure is usually that of carefully weighing all the arguments for and against the proposed course of action, the results of its adoption, and arguments for alternative proposals.

Subordinates are in a position to exercise initiative intelligently if they have a sound group of policies to guide them. Employees often hesitate and fail to act with confidence if the solution of a particular problem rests solely upon their own shoulders. However, if they can fall back upon clearly defined policies, their assurance is increased and they can proceed with the knowledge that they are pursuing an approved course of action.

## Merchandise Policies

**QUALITY MERCHANDISE.**—Pharmacists must make an early decision with regard to the quality of merchandise that they shall stock and sell. The decision is not always free, in that certain factors may be so strong as to dictate the handling of only quality merchandise or only goods of poorer grade.

A study of the customers served may reveal that only certain qualities can be readily sold. For example, if the store patrons are largely from the lowest income levels, it would be foolish to stock quality box candy, selling for \$1.50 per pound. Bulk and packaged candy of less expensive quality selling at prices of \$0.21, \$0.29, and \$0.39 would undoubtedly move with less sales resistance.

Pharmacists should always remember that many customers do not care for the most expensive quality, nor can they afford to pay for it. If goods of only one quality are handled, a part of the potential market will be missed. Perhaps some cigar manufacturers can supply somewhat better cigars than others, but only a small part of the buying public may be justified in paying the price that must be asked for the finest, handmade cigars.

It should be remembered also that not all consumers agree on what constitutes quality. The successful manufacturer may feel that it is not desirable to sacrifice good materials for such factors as appearance and color, but he should not overlook the fact that some buyers attach more importance to such qualities than they do to inherent workmanship and other qualities that give long life to a product. Just as a radio advertiser, because it assists in the sale of a product, uses a modern "swing band" or a "soap opera," which he himself may regard as the poorest type of entertainment, pharmacists must remember that they are not strongly enough entrenched with their customers to justify going against the desires of the buying public. If the public wishes good quality, the wise pharmacist supplies it. On the other hand, if store patrons desire less expensive quality, he will also supply that.

In general, there can be little doubt that the pharmacist should handle quality merchandise, as he will create more satisfied customers by pursuing such a policy. This is particularly true of prescription ingredients and products used for health purposes. However, if he finds that his customers prefer something less than top quality, he would be foolish to run counter to their desires. In regard to a quality policy, it is best to give customers what they *want* and *should have*.

**NON-DRUG MERCHANDISE.**—A particularly disturbing problem for most pharmacists (especially within recent years) is the formulation of a policy on non-drug items. The trend until about 1940 has been quite definitely toward making drug stores more and more like miniature department stores, handling in many instances practically everything from mousetraps to bicycles. In fact, some of these establishments could be labeled more appropriately department stores than drug stores. This development was inspired to a considerable extent by the depression of the 1930's. Pharmacists invaded the fields formerly monopolized by the hardware merchant, the appliance dealer, and the variety store. At the same time, the grocer and the five-and-ten-cent store began to move into the drug trade.

Many pharmacists have doubted whether the expansion of the lines of merchandise carried by the drug store was a sound development. Although sales volume was helped in many cases, the movement provoked frowns and quips from the public. People resented having the drug store cluttered up with dishpans, dolls, glasses, strainers, and similar articles. In many such stores the professional atmosphere of the pharmacy has been lost and the confidence of customers shaken.

As a result of consumer resentment, many drug stores, particularly the chains who fostered the movement, have re-examined their policy relating to nondrug items. Considerable doubt has been expressed regarding the wisdom of continuing the expansion of lines carried in drug stores. During 1940 two prominent drug chain companies<sup>1</sup> apparently revamped their policy and have decided to reemphasize the drug aspects of their stores in preference to the variety-store features. Many individually owned drug stores have reached the same conclusion.

The new trend, and apparently the common-sense course, appears to be that of handling such sundry items as have found a rightful niche in the drug store. Items relating to the soda fountain or to home medication or treatment are being

<sup>1</sup> Liggett's Drug Stores and Walgreen Drug Stores.



kept. But hardware, toys, glassware, and similar products are being discarded. Pharmacists wish their stores to resemble drug stores rather than variety stores.

**PHARMACISTS' BRAND POLICIES.**—The problem of handling well-advertised branded products or unbranded and little-known articles has been discussed in several chapters of the present book<sup>1</sup> and there is no need to go into detail at this point. Most pharmacists will undoubtedly find it to their advantage to follow the current and handle the branded merchandise demanded or called for by the trade. The advantages incident to well-known goods are too important to be overlooked.

*Duplicate Brands.*—Another brand problem facing the pharmacist is the selection of brands for his store, with regard to both quality and number. The quality is based largely on the type of customers served, but the number of brands to be used is a matter of policy somewhat more difficult to determine. Many pharmacists still favor carrying a number of duplicate brands of equal quality, in order to offer their trade a variety for selection; others carry numerous brands largely because some salesman has persuaded them that they should.

Despite the fact that many pharmacists favor carrying any brand that a customer might request, the trend is away from that kind of merchandising and toward a policy of concentration on the brands most in demand. The adoption of such a policy helps in keeping down the investment in merchandise, speeding the rate of turnover, and avoiding losses through obsolescence or deterioration. Other expenses are reduced correspondingly, and fresh and salable merchandise is assured under these circumstances. Even though the advantages incident to carrying only fast-moving items are evident to those who give careful thought to the problem, most drug stores still carry an unnecessarily large number of duplicate brands in many lines, instead of confining their merchandise to the comparatively few brands that are most in demand.

*Private Branding.*—Some pharmacists have private brands in certain lines of merchandise, such as mineral oil, aspirin,

<sup>1</sup> Chapters 6, 7, 8, 13, 15, and 16.

and other drug products. A few have gone so far as to have private brands of shaving cream, tooth powder, cigars, and similar items.

Private branding on the part of pharmacists is likely to prove most successful when they enjoy considerable prestige in their respective markets and when the volume of business possible on such goods justifies the expenditure requisite to the aggressive utilization of a policy of this kind. Therefore, very few individually owned stores can profitably handle private brands. The expected net profits seldom materialize, as the customer resistance and the cost of promoting such brands usually more than consume the gross margin.

**MERCHANDISE ON CARDS.**—A number of pharmacists have found it to their advantage to refrain from handling merchandise on cards except under unusual circumstances. The chief difficulty is that the last few items on a card are not readily sold. As a result, the pharmacist may not be able to dispose of the final two or three articles and, consequently, he has been unable to earn a legitimate profit on the group. For example, if a card with twelve 15-cent items is purchased by a pharmacist for a one-third purchase discount or \$1.20 and he is able to sell only nine, he has received \$1.35 on an investment of \$1.20 and made a gross profit of about 8 per cent. In other words, his profit is still in his inventory and he may never be able to realize it.

## Service Policies

**COMPLAINTS AND THEIR ADJUSTMENT.**—It is not possible to conduct a drug store without some complaints. All stores have them but, quite naturally, some stores have more than others, and there are likewise variations in the number of complaints from time to time.

Modern retail store policies open the doors widely to complaints from customers. The assumption that the "customer is always right," a policy upon which many retail stores operate, invites complaints. Such merchandising policies as unlimited guarantees of goods, and that the "customer must be satisfied," also make it easy for customers not only to

criticize but to compare in a critical way the services of various competing stores.

Some of the complaints that come to retail stores are ridiculous and absurd, others are pathetic, still others are dishonest. Most of them, probably 90 per cent or more, whether well-founded or not, are sincere, and a large part of these are based on just grounds.

A careful consideration of the causes of complaints of customers, together with prompt improvement wherever weaknesses are discovered, is necessary to the maintenance of proper trade relations and to holding public good will. Through the thoughtful analysis of complaints, the drug store may often learn much about its errors in policies and methods, and consequently be able to take steps to reconstruct its methods, to produce better results.

It is not urged that the study of complaints is the ideal way to determine what to do next. A store needs other and less painful methods of tracing consumer reactions toward the store. Changes should be noted and corrections made, if possible, before the complaints occur, but, if it is not possible to forestall complaints, the store should try to learn from the blows it receives, for complaints do indicate the changes in consumer demand. A retail drug store that does not make constructive use of the criticisms and complaints received from consumers can scarcely hope for anything but more complaints and decline in business.

**RETURNED-GOODS PRIVILEGE.**—Although pharmacists seldom have to accept returned merchandise in excess of 3 per cent of sales, the problem is sufficiently important to require the adoption of a definite policy with regard to the liberality with which returned goods shall be accepted. Accepting returned goods is a costly process. The goods must be handled again and resold. To this may be added the possibility for more rapid depreciation through obsolescence and physical deterioration.

Goods may be returned for several reasons. The merchandise may have been defective, an error may have been made in filling the order, or undesirable substitutions may have

been made. Goods are sometimes returned because the customer was subjected to too-aggressive salesmanship and purchased the article through overpersuasion rather than through choice. In fact, a large percentage of returns has its origin in the failure of salespeople really to sell customers on the merits of the goods. A customer may sometimes return goods because he has overbought without any pressure from the outside.

It thus becomes obvious that returns may be made because of merchandising errors on the part of the vendor, many of which can be removed through careful analysis, or because of the customer's lack of responsibility and appreciation of business ethics. A policy must, therefore, be adopted, that will govern the extent to which returned goods shall be accepted where the seller is not at fault. A limit on the time within which returns may be made will also help considerably in this connection.

**CREDIT AND COLLECTION POLICIES.**—Few pharmacists escape the problems relating to the extension of credit to customers. Some use credit to increase profitable sales; others incur losses through unwise credit extension. The establishment and successful operation of credit policy and technique are, for many drug store operators, among the most difficult phases of retailing.

*Major Reasons for Credit Extension.*—Credit is extended for a number of reasons. Some are sound; others are not. Thousands of customers receive their income at varying intervals during the year. Those depending upon monthly or weekly salaries feel justified in spending part of their pay checks in advance of receiving them. The money has been earned. It belongs to them and will be received; hence they feel that it is legitimate to purchase merchandise throughout the period between pay checks, with payment to be made from the check when received. Farmers receive income only as crops are sold, and often only a few times a year. Salesmen and others whose incomes are irregular are in equal need of credit, but are not always so fully justified in its use as are those just mentioned.

The first reason for credit extension, then, arises from the fact that income is often received at varying intervals after it is earned.

A second and equally important reason for credit is the inconvenience of making cash payments. Many service drug stores receive a substantial number of their orders over the telephone and deliver the goods to the home. Were it not for the practice of extending credit, the merchandise would have to be sent on a C.O.D. basis, which is a nuisance both to the housewife and to the pharmacist.

A third reason for credit extension is that it has proved itself as a medium for increasing sales. Many purchases are made on credit that would not be made for cash. To illustrate: the customer may discover some item that he would like to purchase when neither cash nor checkbook is at hand, but a credit account makes the sale possible. Many shoppers do not like to carry much money with them and hence appreciate the convenience of a credit account. It is also true that many will buy more freely when it is not necessary to pay cash for the purchase; for payment at a future date looks easy, and purchases are made that would not otherwise take place. In some cases the pharmacist would secure the business at a later date without the necessity of extending credit; in other cases, the sale would not take place or some other pharmacist would secure it. It is, of course, true that the greater freedom of buying for credit is the principal reason for credit losses. Proper credit-extension methods must be used if the gain in sales is not to be offset by credit losses.

There are various other reasons for extending credit. One is that extension of credit attracts a better class of trade; the group who receive credit usually are steady and often generous buyers. As a rule they buy higher quality merchandise than those who pay cash. Credit customers tend to concentrate their purchases in the drug stores where they have accounts and are thus somewhat more dependable than cash customers. The minor advantages of buying at some other store are offset by the availability of credit. A final, minor reason is the use of names of credit customers for the store's mailing list.

*Why Many Pharmacists Do Not Give Credit.*—Many pharmacists operate on a strictly cash policy and to a large extent are able to enforce this rule. The most common reason for such a policy is the belief that selling only for cash cuts expenses and thus allows the store to make more profit. It is obvious that strong arguments support both a cash and a credit policy. The service department store cannot operate on a cash policy; the convenience of the customer dictates the offering of credit. The same is true for the service grocery store located in a city. However, the vast majority of drug stores can operate on a cash basis if they desire to do so.

In industrial or middle-class city areas pharmacists must determine whether they will gain more than they will lose by a strictly cash policy. Chain stores almost always sell for cash. This gives the independent pharmacist an opportunity to secure the business of those who cannot pay cash. Some loss is inevitable with the extension of credit. Every pharmacist must decide for himself whether he believes that he can hold the loss to a point at which it is offset by increased sales.

*Who Should Receive Credit?*—Only those who have the ability to pay charges when they are due should receive credit; but it is not easy to select those who qualify. The ability to earn enough to make payments is an important factor; hence, pharmacists must know enough about the income of applicants for credit to enable them to determine how much may be charged safely. Willingness to meet obligations promptly is almost as important as income. If the applicant realizes that when he receives credit he incurs a debt that must be paid when it is due, and if that fact means anything to him, he will not overbuy nor will he use income for other purposes until amounts charged at stores are paid. Those granting credit must learn from their own experience—sometimes supplemented with that of other merchants—to judge the applicant's willingness to meet debts when they are due.

*Securing Credit Information.*—Pharmacists in smaller towns, as well as the great mass of those who sell drugs in neighborhood locations, are forced to rely upon their own past

experience and their knowledge of customer habits in granting credit. But the larger drug stores have access to some form of credit interchange information. Usually this is secured from a central bureau supported by the merchants who use it. In some cases it is privately owned. The bureau draws upon the credit records of all its members and makes their joint experience available to each member. Each makes a monthly report of the names and amount of delinquency of all persons who are not paying promptly. A card is maintained for each person who has an account in any store. When slowness in paying is reported, that fact is placed on the card. Thus at any time the payment habits as well as the total amounts overdue may be secured by looking at the card.

### Manufacturer—Retailer Distribution Policies

Ultimate consumers as well as drug store operators and wholesalers are very much affected by the distribution policies established by manufacturers. From the viewpoint of all parties concerned these policies should be fair, equitable, and lawful. Distribution policies can be fair and equitable only when they are of such a character that they are satisfactory and reasonably just to those who are affected by them. The policies are lawful if the process of carrying them out does not violate a Federal, state, or municipal law—specifically, the selling of merchandise not in violation of our antitrust laws, our unfair trade practice acts, the terms prescribed under our fair trade laws, our Federal Trade Commission Act, our laws relating to agency distribution, and numerous other laws relating to the sale and transportation of merchandise.

At times it may seem that some laws are not fair to some groups or individuals, but it must be kept in mind that these measures have been enacted for what the legislative bodies have regarded as the general good of the public, to protect both the public welfare and the property of individual citizens.

Laws are not usually enacted for the sole benefit of either individuals or certain groups of individuals, although often it is true that a measure enacted for the benefit of the public at large does benefit some particular group of individuals more

than others. This is a secondary benefit—not the primary one of the law.

During the last 25 years, many laws, both state and Federal, have been enacted to afford greater protection to the public against unfair practices in merchandising. Some of these laws afford those who own property represented by trade-marks and brands an opportunity to provide more protection to their property than they have heretofore had. Some of these laws specifically afford the owners of property represented by trade-marks or brands the right to protect their own property along certain lines if they care to do so.

**SELECTIVE DISTRIBUTION.**—Selective distribution is a policy adopted by the manufacturer for the purpose of selecting those distributors whom he desires to have handle his products. After the manufacturer has selected the distributors, he may then place the distribution of his merchandise under any one of several specific plans of operation, as follows: (1) the agency-contract plan of distribution, (2) the voluntary observance plan, (3) the absence of any written declared policy, (4) the fair-trade contract plan.

*The Agency Plan.*—The agency plan, del credere factorship, or consignment plan, is a plan, whereby the manufacturer retains full ownership and control of his goods until the distributor has sold them for the manufacturer. This arrangement is seldom satisfactory for most types of drug store products. It has been applied successfully to sanitary napkins sold in drug stores, but most manufacturers believe it is too expensive and cumbersome.

*The Voluntary Observance Plan.*—The voluntary observance plan of distribution, as the name indicates, is a method wherein the manufacturer merely requests or suggests the manner in which he desires to have the retailer handle and sell his products. Under this plan the manufacturer may in advance suggest a minimum selling price, and he may announce that he will refuse to sell to distributors who do not observe such suggestions. The manufacturer probably may not, however, enforce such a minimum selling price by



threat from time to time of refusal to sell if his suggestions are not observed.

The policing problems incident to this type of distribution policy and the limited right of the manufacturer to refuse to sell make this method very unsatisfactory in most instances. It has a much better chance of working successfully between manufacturer and wholesaler than it has of working effectively in manufacturer-retailer relations.

*The Absence of Any Written Declared Policy.*—In the absence of any written declared distribution policy, there is very likely to be unwarranted price cutting and unethical selling practices employed by unscrupulous distributors. Some will seize the opportunity to use products sold, without definitely established policies, as loss leaders. In many instances they will be sold below actual cost to the ultimate detriment of consumers or retailers and immediate damage to those pharmacists who seek to make an honest living from their stores. From the retailers' viewpoint and in most instances from the manufacturers' also, such practices can hardly prove profitable in the long run.

*The Fair Trade Contract Plan.*—It would seem, considering the shortcomings of the above three plans, that the sensible, sound procedure for pharmacists, manufacturers, and wholesalers to follow is that of fair trade contracts covering trade-marked and branded products. This is a plan wherein the manufacturer enters into agreement with retailers, or wholesalers, or both, in states having fair trade laws, which agreements or contracts stipulate the minimum retail selling prices for the eligible products of such manufacturer. These minimum selling prices are stipulated in accordance with the provisions of the fair trade laws, thus retailers and wholesalers may not lawfully sell merchandise at prices lower than those stipulated in the agreements.

The vast majority of all retail and wholesale distributors indicate that with rare exceptions existing fair trade policies are equitable and fair and a step in the right direction. These are the distributors whose surrounding conditions and opera-

tions are of such a character as to make the policy of the manufacturer generally satisfactory to them.

It is the public and the drug trade as a whole that is being served by stabilization under fair trade contracts. The laws permitting these contracts were written first to enable owners of property (trade-marks and brands) to protect that property from injury by others. The benefit to distributors in the drug trade, or other trades, is secondary, as we have already stated. The policies of manufacturers cannot be set up for the benefit of the individual distributors, but they should be for the public and for distributors as a whole. This cannot help resulting in some being benefited far more than others. It cannot help resulting in some feeling that they have received no benefit or actually have been injured.

*What Is a Fair Minimum Selling Price?*—A fair minimum selling price for a given product should afford the average efficient retailer adequate gross profit to cover his operations and leave a reasonable margin of net profit. If all retailers were of the same average efficiency and operated with the same available capital and under surrounding conditions that were identical, then it would be a more simple problem for the manufacturer to stipulate minimum retail resale prices and minimum wholesale selling prices that would be more universally satisfactory. Neither the manufacturer nor the wholesaler can change the fact that no two retailers operate under exactly the same conditions or with the same degree of efficiency or with the same amount of available capital.

The best that the manufacturer can do is to set up a nationwide policy that is fair and equitable for the public, for the average efficient retailer, and for the average efficient wholesaler. It is believed that manufacturers have endeavored in most instances to work out policies that will enable small retailers, if they will buy in reasonable quantities, to obtain merchandise at a sufficiently low cost, either from wholesalers or direct from manufacturers, so as to earn a fair gross profit, even when selling at minimum retail selling prices.

Manufacturers as a whole have unquestionably given more careful study and attention to stabilization during the last few years than ever before. In innumerable cases an honest effort has been made to arrive at a fair and equitable distributive selling policy, with the consumer always, and of necessity, foremost in mind. No doubt, some few manufacturers have merely made a gesture. This will always be the case.

Never have all retailers sold all items to consumers at the same price, and they never will. Wholesalers never have sold all items to retailers at the same price, and they never will. Stabilization under fair trade laws is not price fixing. It is merely establishing minimum selling prices, or a floor beneath which products may not be sold without violation of contract or subjecting the seller to suit for damages.

In discussions relating to fair selling prices under stabilization, the question of increased operating costs has frequently come up. It is a fact that constantly, during the last few years, distributors and producers and also consumers have faced the necessity of defraying higher expenses. Increase in operating costs on the part of distributors and producers is not uniform. Statistical analyses show that during the last 3 years these increases have run from 0.5 per cent to 2 per cent of sales in the wholesale drug trade—an average of about 1 per cent. No nation-wide statistics are available for the retail drug trade, but the increased cost there is probably equal to that in wholesaling. These percentages are based on sales. These facts, of course, mean that distributors now need a little more gross profit in order to cover their operating costs. Manufacturers, in a similar way, have increased expenses in connection with their own production and distribution costs. These additional costs are either absorbed by distributors or producers or must be passed on in the form of a higher price to the consumer.

There is little hope that the drug or any other trade may look forward to any reduction in costs for a generation to come. The Federal government indebtedness has increased

many billions of dollars. This will ultimately be paid for by taxes. Taxes are constantly increasing in variety and amount.

*Basis for Equitable and Fair Minimum Prices.*—It is a fair question to ask whether or not minimum selling prices have been established high enough for the average efficient retailer and the average efficient wholesaler. Another question is: Are minimum selling prices fair to the consumer? And a third: Have they been established at a point which may enable the manufacturer to make a fair return on his investment?

All must recognize that the consumer is the ultimate criterion as to whether or not producers will produce and distributors will distribute. If minimum prices to the public are set too high, the public either will not or cannot buy. Distributors will, therefore, be unable to distribute and producers will be unable to produce.

Most manufacturers, it is believed, are anxious to establish their selling prices to the consumer as low as they can and maintain and gradually increase their volume, while, at the same time, covering the costs of efficient distribution and production, leaving a reasonable net for themselves and their distributors. The answers to these and many other questions call for the setting up of fair trade minimum selling prices at both retail and wholesale, based upon a critical, unbiased study of handling and selling costs.

Handling and selling costs will in the future be better understood than has been the case in the past. Many recognize the great variation in the handling costs of retailers and wholesalers. Some understand the great differences of merchandising costs of individual items. Many, however, still feel that because they have an average overhead cost of operating their business—let us say, 15 per cent at wholesale, or 30 per cent at retail—they must obtain at least that much gross profit on each transaction in order to cover their costs. This is true only as an average of all sales and transactions. It is a demonstrable fact that either a retailer or a wholesaler may make more net profit in selling a fast-moving item at a close margin of profit, even less than his average cost of

doing business, than he can by selling a very slow-moving item at a margin of gross profit far above his average cost of doing business.

These facts mean that, if distributors are to be fair with consumers on the one hand and producers on the other, minimum selling prices should reflect the differences of turnover and handling costs of different products. Retail distributors who believe they must have a minimum markup of  $33\frac{1}{3}$  per cent on all sales, and wholesale distributors who believe they must have a markup of 15 per cent on all sales, irrespective of cost of handling different items, ignore these basic facts.

Repeated scientific investigations have proved that it costs wholesalers more to sell in consumer quantities than it costs retailers to sell to the public. A wholesale business is set up to handle wholesale transactions. A retail business is set up to handle retail transactions. Wholesalers cannot operate efficiently as retailers. Retailers cannot operate efficiently as wholesalers, and neither can manufacturers.

If wholesalers were to sell all products in  $\frac{1}{12}$ -dozen lots, they would need to double their number of employees and their pay roll. If wholesalers could eliminate all  $\frac{1}{12}$ -dozen sales and sell only in full dozens or cases, they could do so with many less people than they now employ. The retailer who buys from the wholesaler in reasonable wholesale quantities may reasonably expect to share in the savings effected by the wholesaler through selling in such quantities. It is unfair to the retailer who buys in reasonable quantities to make him pay for the excessive wholesale costs created by the retailer who buys in consumer quantities.

Small and medium-sized buyers are placed in a more favorable competitive position with the large buyer because of the opportunity under fair trade contract policies for them to buy reasonable wholesale quantities at a better price than that formerly obtained.

It must be recognized that the producer cannot set up different minimum selling prices in different areas or for different stores in a given area. He can properly, on the basis of handling-cost facts, set up a minimum selling price for a

given item for average volume sale in a store with average operating costs.

*Suggested Fair Trade Policies.*—It appears to be fair to request manufacturers to establish distribution policies that would incorporate at least the following: That producers be requested to adopt stabilization policies for trade-marked or branded products that take into consideration (1) fair and reasonable selling prices to the public, (2) proper and ample protection of a reasonable gross profit to the average efficient retailer and the average efficient wholesaler, (3) recognition of the fact that fast-selling products can be handled by the efficient retailer or wholesaler at a lower cost than can slow-selling products, (4) that no uniform minimum selling price for all products can possibly be economically sound and that each manufacturer should determine for each of his own products the prices below which his products should not be sold in order properly to protect his property, and (5) opportunity for retailers to purchase reasonable wholesale quantities with proper discounts and other allowances.

# Accounting Records in the Drug Store

## CHAPTER 25

**N**O BETTER statement of the function of accounting records in the retail store has ever been made, perhaps, than that of Daniel DeFoe, the author of "Robinson Crusoe," who wrote in his "Complete English Tradesman," published about 1720, "A tradesman's books are like a mariner's compass, they show which way he goes." In a similar vein he wrote, "A tradesman's books should be like a Christian's conscience, always neat and clean."

Accounting records must be kept to show the progress of the business. Without them one cannot know whether a profit or a loss has been incurred. Yet for many years, especially before the advent of the income tax, too many pharmacists determined the existence or absence of a net profit by their ability to feed their family, pay their bills, maintain a normal stock of goods on the shelves, and not owe the bank more at the end of the year than at the beginning. They judged the status of amounts owed to their suppliers by the degree of insistence that accompanied demands for payment of those amounts. These pharmacists differed little in this respect from any other merchants, although their professional training perhaps taught them to use somewhat more businesslike methods than some other retailers did.

**FACTS MUST BE KNOWN.**—Today there is an increasing recognition of the need of certain facts about the financial

aspects of the drug business. Some pharmacists use elaborate accounting records; others try to operate with inadequate books of account. The system used must necessarily be adjusted to the size of the business and must be designed with reference to the interest of the pharmacist in detailed records, as well as with reference to the *minimum* requirements for efficient control of the business. Methods adapted to the needs of pharmacists in stores of varying size are adequately described and instructions for operating such systems are given in a book that is being issued to accompany this volume. It is "Drug Store Accounting," by J. B. Heckert and W. E. Dickerson, published by the McGraw-Hill Book Company, Inc., New York. Because of the availability of that special book on drug store accounting and because of the limited space that can be devoted to the subject in this volume, no attempt is here made to describe accounting systems or to explain the details of their design and operation. But it is necessary to pause to emphasize the *indispensability of adequate records* in the modern drug store.

### Accounting Reports

The test of what facts should be revealed by accounting records is the use to which they are to be put. Unless the pharmacist uses them for guidance in the management of his store, there is little use, other than for tax or credit purposes, of establishing an accounting system that will collect facts.

**PROFIT AND LOSS.**—One group of records has as its ultimate aim the revelation of data that are necessary to determine accurately the *profitableness* of operations for a given period of time. This extremely essential information is summarized in a statement called "the statement of income and expense." The important data summarized in that statement are purchases of goods for resale, net sales, the value of opening and closing inventories, and the total of all expenses incurred in operating the store. Records that will furnish the facts falling within these four basic groups—purchases, sales, inventories and expenses—must be kept if the merchant is to know whether he is operating his business at a profit or at a loss.



If a record of purchases is to be kept, it is desirable to have some convenient form of register in which to record the cost of goods bought for resale, as invoices for these goods are received from suppliers. Such a record book is at the heart of a retail accounting system. Parallel to it is the record of sales. Taken, as a rule, from cash-register tapes each day, sales totals may be recorded in some permanent form, so that gross sales totals may be known and returns or other deductions may be made to determine net sales.

*Cost of Goods Sold.*—It is essential to have two inventories for each accounting period. One is the value of goods on hand at the beginning of the period; the other is the value of goods on hand at the close of the period.<sup>1</sup> It is customary in drug stores to record inventories on the basis of the cost of the goods rather than that of the retail price.

When to the opening inventory is added the cost of goods purchased, the merchant is told the total cost of all the goods that have been on his shelves during the accounting period. From this total is subtracted the cost of the goods remaining on the shelves (the closing inventory), and thus the cost of goods sold during the period is determined. This is true, since the difference between the total cost of all goods owned and the cost of those yet owned represents the cost of the goods that have gone to the store's customers.<sup>2</sup> The usual accounting formula for this purpose is:

Opening inventory at cost plus purchases minus closing  
inventory at cost = cost of goods sold.

*The Formula Illustrated.*—Just how this formula is applied in actual retail accounting is shown by the earlier portion of the profit-and-loss statement of an Iowa pharmacist for the year 1940, reproduced in Fig. 73.

*Comments on the Use of the Formula.*—It is apparent that the part of the income-and-expense statement under study

<sup>1</sup> For a discussion of methods of taking a physical inventory see pp. 468-470 of this chapter.

<sup>2</sup> For strict accuracy it must be noted that breakages, shortages, and thefts are included in the cost of goods sold, even though such merchandise did not reach customers.

is somewhat more complex than is indicated by the simple formula stated above. This is true because it is necessary to consider certain minor but related amounts in order to arrive at the true cost of goods sold. Thus, to determine just what is

**HIGH STREET DRUG STORE**  
Statement of Income and Expense  
For the Year Ending, Dec. 31, 1940

Net sales		\$35,919.73
Merchandise inventory at first of year	\$ 9,474.07	
Merchandise bought (billed cost)	23,440.51	
In freight, express and cartage	422.20	
Gross costs of merchandise	33,336.78	
Cash discounts taken	529.56	
Net costs of merchandise	32,807.22	
Merchandise less inventory at end of year	8,926.87	
	<u>23,880.35</u>	
Cost of goods sold		<u>23,880.35</u>
Gross margin		\$12,039.38
	<b>Expenses</b>	
Salaries, proprietor, clerks		
Owner	\$2,400.00	
Clerks, etc.	3,998.50	6,398.50
Rent		1,200.00
Heat		436.70
Light		152.64
Insurance, except on buildings		236.30
Taxes, except on buildings, income, and profits		379.46
Interest on capital borrowed		312.00
Repairs		140.92
Advertising		409.35
Delivery		123.40
Depreciation		268.38
Bad debts charged off		114.15
Miscellaneous		225.30
Net profit		<u>\$ 1,642.28</u>

Fig. 73.

the true cost of purchased merchandise, it is necessary to add to the invoice cost the amounts paid for in freight, express, and cartage, since the merchandise is salable only when on the shelves of the store, and thus amounts paid for freight are just as true costs as are the larger totals incurred for securing

title to the goods. It is common to refer to the total opening inventory, purchases, and amounts paid out for freight as *gross costs*.

It is also important to note that there is a difference between gross costs and net costs. This difference is caused by cash discounts, which have been taken for prompt payment of invoices. Cash discounts should be thought of as bringing about a reduction in the invoice totals, since the exact amount paid for the goods is lower than the invoice by the amount of the cash discount taken. When this adjustment is made, the *net cost* figure is obtained.

If all the merchandise that was on the shelves during the period had been sold, the gross margin would obviously be the difference between the cost of the goods as thus determined and the amount received for them, *i.e.*, net sales made. But since in every drug store there is an inventory of unsold goods at all times, that fact must be considered in arriving at gross margin. It is logical to subtract from the gross cost of merchandise, the value of the closing inventory, for by so doing the cost value of the goods sold can be determined.

*Gross Margin.*—The next step is determination of the gross margin, *i.e.*, the total profit made by the purchase and sale of merchandise. This is secured by subtracting from the sales total, the cost of the goods sold. Thus, if an article that sold for 89 cents cost 63 cents, freight and cash discount being considered, the gross profit is obviously 26 cents. But this is *gross, not net, profit*.

*Gross vs. Net Profit.*—Net profit is less than gross profit by the amount of the expense involved in making the sales that yielded the gross profit. If it costs 23 cents to sell the 89-cent item that returned a gross margin or profit of 26 cents, it is apparent that the pharmacist made a net profit of 3 cents on the transaction. Although it is not expedient to determine the cost of selling each item handled by a pharmacist, it is feasible to ascertain total costs or expenses. In fact, this must be done if the pharmacist expects to live in peace with Federal income tax officers or if he hopes to secure credit from a bank or from wholesale druggists, since each is interested in and has a right

to know the end effect of operating the drug store, *i.e.*, the amount of profit remaining after all expenses have been paid.

Since total expenses are merely the sum of hundreds of small expenditures, the obvious procedure is to set up an accounting or record system that makes it simple and easy to record these costs of operation. Detail procedures are shown in the book above mentioned. We may, therefore, assume that such a plan or its equivalent is in operation by all forward-looking pharmacists. In fact, it may be successfully maintained that the small group of pharmacists who are so out of touch with the procedures of modern business as to refuse to maintain adequate records will not remain in business long enough to make their ideas of retail methods of any great importance, under the stress of modern competition.

Certain basic classifications of expenses must be made. Detailed recommendations are to be found in the book on accounting, which is a companion volume to this book. The general nature of such a classification is indicated in the lower section of the income-and-expense statement shown in Fig. 73.

*To Get Net Profit.*—Ascertainment of the exact amount of net profit is easily accomplished when both the gross profit and the expenses are known, for it is a simple procedure to follow the formula involved, which is

$$\text{Gross profit} - \text{expenses} = \text{net profit}$$

The form used in accounting statements is shown in the case under consideration, *viz.*, Fig. 73.

**THE BALANCE SHEET.**—The second principal accounting report or summary essential to the operation of a retail drug store is that known as the balance sheet, or statement of financial condition. This statement is important because it is a summary of the financial condition of the business. It states assets and liabilities and arranges them in a convenient and easily understood form and, by the process of subtraction, reveals the net worth of the business.

It is important to understand this simple form and, in preparing it, to follow accepted practice, since credit managers

of banks, wholesalers, or manufacturers are accustomed to look over many such statements. If an odd or incomplete form has been used, it is hard for them to note the relationships for which they always look, as for example, the relationship between current liabilities and assets. Moreover, they quickly assume that the person who prepared it lacks training in accepted, everyday business practices, and they naturally wonder how far this unfamiliarity with good business procedures extends. It is easy for them to assume, and they may not be far wrong in so doing, that the person who submitted the statement is not a competent merchant and, hence, at least the shadow of doubt is raised.

Figure 74 reproduces a balance sheet submitted to a wholesale druggist in connection with an application for credit. A careful study of its component elements is worth while, for if its parts are well understood and if the records are maintained, almost any pharmacist can easily prepare such a statement for his business. Unfortunately, too many pharmacists may find that they lack adequate records, which should reinforce certain parts of the statement. Certain merchants will find that they lack some records; others will find other data to be missing. Examples are, just what was paid for the soda fountain and how much depreciation has been taken on it in the past, or a proper basis for setting up a reserve for bad debts because losses in the past have not been properly recorded. Discussion of these matters will be found in the drug store accounting book referred to previously.

*Elements of the Statement.*—Further reference to the statement shown in Figure 74 shows that it is composed of two distinctly separate parts. One is the part known as “Assets”; the other is the section known as “Liabilities and Net Worth.” It will be noticed that in this statement its two parts are equal, *i.e.*, the assets and the liabilities and net worth are equal. This is true of all properly prepared balance sheets, since the net worth of any business is the difference between its assets and its liabilities. The net worth is thus determined by subtracting one from the other and using the difference, the net worth, as the balancing element.

**HIGH STREET DRUG STORE**  
**Statement of Financial Condition**  
**As at Dec. 31, 1940**

Assets

Current assets:

Cash on hand		\$ 96.35
Cash on deposit		617.20
Total cash		713.55
Accounts receivable	\$ 316.67	
Less allowance for doubtful accounts	16.67	
Net receivables		\$ 300.00
Merchandise inventory		\$3,362.31
Miscellaneous deposits		11.00
Prepaid expense		42.00
Total current assets		\$4,428.86

Equipment:

Store fixtures and equipment		\$5,610.00
Less reserve for depreciation		1,450.00
Book value of store fixtures and equipment		4,160.00
Delivery equipment	\$150.75	
Less reserve for depreciation	75.00	
Book value of delivery equipment		75.75
Total equipment		4,235.75
Total assets		\$8,664.61

Liabilities and net worth

Current liabilities:

Accounts payable—trade		\$ 851.72
Accounts payable—special		135.58
Notes payable—bank		500.00
Note payable—mortgage (payments due within one year)		900.00
Accrued expenses		18.74
Total current liabilities		\$2,406.04

Long-term liabilities

Note payable—mortgage		2,486.44
Total liabilities		\$4,892.48

Net worth

J. Handiman—capital account		3,772.13
Total liabilities and capital		\$8,664.61

Fig. 74.

*Important Ratios.*—It is obvious that one important element of the statement is the net worth, since the merchant is always interested in knowing just what his business is worth in terms of dollars and cents, and in annually comparing its net worth with that of the year before. Credit men are interested in it, since it represents the balance between assets and liabilities, and thus has a bearing on the probable ability of the merchant to discharge his obligations. They also look at the relation between cash and current liabilities, in order that they may see to what extent the applicant could discharge his immediate liabilities from his cash reserves. Of equal importance is the relationship known as the “current ratio.” It is secured by dividing current assets into current liabilities.<sup>1</sup> While it is often said that this ratio should be as 2 is to 1, this depends on such circumstances as the type of business, the season, and the state of the business cycle.

## The Value of Accounting Records

This chapter has thus far presented a short exposition of the concepts fundamental to the two principal accounting reports used in retail store management, *viz.*, the statement of profit and loss and the balance sheet. Although no attempt has been made to enter into a full discussion of the procedures involved in preparing these forms, something of their principal use has been indicated. It is now proposed to indicate other ways in which the pharmacist who seeks to control his business through the use of facts revealed by adequate accounting procedures may use such data for managerial purposes.

**PLANNING FOR THE FUTURE.**—A careful study of the results of the past year and of the details of the financial position of the business often indicates certain basic weaknesses or elements of danger, which should be corrected. A comparison of the relationship between unpaid bills for merchandise and total purchases may show that outstandings are too great.

<sup>1</sup> Current assets are usually defined as those that will be used up or converted into cash within a year. Cash, accounts receivable, inventories and notes receivable are common examples. Current liabilities are those that must be paid within a year. They include such items as bank loans, accounts payable, and accrued pay rolls, and other expenses.

Two methods of determining if this is true are available. One is comparison of the amounts earned by taking cash discounts with the total possibilities for making such earnings. Reference to Fig. 73 shows that the pharmacist whose operations are there revealed took discounts amounting to over 2 per cent of his purchases during the period. Obviously, he did not miss many opportunities to reduce his bills by taking discounts. An extremely interesting fact is revealed by comparison of his net profit and the amount earned by cash discounts, for in this case had no discounts been taken, the profit would have been reduced to \$307.87, or less than 1 per cent of sales—a very dangerous situation for any merchant.

The second method of testing policy on cash discounts is to note the relationship between unpaid bills for merchandise at the end of the year and the cost of all goods sold. If the discount policy of wholesalers in your section is based upon a net period of 30 days and if your unpaid bills are in excess of 30 days' purchases, you have not been following the wise policy of taking discounts offered to you. Since all pharmacists reporting to Dun & Bradstreet in 1939 earned but an average of 3.1 per cent of sales, the seriousness of omitting to take discounts of 2 per cent or more is at once apparent.<sup>1</sup>

If study of the merchant's accounting statements indicates that he is passing too many discounts, it is pertinent to ask why this is true. Is it because of an inadequate system of records, which does not call attention to the passing of the discount period on accounts payable, or is it because of inadequate financing? In either event, it is essential to make a correction in existing conditions, for unless this is done, it is unlikely that maximum profits may be earned, or in fact, that the store may continue to operate indefinitely.

Inadequate financing is also indicated in cases in which bank loans are almost always outstanding. This is an unfortunate situation, for such capital is relatively costly. Moreover, it is not a safe method of financing, since temporarily slow sales or legitimately reduced profits may make it impossi-

<sup>1</sup> 1940 Retailers Operating Cost Survey, Research and Statistical Division, Survey No. 42, Drug Stores, 1940, Dun & Bradstreet, New York City.



ble to pay off such loans when they become due. It is justifiable to borrow at the bank for extraordinary or seasonal expenditures, such as large Christmas stocks; but the bank should not be used as the source of capital, which should be secured from owner's investments. In this way a study of accounting reports will serve to indicate steps that should be taken to insure the future financial stability of the business.

**USEFUL COMPARISONS.**—Accounting records make it possible to institute useful comparisons of certain basic facts and ratios of the business with those that characterize similar successful business enterprises. Average ratios, such as the number of stock turns, the gross margin, the net profit, and the relation of the various expense classifications to sales, obtained from many stores, are very useful for the individual merchant, since he can use such ratios as a standard or norm for judging the efficiency of his business. The following chapter of this volume describes in greater detail how that may be done.

**DETAILED COMPARISONS.**—Pharmacists who departmentize their business have an opportunity for making additional comparisons that serve to guide future operations. One relates to the profitability of different departments of the business. If it is discovered that tobacco and candy show a low net when compared with the toiletries or sundries departments, it may be wise to reduce the emphasis on these goods by giving them less display space and to increase the sale of the more profitable goods by greater space and by more advertising and sales promotion by the salespeople.

One word of caution should be observed in this connection. It is that the determination of profit by departments cannot be more accurate than are the methods used in allocating general, overhead costs to the various departments. Thus, if one department is charged with too great a proportion of the time of general management, rent, or insurance, and another is undercharged, the latter department may show a very attractive profit ratio but one which, because it is misleading, is dangerous in its effect on managerial policies.

Another useful type of comparison relates to the work of the different salespeople in the store. If individual cash-

register keys are used, it is possible to make comparisons of the sales made by each salesperson. Often such results are revealing, for they frequently show relationships that had not been

CASH REPORT			
HIGH STREET PHARMACY			
No. <u>102</u>	Date <u>3/24 1941</u>		
Cash Balance in Store			100
<b>REGISTER READINGS</b>			
Soda <u>255</u> Customers	44	10	
Drug <u>200</u> Customers	80		
<b>Total Day's Receipts</b>	124	10	124 10
<b>Gross Cash</b>			224 10
<b>PAID OUT OF CASH</b>			
Ice Cream _____	22	50	
Groceries _____			
Laundry _____	1	50	
Clerk Hire _____	12	00	
Personal _____	4	00	
<b>Total Paid Out</b>	40		40
<b>Cash at Close of Day</b>			184 10
<b>Bank Deposits</b>			84 10
<b>Cash Bal. to be Carried</b>			100

Fig. 75. A useful daily-cash-report form for the druggist.

suspected. The quiet, unobtrusive type of clerk may have more actual sales than he has been given credit for in the mind of the owner, when only observation was used. But again, it must be emphasized that simple comparisons may be worse than none. If it is assumed that all clerks sell profitable and

unprofitable merchandise in the same proportion, a great injustice may be done to the clerk who realizes differences in profit yields and adjusts his sales effort accordingly. It is difficult to get reliable statistical or accounting records of these differences, but they should not be overlooked.

**RECORDS AND CREDITORS.**---It is almost an impossibility to conduct a drug store in the setting of modern business without adequate records. About the first thing for which a credit manager of a wholesale house or of a manufacturer asks is a balance sheet, in order that he may determine the essential current ratios and through them the health of the business. He is equally interested in a statement of profit and loss, for it shows from another approach the status of the individual business, since it indicates the degree to which the business is being operated at a profit. The balance sheet shows just what may be the likelihood of the merchant's paying his bills on the basis of the present relationship between assets and liabilities. But the statement of profit and loss indicates the direction in which the business is trending and thus indicates to the trained analyst the probability of current assets' being used for offsetting losses incurred in operating the business.

A further value of adequate records grows out of the fact that if they are promptly and carefully kept it is less likely that bills will not be paid when they become due. Careless record keeping often results in establishing the idea in the minds of creditors that the pharmacist is not a good businessman, or, even more, that his financial position must be bad since his bills are not being paid promptly. Perhaps all such conclusions may not be justified. But remember that credit men can judge only on the facts that come to them.

**RECORDS AND CUSTOMERS.**---Good records help the pharmacist who extends credit to maintain good relations with his customers, for if he is careful, his accounts receivable entries will be both complete and accurate. If they are inaccurate, customers may be billed for accounts already paid, thus generating ill will. Furthermore, carelessness often results in not making entries to customers' accounts when goods are sold to them on a credit basis.

Intelligent credit granting must be based, at least in part, upon the past record of the applicant. Unless a complete and accurate record is kept of credit previously extended to him, and of the time when the obligations were discharged, it is impossible to know whether or not he is a good credit risk. Thus again is the value of adequate and accurate accounting information emphasized.

**RECORDS AND THE GOVERNMENT.**—Taxes are levied and collected in accordance with certain facts relating to the individual business. Profits made, losses incurred, and the size of inventories are illustrative. Unless careful records are kept, the taxpayer cannot make a return to the government that is fair either to himself or to other taxpayers. This is not the place for a treatise on preparing tax returns, but it must be recognized that there is no substitute for a complete record of both gross and net profit or loss, valuation of inventories, and other similar basic data, when tax time comes. Some tax legislation specifically states that certain types of records shall be kept, and other laws provide that the merchant must keep information sufficient to enable him to make a correct return.

Social security taxes have thrown new obligations upon the merchant, for they have made it necessary for him to keep more adequate records of employment and more complete pay-roll data than was formerly customary in many drug stores.

**RECORDS AND INSURANCE.**—Pharmacists who have had the misfortune to incur a loss from fire have realized the importance of adequate records. In such a situation, insurance companies—especially when the loss is complete—base their settlements upon the stock or inventory records. Although they make other checks, such as testimony of wholesalers' salesmen and others who are in a position to know the probable value of the stock, the inventory sheets are the basis of the settlement. This fact alone is enough to justify accurate records of stock and of purchases and sales since the date of the inventory.

When use and occupancy insurance is carried, as suggested in Chap. 29, it is essential to be able to prove the records of

profits made in the past, for settlement is made on the basis of established loss. Accurate profit-and-loss statements are indispensable in such a settlement.

**RECORDS AND PROPERTY RIGHTS.**—The individual owner is sometimes inclined to think that, since the store is his and since he is responsible to no other owners, he need not maintain as accurate records of all transactions as do partnerships or corporations. The fallacy of this point of view is shown if it is realized that ownership is just as vital a concept, whether there is one proprietor or many. Bank loans, credit at wholesalers, and governmental relations are in large measure, as has been shown, based on the concept of ownership and on measurement of its extent. Moreover, when the time comes to sell the business or to take into partnership a son or a trusted employee, it is essential to be able to establish the equity existing in the business. The owner's equity is indicated by net worth. The amount shown on the balance sheet as net worth is the "book value" of the business, but this may or may not represent the true "going concern" value. If a record of earnings over the past years can be shown, one basis of evaluating the equity is established. The other is, of course, the valuation of the tangible assets of the business. This cannot well be done without adequate records of the original cost and the age of the soda fountain and other fixtures, and of the value of the stock on hand. When records are kept in proper manner, proprietorship rights may be established. Without such records it is difficult or impossible to establish one's rights.

**LOSSES FROM INADEQUATE RECORDS.**—Another aspect of the importance of records is revealed when thought is given to the losses that accompany poor or incomplete records. One is loss of discounts to which the merchant is entitled. Another is investment in slowly turning merchandise and failure to take markdowns as soon as they are necessary, both because the fact of slow sale or nonsale had not been shown by records. Excessive investment in such stock ties up capital that might otherwise have been profitably employed in carrying stock having greater salability.

Payment of taxes greater than are justified results from improper records, which do not reveal the true facts. If inventory is overvalued because of failure to take markdowns or because of improper accounting or item valuation, the cost of goods sold is lower than it should be in relation to the sales that should have been attained. Apparent gross profit is increased and the statement of net profit, which is the basis for many tax calculations, is greater than it should be. Moreover, such mistakes often become cumulative and are repeated from year to year. Failure to recognize the fact that depreciation of tangible assets is a legitimate and existing cost is a common example. If too long delayed, a depreciation policy once inaugurated may require much explanation to taxing authorities when an attempt is made to recognize losses that have, in fact, occurred each year in the life of the asset.

A number of other small but, together, important losses often accompany inadequate records. One is payment of over-large insurance premiums on stock because the true value of the inventory is not reflected in the amount of protection purchased. Still another is the failure to detect dishonesty on the part of employees because of inadequate record keeping. Illustrative is the case of the employee who, cooperating with a driver for an ice-cream distributor, signed delivery receipts for merchandise not actually received. Carelessness in the supervision of employees' use of cash registers often throws temptation in their path.

### How to Take Inventory<sup>1</sup>

It is not difficult to take an inventory of the merchandise stock of a drug store, even if the proprietor has to do all the work of inventory taking himself. Pads of ruled inventory sheets are obtainable at nominal cost in stationery stores. They have space for entry of the name of the item, the quantity on hand, the cost per dozen or other buying unit, and the value at cost of the quantity of the item that is on hand.

<sup>1</sup> Adapted from *A Lilly Digest of the 1939 Statements of 611 Retail Drug Stores*, Eli Lilly and Company, Indianapolis, 1940.

The secret of easy and successful inventory taking is systematic planning. Start with one section of the stock. This may be a floor case, a section of the wall shelving, or storage space in the cellar. Identify it with a tag, a gummed sticker, or a tiny square of adhesive tape. As a first step, number the sheet and also the shelf, section, or case. Write on the inventory sheet the names of all the items in the section being inventoried. Drug store stocks are for the most part made up of standard merchandise. This listing can be made quickly and at any time. It is best, of course, to list stock as near to inventory time as possible. When that time is actually at hand, use the sheets properly keyed to shelves, cases, drawers, and cabinets, and list the quantity of each item that is found on hand, plus any new products placed in stock between the time of listing names and filling in quantities.

Enter quantities in the same units in which they are usually billed to the store—dozens and fractions of dozens, tens, pints, pounds, etc. Do not enter more than one item on a line on the inventory sheets, and use a separate line for each size, color, or other variety of the same item. There should be a new inventory sheet properly numbered for each section of the stock. If two people are available to take the inventory, one can count and the other write the results of the count. If it is the practice in the store to mark the cost price in code on each item that is in stock, this cost price should be entered on the inventory sheet at the time the stock is counted. This is a big help.

Most drug store proprietors find it possible to count their entire stocks over a single week end. In the prescription department, with the possible exception of costly preparations, most pharmacists find it highly satisfactory to make estimates on liquids, pills, tablets, filled capsules, etc. Even with the interruptions that necessarily occur when a pharmacist is alone in his store, a complete count of the stock can be made within a week.

The next step after counting the stock is pricing and extension. For a large proportion of the items in stock in a drug store, the proprietor and his employees know the cost price

from memory. Price books published by drug journals provide the necessary information on costs of other items.<sup>1</sup> For a few sundry items the proprietor may have to refer to his purchase invoices. In some sections of the country employees in wholesale drug houses make a fixed charge for pricing inventories and extending. The work is done after hours.

A very important factor in pricing the inventory is that of making proper allowances for depreciation and obsolescence of the merchandise. Sound accounting practice demands that inventories be adequately devalued for age. The accepted practice appears to be that of writing down fifty per cent the value of merchandise which is more than one year old but less than two years old. Items that have been in the drug store two or more years should be written off one hundred per cent.

After pricing and extension have been completed, the proprietor knows the cost value of each item on hand in his store. Remaining to be determined is the total value of all the stock. This is just a matter of addition. The mechanical work of addition is simplified if each inventory page is numbered and totaled separately and then totals are made for each of the principal divisions of the store stock. These latter totals then can be combined to make the grand total for the merchandise stock. Pricing and extension are spare-time work that can be spread over odd hours in 2 or 3 weeks. If practical, it can be done best when the store is closed or when the proprietor is in some place where he is not likely to be interrupted.

<sup>1</sup> Price books do not usually show discounts. When this is true the person evaluating the inventory must take discounts into consideration.



# Using Outside Helps to Guide the Business

## CHAPTER 26

**T**HE MODERN drug store is such a complex business institution that operation without reference to certain guides or standards is a very hazardous occupation. Just as the mechanic uses gauges to determine the degree to which his work conforms to a preestablished standard, the modern pharmacist is able to compare his operating results with those obtained by successful pharmacists as a class and by this process determine to what degree he is attaining the same results. Just as the mechanic is able to tell how much adjustment must be made to bring his work to the norm, the pharmacist can learn by this process how much his expenses must be decreased, his markup increased or his turnover speeded, if he is to be assured of a profit from year to year.

**SOURCE OF STANDARDS.**—Standards of operation in retailing come from sources outside the business. Many trade associations collect and disseminate the experience of merchants belonging to the association. The Bureau of the Census releases, through the publications of the Census of Business, much information of value. The pharmacist must at this time look primarily to two principal sources for operating data, both of which are only indirectly connected with drug retailing.

One major study of operating ratios for this industry is released from time to time by Dun & Bradstreet of New York

City. Another is made available each year by Eli Lilly and Company of Indianapolis. Although not strictly comparable, these two studies do touch on certain ratios common to both studies and are therefore of especial value, since they bring to bear the information of two trained research organizations each of which is in a particularly good position to secure the cooperation of representative pharmacists throughout the country. As yet the Bureau of the Census has not made comparable information available. That it may at some time do so is to be hoped.

For that reason the major portion of this chapter is devoted to an analysis of the data and comparisons available in these two studies, each of which is representative, because in each case approximately 600 drug stores in all sections of the country and in cities of every sized group of importance were included. Moreover the stores vary in size of operation from the smallest one-man type to the major individual units in metropolitan locations. Both cover data for 1939 operations, although the Dun & Bradstreet survey makes comparison with 1936 data.<sup>1</sup>

### Basic Ratios

Although many comparisons and analyses of special phases of retail drug store operation are of interest, there are certain basic relationships that furnish the primary guides to efficient operation. In accordance with established retail accounting practice, the base used for all percentages and comparisons is *net sales*, this being considered as 100 per cent for the ratios below presented.

**COST OF GOODS SOLD.**—The cost of goods sold is important information, for unless it bears a satisfactory relationship to expenses there cannot be a profit. This fact is clearly shown by the Dun & Bradstreet study, for it classifies stores on the basis of whether or not they made a net profit. In all stores the cost

<sup>1</sup> The two studies are 1940, Retailers Operating Cost, Survey 42. Drug Stores, Dun & Bradstreet, New York City, and A Lilly Digest of the 1939 Statements of 611 Retail Drug Stores, Eli Lilly and Company, Indianapolis, Ind. Both studies are used with permission of the publishers.

of goods sold in 1939 was 69.5 per cent, while in those that made a profit it was only 68.2 per cent, or 1.3 per cent less. But the stores that operated at a loss paid as much as 71.3 per cent of their net sales for the goods sold. These stores, had their expenses and selling prices been equal to those operating at a profit, would have been under a handicap of paying 3.1 per cent more for their merchandise, a ratio which exceeds the net profit of all stores covered by the survey, for it was but 2.4 per cent. In other words, the handicap under which the unprofitable stores worked because of having paid too much for their goods is tremendously significant when compared with probable or possible net profits in the drug business. A pharmacist must not be careless in his buying practices or in calculation of his markup, for if he is, even a slight slip will perhaps make it impossible for him to make any net profit at all on his operations.

**EXPENSE RATIOS.**—The next vital ratio to be considered when the pharmacist analyzes his annual business is the relationship between expenses and net sales. If his business is typical, at this point 28 cents of each dollar which has gone over his register will have gone to pay his expenses, for the survey mentioned found this to be true. The variation between profitable and unprofitable stores is equally important for the difference in expense was found to be from 26.7 per cent to 31.7 per cent. This means that, of every dollar taken in by the stores running at a loss, just one more nickel was perforce taken out of the register and paid for expenses than in the profit-making enterprises. It is not surprising to learn that many of these stores are closing their doors every year. It will be remembered that this group of inefficient stores, as shown above, received but 28.7 per cent of each dollar of sales out of which to pay expenses and make a net profit, for their cost of goods sold was 71.3 per cent. Thus they had 28.7 cents out of which to pay expenses of 31.7 cents. This cannot be done; hence, the net loss of 3 per cent which characterized these stores as a group.

The contrast with the profitable stores is striking. The efficient stores marked up their goods 31.8 per cent and had

expenses of only 26.7 per cent of net sales. Thus they had for net profit 5.1 per cent of each dollar taken in, a truly satisfactory situation. The 587 stores in both groups averaged a net profit of 2.4 per cent in 1939 and 3 per cent in 1936. It is believed, however, that the individual pharmacist will find that the markup and expense ratios of the unprofitable and of the profitable groups are much more significant to him than are those relating to the entire group of stores.<sup>1</sup>

**EXPENSES BY GROUPS.**—Although neither of these surveys goes into great detail in presenting standard expense ratios, they do give certain details as to the principal expense groups.

**Salaries.**—It is, for example, interesting to ask what should be the relationship between the salaries paid to owners and the sales made in these stores. Each of the surveys presents data on this point. Dun & Bradstreet show that it should vary from about 9 per cent to about 10 per cent of sales. The Lilly survey studied this ratio in stores with different sales volume and disclosed interesting relationships. If we look, for example, at the stores with the smallest sales, we discover that this ratio is from 18 to 19 per cent. This is true because these stores sold under \$10,000 per year and thus, when the owner drew the amount to which he believed himself to be entitled as a professional man—about \$45 a week—in these stores the resulting sales ratio was very high. But do not be too hasty in reaching a conclusion that small stores are badly handicapped. The next figure coming to attention is that of the amount paid to other employees, and it shows up as only 1 or 2 per cent. Thus the salary ratio for these smaller stores is about 18 to 20 per cent of sales.

This should be compared with a similar ratio for stores of \$20,000 to \$30,000—the more normal and perhaps more profitable type of drug operation. In this type of store, the proprietor's salary should be about 7 per cent of sales, while from 7 to 9 per cent is being paid to other employees. Accord-

<sup>1</sup> His own ratios are, of course, of primary importance to any pharmacist. Study will often reveal that too much business is being done in relatively unprofitable merchandise, such as tobacco, and relatively less in the lines that carry a more adequate net profit.

ing to the Lilly survey, the total, 15 or 16 per cent, is almost the same as in the largest stores reporting.

The normal drug store with a proprietor and one or two full-time employees should therefore find that its salary budget will run from 15 to perhaps 17 per cent of sales, with 16 per cent as a very common figure. If in an individual store the relationship is otherwise, *i.e.*, more is being paid for salaries, the proprietor should give careful attention to the problem indicated by that fact, for it is a very real problem. Under the stress of modern competition, a store that pays too much for salaries cannot hope to continue long unless there are offsetting economies in some other phase of its operations. It may be discovered that the owner is taking a greater allowance than is justified by the health of his store. In other cases clerks may be paid too much; they are perhaps of better type than the possible business of the store will justify, or they are not worth the amount that is paid to them. Sometimes the problem is easy; there is too much help. Then the obvious answer is to reduce the total expenditure by employing some persons on a part-time basis, even though such a plan does involve many problems.<sup>1</sup>

*Occupancy Expense.*—One of the principal expense groupings, commonly known as *occupancy expense*, includes amounts spent for rent, heat, light, janitor service, and, in the very large stores, night watchmen. The Dun & Bradstreet study shows that 82 per cent of the stores reporting rented their buildings. Pharmacists who own their buildings have approximately the same expenses as do the renters and should always remember that, even though they own the buildings, a fair rent should be charged as one of the natural expenses of the business. It is interesting to note that there appears to be no connection between profitability of store operations and an ownership or rental policy, since 82 per cent of each group were renters. Normal experience indicates that occupancy should not exceed 5 per cent and that many good stores, according to the Dun & Bradstreet report, pay only as little as 4 per cent or even less for this factor of expense.

<sup>1</sup> For census data on pay rolls see Tables 26 and 27, Appendix C.

The Eli Lilly survey throws more light on the experience of pharmacists in this respect, for it shows that in towns of less than 5,000 persons the rent item should be about 1 per cent less than in larger places; because pharmacists so located find that 2 per cent of sales will suffice to pay the rent, regardless of the volume of sales. In larger places it is 3 per cent for most groups of stores.

This study shows that light bills can be expected to total about 1.3 per cent of sales, with the smaller volume units encountering a ratio of as high as 1.6 per cent of sales. The cost of heat varies, of course, with the section of the country involved and hence the experience of 0.2 to 0.6 per cent of sales shown in this report is not a sure indicator for an individual pharmacist.

By way of summary it may therefore be indicated that the pharmacist who finds that his rent, light, and heat are totaling much more than 4 per cent of sales should ask the definite question, "Is my location so valuable to me and so essential a part of my business-getting technique as to make it wise to pay the larger sums for it?" He should always think of the relations of all expense items to his hoped-for net profit of 5 per cent of sales, and remember that if too much is being paid for occupancy his net profit must suffer.

There is not always an easy answer to the problem of excessive-occupancy expenditures. Long-time leases are often a hindrance as well as a form of asset. Sometimes—not always—the landlord will make a downward adjustment rather than lose a good renter. More often he is willing to do this rather than to drive the renter to bankruptcy. Proper use of lighting equipment will often help to reduce the considerable expenditures for this service.<sup>1</sup> The first step in adjusting expenditures for occupancy, as for other costs, is to recognize that those of the individual store are out of line with what is normal for the industry.

*Advertising.*—It is not easy to make a recommendation as to what should be spent for *sales promotion* of all kinds or even to report the experience of others. Often a good location is a

<sup>1</sup> See Chap. 5 for a helpful discussion of the proper use of light.

form of sales promotion and should perhaps be so viewed, with the charges adjusted accordingly. Other pharmacists use cut prices as a substitute for advertising, for they feel that this is the best way to attract trade. Fair trade price laws and a recognition that such trade is only temporarily gained have combined to stress the value of real advertising to the pharmacist.

Table 23.--Typical Operating and Merchandising Ratios, 1939\*

	All concerns 1936	All concerns 1939	Profit- able concerns 1939	Unprofit- able concerns 1939	Range of usual profitable ex- perience, 1939		My store 1940†
					Lower limit	Upper limit	
<i>Profit-and-loss statement (in percentages of net sales):</i>							
1. Net sales . . . . .	100 0	100 0	100 0	100 0			
2. Cost of goods sold . . . . .	68 5	69 5	68 2	71 3			
3. Total expense . . . . .	28 5	28 1	26 7	31 7	22 8	29 9	
<i>a.</i> Salaries, owners, and officers . . . . .	9 6	9 6	9 4	10 6	6 9	12 0	
<i>b.</i> Wages, all other employees . . . . .	7 4	7 8	7 4	8 9	4 5	9 9	
<i>c.</i> Occupancy expense . . . . .	3 3	4 8	4 6	5 2	2 9	6 0	
(Per cent of concerns renting) . . . . .		(82 0)	(82 0)	(82 0)			
<i>d.</i> Advertising . . . . .	0 7	0 9	0 9	0 8	0 4	1 3	
<i>e.</i> Bad-debt losses . . . . .	0 4	0 3	0 3	0 5	0 2	0 6	
<i>f.</i> All other expenses . . . . .	7 1	4 7	4 1	5 7	2 0	5 8	
4. Profit or loss: (L) Loss . . . . .	3 0	2 4	5 1	3 0(L)	2 0	8 7	
<i>Merchandising ratios:</i>							
5. Gross margin (percentages of sales) . . . . .	31 5	30 5	31 8	28 7	28 3	35 2	
6. Realized, markup (percentage of cost) . . . . .	46 0	43 9	46 7	50 3	39 5	54 4	
7. Inventory turnover (times per year) . . . . .	3 0	3 1	3 2	2 7	2 2	4 5	

\* Adapted from research studies above quoted.

† It is suggested that the pharmacist use this column for similar percentages for his store each year.

The research department of Dun & Bradstreet discovered in their survey of retail drug advertising costs in 1939 that the most common expenditure was just under 1 per cent of sales, successful stores using 0.9 per cent, and those that did not make a profit used only 0.8 per cent of sales for this purpose. The range in profitable stores was from 0.4 to 1.3 per cent. The Lilly results were in general agreement, except that they found many apparently successful pharmacists using but 0.5 per cent of their sales for this purpose. There seems to be

little correlation between the sales volume or the size of the city and the percentages of sales spent for advertising.

Table 24.—Usual Costs in 158 Drug Stores with Sales Volume \$20,000 to \$30,000 for the Year 1939  
(Figures are per cent of net sales)

<i>Expense Items</i>	<i>Cities under 5,000 population</i>	<i>Cities 5,000 to 25,000 population</i>	<i>Cities 25,000 to 100,000 population</i>	<i>Cities over 100,000 population</i>
<b>Salaries:</b>				
Proprietor.....	9	9	8	10
Employees.....	7	9	8	5
Rent.....	2	3	3	4
<b>Other expenses:</b>				
Heat.....	0.3	0.3	0.3	0.3
Light.....	1.4	1.4	1.4	1.5
Insurance.....	0.5	0.4	0.4	0.5
Taxes.....	1.1	0.8	0.8	0.8
Interest.....	0.4	0.4	0.3	0.3
Repairs.....	0.3	0.3	0.3	0.3
Advertising.....	1.0	1.0	1.0	0.4
Delivery.....	0.3	0.5	0.6	0.7
Depreciation.....	1.0	1.0	1.0	1.4
Bad debts.....	0.4	0.3	0.3	0.2
Telephone.....	0.3	0.3	0.3	0.3
Miscellaneous.....	1.0	1.3	1.3	1.3
Cost of merchandise sold.....	67.0	65.0	67.0	70.0
Turnover of merchandise stock (times a year).....	2.5	3.0	4.0	4.5
Average merchandise investment at cost.....	\$6,500	\$6,000	\$4,500	\$4,000

Source: A Lilly Digest of the 1939 Statements of 611 Retail Drug Stores, p. 24, Eli Lilly and Company, Indianapolis, Ind.

Some pharmacists spend too little, while others spend too much for advertising. The results obtained do not perhaps depend so much on the size of the expenditure as upon the efficiency of the advertising plan and its execution. Yet some promotions cannot be made at all unless expenditures that constitute a considerable percentage of sales are available. The task of the pharmacist is to decide what advertising should be done and then to try to estimate its effect upon



sales volume. If it increases sales in a material manner and other expenditures remain at the same level, the general effect may be to reduce greatly the percentage of sales that must be assigned to meet other costs.

*Other Expenses.*—There are many other costs of operating a drug store which, together, generally constitute from 4 to 6 per cent of sales. Bad-debts loss is one, for it often runs upward of 0.5 per cent of sales and even the pharmacists who made a profit in 1939 incurred an average loss of 0.3 per cent for bad debts.

A normal expenditure for insurance is about 0.5 per cent of sales. Taxes may be from 0.8 to 1 per cent, or even a little more. If delivery is adopted as a sales policy, the pharmacist must plan to spend from 0.3 to 0.5 per cent of his receipts for this purpose. The telephone should cost about the same. Other and miscellaneous expenditures constitute the remainder of the amount indicated as remaining.

**NET PROFITS.**—The two surveys that are being drawn upon furnish interesting and significant information as to the profit-making possibilities of the retail drug business, at least as indicated by the pooled experience of the 1,200 pharmacists reporting. Although it is doubtless true that if the facts were known there are many pharmacists who make as much as 10 per cent of their sales or even more as a net profit, the average typical pharmacist must be satisfied with a return of 5.1 per cent of sales if he is included in the group studied by Dun & Bradstreet in which every pharmacist made a profit, or an average loss of 3 per cent if he is included in the group of stores every one of which made a loss. When all of the 587 stores were grouped together, the average profit figure was 2.4 per cent of sales. The Lilly study seems to indicate about the same net percentages, although for some of their classifications the net profit for the few stores covered is apparently even more than 10 per cent. But it is not asserted by this company that their sample is large enough to make their results for any one classification a reliable guide. On this account they do not stress the net-profit aspects of their study.

**TURNOVER.**—The significance of a rapid stock turn and certain ways in which it may be promoted are discussed in Chap. 8. Although at that point certain ratios are presented, it is worth while to examine the results of the two research studies under consideration to see what light they throw on the facts of turnover in retail drug stores.

The Dun & Bradstreet survey reports that all of the stores secured an average turn of 3.1 times per year, and that the profitable group of stores found that their stock turned only 3.2 times. The significance of a good turn is, however, better shown when it is discovered that the group of stores every one of which incurred a loss in 1939 had an average turn of but 2.7 times. For the profitable stores the typical upper limit of turns was 4.5 times, while one or more of these stores secured but 2.2 turns in the year mentioned.

The Lilly report includes certain interesting side lights on the fact of stock turn. One of the most significant is the advantage enjoyed by pharmacists in the larger cities, many of whom secured turns of 5 and 6 times, while those in the smaller places, regardless of their sales volume, enjoyed turns of only 2 and 3 times. This difference is perhaps due to the ease of reordering and the quickness of delivery, the latter fact making it safe to carry smaller stocks in the larger cities than is possible in the smaller places. There does not seem to be a close correlation between the sales of the store and the number of turns secured.

### Departmentization

It is not enough to speak about the store expenses and profits as a whole. It is necessary to get more detailed information about the specific portions or departments of the store. The pharmacist who really understands thoroughly the operation of his store knows how much it costs him to operate each of his departments, what the gross profit was, and how much net profit he actually made. For example, progressive pharmacist Jones knows that his fountain shows a gross margin of 50 per cent and that his expenses for that department were 36 per cent. He knows that his tobacco counter grossed only

18 per cent and the expenses charged to that department were 22 per cent. He has similar information about the remainder of his store. As a result, he can put his finger on weak spots in his store operation and take measures to correct such situations.

Many pharmacists speak of departmentization, and to many of them it means merely keeping track of the sales volume of certain classes of merchandise, usually by means of cash-register keys. However, departmentization is much more than that. It is the classification of goods within a store and the treatment of each class as if it were a separate shop or, at least, a separate department, within the store. It means allocating store expenses to various groups of merchandise as well as keeping track of the volume of sales for each group. Under thorough departmentization each department is assigned a particular location within the store, and separate statistics and records are kept for each class of goods, showing sales, purchases, stocks, markups, and percentages to sales. From the foregoing, the gross profits for the individual departments may be computed whenever desired. Some stores even attempt to allocate to each such department a fair share of direct costs or expenses, chargeable to departmental operation, such as for salaries and wages, advertising, and supplies. Still others even attempt to allocate to those departments<sup>1</sup> overhead expenses, including rent, taxes, insurance, and administrative expenses.

**VALUE OF DEPARTMENTIZATION.**—As we have seen, departmentization makes it possible to compute the gross profits on merchandise sales for each individual department. Although gross-profit information is not ordinarily enough upon which to judge finally whether a certain department has made any net profit, it is at least an index or guide as to which departments and which classes of goods are money makers, and which of them are money losers. When carried out physi-

<sup>1</sup>The problem of expense allocation is too complicated to discuss in detail in the book at hand. However, it is discussed at length in the companion book "Drug Store Accounting," by Heckert and Dickerson, McGraw-Hill Book Company, Inc., New York.

cally as well as in records, departmentization makes it possible to promote sales more effectively. Further, it makes it easier for the pharmacist to concentrate his merchandising efforts on those departments that are likely to yield the best profits. Departmentization occasionally shows that certain lines of merchandise are hopeless as profit makers and, therefore, that they should be eliminated. Departmentization aids in the maintenance of cleaner and better assorted stocks. All these advantages should combine to help the pharmacist better his sales, increase his turnover, reduce his markdowns, and expand his net profit.

If the store is large enough, departmentization may make it possible for the pharmacist to place responsibility for the results of each department upon some given individual. This person can then use his best efforts to run the department efficiently, keeping stocks in good condition, preventing wastes, and seeing that each item gets its proper opportunity for customer inspection and sale.

**HOW SHOULD THE DRUG STORE BE DEPARTMENTIZED?—**Recognizing that departmentization is a vital part of successful drug store management, many pharmacists ask “How should I departmentize my store?” The answer will depend on the size of the store, the use that will be made of the department records, and the kind of accounting assistance that is available.

Small drug stores should have a minimum of four departments—prescriptions, candy and tobacco, soda fountain, and all other merchandise. As further departmentization is desired, candy can be separated from tobacco, making five groups of products. Larger drug stores frequently break the departments into some such grouping as the following:

1. Prescriptions
2. Proprietary medicine, sickroom supplies, etc.
3. Toiletries and cosmetics
4. General merchandise (sundries)
5. Candy
6. Tobacco
7. Periodicals
8. Fountain

**ANALYSIS OF DEPARTMENTAL OPERATIONS.**—If the records of a department appear to indicate that the operations of that department are not entirely satisfactory, an analysis should be made to spot the points of weakness. The first thing to be studied would be the sales records. Comparison should be made between sales in the particular department and the sale trend of the store as a whole, similar departments in other drug stores, and past sales.

Frequently an inspection of the department will reveal the reason for poor sales. Is the department attractive, is it properly located, is the lighting adequate, is the equipment up to date and in good repair, and is the merchandise well displayed?

In some cases a study of the stock and the inventory will reveal the key to the unsatisfactory situation. An inventory age analysis may be worth while. Are there too many slow-moving items and lines, are the prices out of line with those charged by competitors, or are there stock leaks?

When the weaknesses have been discovered, steps should be taken immediately to set the department in order, so that merchandising efficiency may be reestablished.

## The Break-even Point

A very helpful guide for the pharmacist in understanding the relationship between sales and expenses is a break-even chart—a device that enables him to visualize the effects of specific increases or decreases in sales volume on his costs and his net profit or loss. The break-even chart is particularly good for showing the effect of enhanced merchandising efficiency on profits.

A very simple break-even chart for a drug store doing an annual volume of about \$24,000 is shown in Fig. 76. The store in this case was realizing a gross profit of 30 per cent on its sales. The expenses, including a salary allowance for the owner, totaled approximately \$7,500.

An inspection of this chart shows that the store will lose money unless the annual sales volume reaches \$25,000. When the sales volume exceeds this figure, the store can operate at a

profit, the amount of the profit depending on how much the sales volume exceeds the break-even point. It is noteworthy, however, that the net profit increases at a much more rapid rate than does the sales volume. An increase of less than 4 per cent in sales volume (from \$26,000 to \$27,000) results in a 100 per cent increase in net profit (from \$250 to \$500). As sales expand, additional help will be needed and other costs,

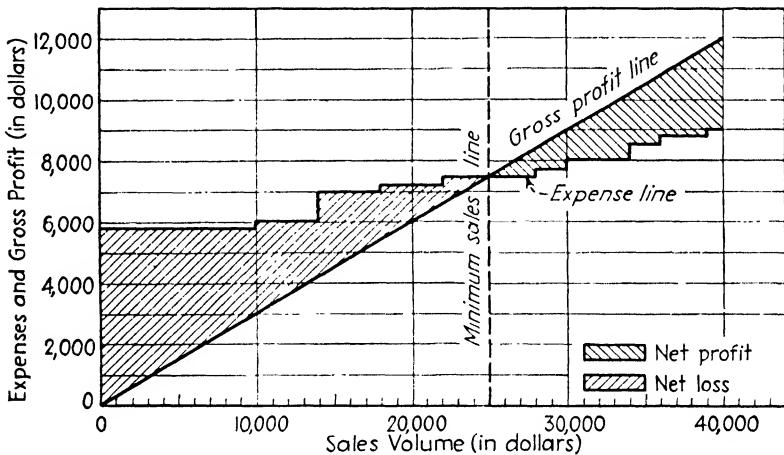


Fig. 76. A break-even chart for a typical individually-owned drug store. (Note: All figures are on an annual basis.)

such as advertising, delivery expense, and supplies may increase. Some of these increases in cost are reflected in the expense estimates appearing on the chart. The amount thereof will not be comparable with the increases in gross profit resulting from the greater volume of sales. Consequently, the net profit is appreciably greater for a sales volume of \$35,000 to \$40,000 a year.

Charts of this sort can be prepared for any given business unit.<sup>1</sup> They serve to illustrate in a very striking manner the increased net profit that accompanies additional sales volume.

#### <sup>1</sup> HOW YOU CAN PREPARE YOUR OWN BREAK-EVEN CHART\*

1. Determine your total costs of doing business for the average month.
2. Determine your average gross profit on sales.
3. Divide your costs of doing business by the per cent of gross profit that will

## Other Operating Research Reports

The Dun & Bradstreet study of results of operating 587 drug stores in all parts of the United States in 1939 throws further light on many aspects of retail drug store management. Some of the more significant follow.

**CREDIT POLICY.**—Some pharmacists believe that no credit should ever be extended. Others maintain that the function of credit is no less vital in retailing drugs than in the sale of groceries or any other quickly consumed products. Still others assert that credit should be extended only in the case of

determine the total net sales for a month that are required in order that you may break even.

4. Prepare a chart similar to one shown in Fig. 76 and draw a vertical broken line intersecting the heavy line (total gross profit), and designate such line as your minimum sales line.
5. Calculate what your net profit would be if you increased your sales, first by \$100 and then \$200, then \$300, then \$400, drawing a line to represent each sales increase; then spot the line intersecting the sales line and the profit line, and draw your profit curve to show the profit trend.

**NOTE:** In preparing your estimated sales increases, do not increase beyond a point that would require you to increase your present expenses.

	<i>The old way</i>	<i>The new way</i>
Store volume, monthly . . . . .	\$2,050 00	
Cost of goods sold—70% . . . . .	1,400 00	
Gross profit—30% . . . . .	\$ 600.00	
Operating costs—28% . . . . .	560.00	
Net profit—2% . . . . .	\$ 40 00	

Through impulse buying and suggestion selling, this same store owner induces his customers to buy— from his related item displays, 10 per cent more than they would buy without suggestion— and with no greater increase in overhead or operating cost.

Store volume monthly . . . . .	\$2,200 00
Cost of goods sold—70% . . . . .	\$1,540 00
Gross profit—30% . . . . .	\$ 660 00
Operating costs . . . . .	560.00
Net profit—4.5% . . . . .	\$ 100.00

**NOTE:** You may call it, merchandising by addition plus sales, suggestion selling, related item display, or impulse buying, but the net result in drug store language is profits more than doubled by increasing the sales 10 per cent.

\* Adapted from National Wholesale Druggists' Association Year Book, 1940, p. 94.

telephone orders delivered by the merchant's representative, and then only because it is a convenience to both the merchant and the customer to enter a book charge. There is no single answer to this question, nor can or should the respective points of view be reconciled; but a general policy for each store should be adopted. Doubtless for the pharmacist in a metropolitan industrial residential area the policy may be quite different from the one adopted by the merchant who sells to persons of greater and more firmly established income. Pharmacists in the rural area may have a different policy and one that often varies with the frequency of the income of their customers.

The Dun & Bradstreet survey divides the stores covered into two groups (1) those that made 90 per cent or more of their sales for cash, and (2) those that made from 20 to 50 per cent of their sales on a charge account, *i.e.*, open book account, basis. There were 307 stores in the former group and 143 in the latter.<sup>1</sup> It is perhaps in line with what might be expected when we discover that, while the typical or median store in the cash group did a business of \$19,900, the typical credit drug store sold \$24,600 in merchandise in 1939. But it cannot be claimed that the extra amount, \$4,700, was the result of selling on a charge account basis. Too many other factors were not the same. Caution must be exercised when survey reports are examined, for comparisons mean nothing unless other conditions are the same.

No sound conclusions may be drawn from the available data. Both groups, those selling for cash and those offering credit, made about the same net, 2.2 per cent for the former and 2.4 per cent for the latter. Just about two-thirds of each group made a profit. The average loss was a bit more in the group of unprofitable stores that sold on open account. The cash stores, *i.e.*, those selling 90 per cent or more on that basis incurred a bad-debt loss of 0.2 per cent, thus indicating that when credit is extended it seems to be carelessly granted by merchants who refuse to offer it as a regular policy. The fact

<sup>1</sup> Data on credit were not obtained from all of the 587 stores covered by the survey.



of an average loss of 1.2 per cent by the group of charge account stores operating at a loss perhaps indicates that their general inefficiency was extended to their credit-granting operations.

**EFFECT OF SODA FOUNTAINS.**—The research study touches upon the relation of soda fountains to profitability of operations of the stores as a whole, but not upon the fact of profit or loss in the fountain itself. If any conclusion may be drawn, it is that the stores having fountains, as a group, made slightly more net profit than did the stores without fountains. The percentage of profit-making stores was not affected to any significant degree by the presence or absence of fountains.

**EFFECT OF SIZE OF CONCERN AND SIZE OF TOWN.**—The study made by Dun & Bradstreet includes certain very interesting tabulations designed to test whether or not there are any general statements that can be made as to the effect of either the size of the concern or the size of the city on net profit or upon other principal operating ratios. When these results are carefully analyzed, only a few significant observations appear. Gross margin seems to increase as the volume increases in the smaller towns, but in the larger cities the smaller stores appear to secure a greater margin than do those with larger sales. Almost without exception in large towns and the smaller places, expense ratios go down as sales volume goes up, a very natural situation, for although there are perhaps several optimum points in sales volume, it might be expected that increased volume could be handled with relatively less cost. Occupancy expense is reduced as the volume sold increases. It is impossible to find any correlation between profit and loss and the size of the city or the sales volume of the store.

**USING COMPARISON DATA.**—Although tabulation of data like those shown in this chapter is of interest, and alert merchants may always profit from reading interpretations of the results, it is not enough to stop at that point and say, "From now on my drug store will benefit from the research studies that reflect the experience of many merchants." Rather, it is essential to study each individual item and to

compare it with similar results for your store. If any single item of expense, measured percentagewise, is apparently out of line with good practice, study should be given to discover just why it is out of line and what may be done to reduce it to an amount comparable with the experience of other merchants.

It is not asserted that every pharmacist can or should adjust each expense item, his gross margin, or his turnover rate to exact standards set by the industry. But it is felt that when any one of the individual items herein measured is out of line, that fact should act as an alarm and be the reason for careful study of internal operating statistics from your store. Obviously, this cannot be done without careful and adequate records. The preceding chapter indicated the importance of such records from the control aspect. This chapter goes still further in suggesting that the problems of current competition in drug retailing are so many and so intense as to make the keeping of records and the use of them for control purposes an indispensable fundamental of smart merchandising.

# Legal Principles for the Pharmacist

## CHAPTER 27

THE EVERYDAY operation of a drug store is conditioned by the rules and principles of business law.<sup>1</sup> To avoid unfortunate legal complications and to conduct a business in accord with the established legal backgrounds of business life, it is essential to be familiar with some of the most frequently recurring situations having legal rules for their background which, if not properly handled, may lead to significant losses.

In this chapter the intention is to present certain of the most important situations and relationships that have legal implications and to give certain warnings which, if heeded, will aid the pharmacist in avoiding legal complications. It is, of course, impossible to state all the laws, decisions, exceptions, and precedents that apply to each state in a book designed for general circulation. Accordingly, the reader is warned that he must not consider himself entirely competent to deal with the situations here presented and to make decisions in accord with the laws of his state. Rather, it is hoped that the material of this chapter will serve to warn him of possible complications and to suggest to him the phases of his business that call for the service of a competent attorney.

<sup>1</sup> The authors are grateful for the assistance given them on Chaps. 27 and 28 by the law firm of Harper & Mathews, Counsel to the National Wholesale Druggists Association. A member of this firm read the manuscript several times and made many valuable suggestions.

## Elements of Contracts

The drug business involves many transactions having their foundation in the law of contracts. The buying and selling of merchandise, the purchase or lease of a building and equipment, the hiring of employees, and the granting of mortgages are all examples of transactions that are essentially contracts. It is, therefore, important to understand some of the basic rules governing contracts.

**CAPACITY.**—One of these basic rules is that all parties must be mentally and otherwise legally *competent* to reach an agreement.

*Sale to Minors.*—If a twenty-year-old youth should purchase a \$15 camera, he may repudiate the purchase—*i.e.*, the contract—at any time before he becomes of age, or within a reasonable time thereafter. He may demand that his money be returned and the pharmacist must return it. Moreover, the seller cannot recover the camera unless it can be proved that it is still in the possession of the youth.<sup>1</sup> Even though it has been lost, stolen, sold, or so damaged as to be worthless, nevertheless the seller must return the full purchase price.<sup>2</sup> This is because a boy of that age, can disaffirm his contract. Similarly, if credit is extended to a minor, he has a right to disaffirm the debt and the extender of credit has no right of action against him, except as hereafter explained.

A section of the Uniform Sales Act provides that when necessities are sold to minors they must pay a reasonable price for them. It also defines necessities as goods suitable to the condition of life in which such a minor finds himself and to his actual requirements at the time of delivery. Just what may be necessities is a question of fact in each case. Cameras certainly are not. Medicine called for by a prescription is a

<sup>1</sup> *Stull v. Harris*, 51 Ark. 294 (1889). The ruling in this case has been approved by many other courts.

<sup>2</sup> Some jurisdictions, either by statute or case law, permit an infant to disaffirm a contract performed by both parties only by putting the other party in *status quo*, and in some courts a restoration of the consideration is a condition of equitable relief.

necessity in perhaps any case, but neither tobacco nor a bicycle is. Courts usually hold that—each to a proper degree—food, drink, clothing, housing, and education are necessities.

The right to disaffirm is not affected by the fact that the minor in dealing with the seller represented himself as an adult. Some courts, however, have permitted the seller to hold the minor in a tort action for damages suffered by the merchant in making the sale, where such fraud has been practiced.<sup>1</sup>

**OFFER AND ACCEPTANCE.**—The second basic rule of contract law is that every contract requires an offer and an acceptance. Contracts to purchase drugs originate when the offer is made by the pharmacist and are concluded when the offer is accepted by a wholesaler or manufacturer or his duly authorized agent. When a salesman from a drug house visits a store, and is made an offer, it is not accepted until the salesmanager or some other official of the wholesaler accepts it, since in normal sales relationships the salesman has no power to bind his principal, the wholesaler. The latter may reject the order for any reason or for no reason without incurring any liability to the pharmacist.

Interesting problems arise when retailers order merchandise offered in trade papers or in circulars sent to them through the mail. Thus, in one leading case, the court held that when a vendor sent out a circular he did not offer to sell but merely asked for proposals (offers to buy) from possible purchasers and that he might accept or reject them at will.<sup>2</sup>

**CONSIDERATION.**—The law provides that there must be some consideration, *i. e.*, payment of some kind, before a contract may be enforced. When the buyer's promise to purchase is exchanged for the seller's promise to sell, each promise is the consideration of the other. When goods are delivered on order, the delivery of the goods is the consideration for the promise to pay for them. But if a promise is vague or indefinite, it will not be a legal consideration. Suppose, for example, that a pharmacist promised to buy from a certain

<sup>1</sup> *Rice v. Boyer*, 108 Ind. 472; 9 N E 420.

<sup>2</sup> *Montgomery Ward and Company v. Johnson*, 209 Mass. 89; 95 N E 290.

creamery "all the milk he wanted" for his fountain in a stated period. Because this promise is illusory, *i.e.*, uncertain as to the amount involved, it would not bind the seller to make deliveries. This means that in general any agreement in which the amount involved is dependent upon the will or whim of the buyer is not a valid contract.

**FORM WRITING.**—The law does not require a special form in order to make most types of contract enforceable. When a pharmacist orders merchandise by letter and the offer is accepted by the seller, there is just as definitely a contract as though he had retained an attorney to express his thoughts in the most formal legal language. In many instances oral contracts are valid, but the exceptions are so numerous as to make them a very uncertain form of protection. Indeed, in *many* states contracts calling for the sale of personal property over a stated amount—often \$50—are not enforceable unless there has been part delivery or part payment or a memorandum in writing of the contract or sale signed by the party to be charged or his agent. If a pharmacist thinks of making an oral contract for an important transaction, he should first consult the laws of his state or, better yet, *never make one*.

There is normally an exception in the case of contracts with employees for their services, for unless the period of employment is to extend beyond one year a written contract is not essential.<sup>1</sup>

One further word of warning is pertinent. It is that, although we have set down some of the most common factors to consider in making contracts, it is wise to consult an attorney before any step involving an important agreement with someone else is taken. Thereby much potential grief and even loss of funds may be avoided.

**REMEDIES.**—When a contract is properly made, each of the parties is given certain rights, and each assumes certain obligations. Each must satisfy the claims of the other or be subject to a suit claiming damage. Damages are usually awarded in the form of money. Thus if a contract to sell you merchandise has been breached by the seller, you are entitled

<sup>1</sup> *Prokop v. Bedford Co.*, 173 N Y S 792.

to recover in dollars the amount you have lost by the seller's failure to deliver. This is generally measured by the difference between the contract price and the market price at the time and place of delivery. Unless specifically provided in the contract, the injured party can seldom recover attorney's fees in addition to the monetary damage awarded.

In some cases courts of equity order the defendant to carry out the terms of the contract exactly as made. When the court is requested to do so, the action is known as one for *specific performance of a contract*. The plaintiff can recover in this way only when monetary damages would not be adequate. An example of this remedy is found in *Jones v. Parker*.<sup>1</sup> The evidence showed that Parker agreed to lease a store building to Jones, the agreement taking place while the building was under construction. Upon its completion, Parker refused to carry out the agreement. He was ordered by the court to carry out the agreement as it was made.

## Particular Contracts

So far our discussion has related to transactions governed by the general principles of contract law. There are, however, certain special applications or modifications of contract law that relate to certain particular types of transaction. Negotiable instruments, including checks, are one type; chattel mortgages and conditional bills of sale constitute another. Both are important to the drug merchant.

**PROMISSORY NOTES.**—Every state has adopted a set of rules, known as the Negotiable Instruments Law, to govern the use of promissory notes and bills of exchange, including checks. Checks pass from hand to hand—almost as freely as does money—in the normal transaction of business. The most common use of promissory notes by pharmacists is in connection with a chattel mortgage upon fixtures or soda fountains, or as part of a real estate mortgage transaction. In either case, the form used will be a standard legal form or one that has been prepared by the seller to meet the special conditions that he desires to place around the

<sup>1</sup> 163 Mass. 564; 40 N E 1044.

transaction. The pharmacist should be certain that he knows all the provisions of any promissory note *before he signs it*. He should note carefully what rate of interest he is to pay and whether it is upon the principal sum or upon the sum remaining after each payment has been made. There is a tremendous difference. Also he should note where the payments must be made and what rights are reserved by the seller in case payments are not made on the agreed dates.

**CHATTEL MORTGAGES AND CONDITIONAL SALE CONTRACTS.** These two documents are so much alike that it is sometimes difficult to distinguish one from the other. Each may be used by the seller of equipment as a form of security for himself. The effect is to give the seller a continuing claim upon the goods sold until the obligations expressed in the mortgage or conditional sale contract have been discharged. Under the chattel mortgage form of contract the buyer receives title to the goods, but the seller reserves the right to take them back if he defaults in his contract. When the conditional sale contract form is used, the seller gives the buyer possession of the goods but retains ownership as his security. Trade customs and provisions of the laws of the various states usually determine which shall be used. The difference is not of great moment in most cases. In either case, risk of loss of the merchandise is on the buyer.

**CHECKS.**—Since every experienced merchant knows that there are hazards involved in taking checks in payment for goods, it is important to know that there are certain rules which, if observed, materially reduce the degree of hazard.

The first rule is that checks should be presented to a bank for payment or collection within a reasonable length of time. The endorser is discharged from all liability if the check is not presented within a reasonable time after the last negotiation. A drawer may also be relieved of liability to the extent that he has suffered damage as a result of a failure to present the check within a reasonable time after its issuance. In both cases a reasonable time, with minor exceptions, is one business day. A typical example of the total or partial discharge of the drawer, by reason of damage, is the case of a



failure of a bank. If, for example, a pharmacist has held a check drawn on a closed bank beyond a reasonable period and the bank subsequently fails before he presents it for payment, he must accept whatever dividend the bank may pay at a later date, for his delay has freed the drawer of the check from further liability.<sup>1</sup>

*Forgery.*—Just what are the merchant's rights when he cashes a check that has been forged or one in which the amount has been altered? The rule of law is as follows. If, for example, he takes a check originally drawn for \$100 but since raised to \$200 he can recover only the original amount from the maker of the check. If the signature of the drawer has been forged the merchant who cashes it has no protection, since the check is obviously not an obligation of the person whose name has been forged. The fact that he did not know the signature was not genuine is of no avail. Still another case is pertinent. Suppose the forgery is that of an endorser's name. The merchant's only right of recovery is against the person who made the forgery, for neither the drawer of the check nor the person whose name was forged as the endorser has any liability to him in such a case.

*No Funds.*—Every merchant has had the experience of cashing a check and later finding that there were insufficient or no funds back of it. The fact that a crime is involved is of little satisfaction to the merchant. He, of course, may press a criminal charge against the person who drew the check; but if the latter cannot make the check good, the merchant has no recourse. He must assume the loss. If the check is postdated, the presumption that the drawer wrote the check with knowledge that he had insufficient funds in the bank does not operate, and hence a criminal action is more difficult. A postdated check is for all practical purposes a promissory note and where it is returned for insufficient funds the holder may recover from the drawer.

**BULK SALES.**—Retailers have sometimes defrauded creditors by selling their stock and fixtures in their entirety and making away with the proceeds while still owing for part of

<sup>1</sup> See Standard Negotiable Instruments Law, Section 186.

stock or for the fixtures. To prevent this, each one of the states has enacted a Bulk Sales Law. Although varying in detail, such laws make it the duty of the purchaser or seller to notify the seller's creditors if he proposes to buy any of the stock or fixtures *in bulk*. Sales made in the ordinary course of business are not covered by the law, for the creditor is supposed to use normal credit information and protect himself against merchants who might fail to pay their debts from the normal daily cash-register receipts.

If, however, it is proposed to sell the store as a whole or to dispose of a soda fountain or a showcase that has not been paid for, the buyer must notify all creditors of the seller of whom he has knowledge or whose names appear in a list given him by the seller from whom he proposes to buy the business. This must usually be done at least 5 days before the sale becomes effective. Otherwise, the sale is void insofar as the creditors are concerned, for, under this law, they are allowed to transfer their claims and assert them against the buyer of the business. The effect is often tragic for the purchaser who has paid a logical price for the business and then finds that, in addition, he must pay an unsuspected amount of debts against it, about which he knew nothing.

But the buyer can protect himself. If he is taking over an entire stock he must take a sworn certificate from the seller that there are no unpaid debts and employ a competent auditor to check the books, and he must be sure either that there are no unpaid debts or that he has a complete list and is willing to assume them. Otherwise, he may be in the situation faced by an Arkansas oil dealer who, after paying \$130,000 for a chain of stations, found that he had also incurred an obligation to pay a debt of the seller, about which he had known nothing.<sup>1</sup>

## Employer and Employee Relationships

THE PROBLEM STATED.—Suppose that a clerk makes a contract with a wholesale house for certain merchandise. Who is liable to the house—the employer or the clerk? Or, as

<sup>1</sup> *Root Refineries v. Gay Oil Co.*, 284 S. W. 26 (Ark.)

too often happens, a delivery boy injures some person while making a delivery of a prescription. Who must answer in damages to the injured party? If a clerk sells some item below the price placed on it, what are the merchant's rights of recovery? All these and many more questions arise in connection with the normal daily conduct of a drug business. So great are the merchant's legal responsibilities in connection with them that they cannot be overlooked.

In many situations the relationship with employees is that of principal and agent. An agent is one who is authorized to represent another in some business transaction with a third person. A clerk is the pharmacist's agent while selling merchandise, and so is the pharmacist whom the merchant has authorized to make some types of purchases for the store or the delivery boy who makes a C.O.D. collection.

CONTRACTS OF AGENTS.—It is important to know just what liability the merchant incurs when he authorizes an agent to bind him in making a contract. The rule is that the agent's authority is limited to just what has been assigned by the merchant to him expressly or impliedly. If he goes beyond these limits, the merchant may discharge him. Moreover, the merchant has the right of recovering damages from him.

The exact situation in a drug store can best be illustrated by the difference between buying stock for resale and purchasing a new cosmetics bar. Since many clerks have the duty of ordering merchandise normally carried in stock, a salesman would assume that, if the former gave an order, he had the right to do so. That is, he acted within the limits of his *apparent authority* and in so doing bound his principal, *i.e.*, his employer. But if a salesman from a fixture house accepted an order for a cosmetics bar costing \$285 from a clerk, he would be taking a definite chance of refusal of the shipment when it arrived, since it is not customary to allow clerks, or even persons temporarily in charge of a store, to place orders for goods of this type. Such purchases are made but rarely and then almost always by the owner. This the salesman should know, and knowing it, he should seek out the owner rather than a clerk. But if he did not do so, the owner is not

bound by the order, for it is not a contract since one of the makers, his clerk, was not authorized to bind him.

There is one other refinement that should be noted. It is that if in normal practice a clerk orders certain items—say, tobacco—his employer is bound by an order placed by him, even though the employer may have expressly told him not to place orders. The rule is based on the fact that the salesman could not have known this fact and was, therefore, justified in taking the order, since in almost all other stores similar clerks normally have the power to place orders of this kind.

An interesting case that bears on the rights of the clerk to bind the principal arose in Mississippi. Although the laws of that state forbade sale of goods other than medicines on Sunday, a clerk sold a customer a soft drink, which, it was later alleged, contained one or more flies. The customer sued, contending that the pharmacist through his clerk impliedly warranted the wholesomeness of the drink. The court split in its decision. The majority of the court held that, since the pharmacist had no right to sell a soft drink on Sunday, the customer had no right to buy one. This, they held, was a joint violation of law and the plaintiff had no rights in court. The minority of the court dissented, holding that the public good required a finding for the plaintiff. (If the sale had been on a day not under statutory ban, the liability of the store for the acts of its employees undoubtedly would have been upheld in this case.)

**TORTS OF EMPLOYEES.**—An interesting group of problems arises out of the doctrine of torts. A tort is simply defined as any violation of any personal right other than that which arises out of contract, a common example being personal injuries caused by some wrongful act.

The operation of a drug store often results in torts committed by employees. These include personal injuries inflicted by employees. Another type is illustrated by a false accusation of theft by a customer made by a clerk. The courts allow the plaintiff to establish his claim against employees, not many of whom are able to pay judgments for damages so

awarded. Because this is true, usually it is the merchant who is sued.

It is an unquestioned rule that if the servant-clerk or the delivery boy inflicts the injury in the normal course of his employment, that is to say, while he is "on the job," the employer is liable. It is equally true that if the clerk loses sight of his employment so far as to engage in an altercation with a customer for purely private reasons, there is no liability on the part of the employer.

In several cases pharmacists have been sued for damages, the plaintiffs claiming that a registered man employed by the merchant had given them poisonous drugs by mistake or drugs in which were contained excessive amounts of the necessary ingredients. These pharmacists have sought to defend themselves by asserting that they had not authorized the clerks to sell the particular poisonous drugs in question. The courts have ruled for the plaintiffs, holding in part that ordinary care requires of a person in the business of selling drugs for use by persons who may come to his store for the purpose of purchasing the same, to so conduct himself in the business as not to cause injury to persons buying these drugs by reason of failure to give them the drugs asked for; nor will the fact that the act of neglect complained of was that of the defendant's clerk excuse him.<sup>1</sup>

One lesson from these rules governing liability for the conduct of one's agents or servants is that the pharmacist should be particularly careful in hiring those persons in whom reliance is to be placed. They represent him to the public. He should be sure that they do so in a courteous and reliable manner.

### Prescription or Product Liability

Since the pharmacist holds himself out to the public as one possessing the necessary qualifications for his profession, he is bound to exercise care and skill commensurate with the risks involved. Because of the nature of prescription dispensing, this business presents a number of special hazards or risks that are not found in the same form in any other phase of retailing.

<sup>1</sup> *Meyer v. Flanner*, 181, O.N.P, N S 361. See also, *Davis v. Guarneiri*, 43 O S 470.

**GOVERNING PRINCIPLES.**—For this reason, it is important to know that the courts have established certain general rules or principles that apply when it is necessary to fix responsibility for damages or suffering incurred as the result of a professional mistake by a pharmacist or his clerk-agent. These principles will now be presented under the outstanding classifications of the general risk involved.

*Improper Compounding.*—A prescription called for 5 grains of phenacetin and 5 grains of sugar of milk, to be compounded in the form of five powders containing 1 grain each of the two substances. After the patient, a five-year old child, had been made seriously ill by the use of the prescription, analysis showed that one of the powders, because of improper mixing by the pharmacist, contained only  $\frac{6}{10}$  grain of phenacetin. It therefore seemed to follow that one or more of the powders actually consumed must have contained too much phenacetin, with resulting ill effects. The jury held that it was the duty of the pharmacist to mix the medicines properly and, therefore, awarded damages to the parents of the injured child.<sup>1</sup>

*Bottles Confused.*—Carelessness in confusing drugs of similar names may lead to serious damage suits. In filling a prescription calling for cholodyne tablets, a pharmacist unwittingly substituted tablets of corrosive sublimate. The mistake was apparently caused by the fact that the two bottles were kept side by side and a quantity of one kind of tablets had become mixed in a bottle supposed to contain the other. The jury held that the druggist had failed to use normal care.<sup>2</sup>

*Labels.*—It is essential to use care in writing labels. In one case a prescription for Fowler's solution of arsenic directed that three drops should be taken in water after meals daily. There was nothing on the bottle to indicate the poisonous nature of the medicine. On the label there appeared the erroneous direction: "Teaspoonful in water after meals three times daily." After the patient was given one teaspoonful,

<sup>1</sup> *Coughlin v. Bradury*, 85 A 294 (Me).

<sup>2</sup> *Tremblay v. Kimball*, 107 Me. 53, 77 A. 405 (1910).

great pain followed and a condition developed which, it was asserted, might later result in death. A heavy verdict against the pharmacist followed.<sup>1</sup>

*Further Examples.*—Illegibility of a prescription does not constitute a defense to an action instituted for recovery of damages resulting from the mistake. The case deciding this point involved the substitution of calomel for calumba. The case was decided against the defense, which claimed that since the prescription was written in Latin and was somewhat illegible, the pharmacist should be blameless. The teaching of this case is that doubtful words or other uncertainties in a prescription should be checked with the physician before it is filled.<sup>2</sup>

*Drugs Confused.*—It is probable that the greatest single cause for action against pharmacists is the mistaking of one drug for another of similar name. Even though pharmacists are especially trained and realize the importance of their profession, they make mistakes. Illustrative is the substitution of tartar emetic for cream of tartar; bichloride of mercury for triple bromide tablets; wood alcohol for grain alcohol; poisonous antiseptic tablets for acetanilide, desired for relief of headache; bichromate of potassium for bicarbonate of potassium. Other court cases involve confusion of such pairs of drugs as Roachsault for Rochelle salts, formaldehyde for paraldehyde; camphorated oil for castor oil; and coco quinidine for coco quinine. All these and many others have led to awards by juries against the pharmacists involved. It is well to remember that an employee who makes a mistake of this kind is a servant of the owner of the store and, for that reason, the liability is incurred by the store owner. His only financial protection is adequate liability insurance. How this form of protection may be secured and certain desirable practices to be followed in its purchase will be presented in Chap. 29 in connection with the general subject of Insurance.

<sup>1</sup> *Marx v. Shultz*, 175 N W 182, 207 Mich. 655 (1919).

<sup>2</sup> *Tombari v. Connors*, 85 Conn. 231; 82 A 640.

# Specific Laws Affecting Drug Stores

## CHAPTER 28

**T**HERE are many Federal and state laws, municipal ordinances, and rules and regulations issued by administrative boards that govern the sale of drugs by the pharmacist. There are also laws that cover the sale of many other lines of merchandise now found on the shelves of the modern drug retailer. It is essential, therefore, that the pharmacist be informed on such matters as what drugs he may sell only on prescription; how to avoid misleading labels on his own preparations by adopting only those that give, among other things, adequate directions for use, including warning statements where necessary; what are the registration requirements in connection with the sale of narcotics; and which are the prices below which he may not sell certain trade-marked or branded articles of merchandise.

Further, he should be familiar with the licensing requirements of the state and the city or town in which he operates. A state license is required of a person before he is permitted to engage in the profession of pharmacy. A Federal license is required before he may sell narcotics. If he sells tobacco products, he must first procure a state license. If he sells ice cream or milk, the state or municipality in which he is located may provide for a food permit; and, in addition, a restaurant license if he sells sandwiches, for example.



It should be evident, therefore, that all these legal requirements and restrictions place heavy responsibilities upon the pharmacist in the everyday conduct of his business. Some apply to all retailers; others stem from the peculiar professional nature of the drug business. In return for the right to dispense pharmaceuticals, the pharmacist must agree to abide by legitimate controls that have been placed upon his business by governmental authorities. It is impossible to set out here all of these laws and regulations. The most that can be done is to list the chief statutes or their generalized types and discuss the more important of them in some detail as a challenge to further inquiry regarding not only those mentioned but all others that vitally affect the pharmacist or constitute special hazards.

## State Laws

**LICENSES.**—Acting under the police powers, a right reserved to them by the Constitution, the several states regulate many business practices, occupations, and professions. The regulations often take the form of licenses that are required as a condition of engaging in a particular trade or profession, and are enacted either as revenue measures or as a protection for the public against unqualified persons engaging in certain lines of business or certain professions.

Pharmacists must be licensed, and the state laws usually provide for the creation of boards of pharmacy, which exercise certain powers over the members of the profession. These include the power to prescribe the conditions under which the pharmacist may practice his profession. A copy of the laws of each state may be secured from the state board of pharmacy.

**DRUG ADULTERATION AND MISBRANDING LAWS.**<sup>1</sup>—The states, in order to extend the benefits of particular Federal enactments, such as the Federal Food, Drug, and Cosmetic Act, have passed laws covering the misbranding and adulteration of foods, drinks, drugs, and cosmetics manufactured or sold within their boundaries. Parenthetically it may be noted that the states may pass such laws under their police powers,

<sup>1</sup> See Ohio General Code, Secs. 5774-5805, for a typical statute.

as previously stated; and in many cases these enactments are necessary, since there would be no protection afforded the public under any Federal law, inasmuch as the latter can apply only to interstate transactions or those transactions that directly affect interstate commerce. Thus, where the pharmacist prepares, for example, his own cough syrups or cold capsules, he must conform to the state laws on sales made within the state; and if he ships these remedies in interstate commerce he must adhere to the applicable Federal statute.

*Adulteration.*—The state laws that prohibit adulteration characteristically define the term “drug” as “all medicines for internal or external use or inhalation, antiseptics, disinfectants, and cosmetics,” and provide that “no person shall manufacture for sale, offer for sale, sell or deliver, or have in his possession with intent to sell or deliver, a drug or article of food which is adulterated.”

The statutes of one state define a drug as adulterated “(1) if its strength, quality or purity falls below the professed standard under which it is sold; (2) if it is an imitation of another article; (3) if it contains methyl or wood alcohol; or (4) if the contents of the package as originally put up shall have been removed and other contents substituted.”<sup>1</sup>

*Misbranding.*—The same state laws provide that a drug is misbranded “(1) if the package fails to bear a statement on the label of the proportion of certain ingredients enumerated in the statute; (2) if the label bears any statement, design or device regarding the ingredients which is false or misleading in any way; or (3) if the label bears any statement regarding the curative effect of the article which is false or fraudulent.”<sup>1</sup>

*Penalties for Violation.*—In addition to the power of the state boards of pharmacy to revoke or suspend the certificate of the pharmacist for violation of the laws cited above, heavy fines are provided, and, in some cases, imprisonment.<sup>2</sup>

STATE NARCOTIC LAWS.—Supplementing the Harrison Narcotic Law, discussed later in this chapter, are state laws

<sup>1</sup> As to Federal law, see Federal Food, Drug, and Cosmetic Act, Sec. 301.

<sup>2</sup> For violation of Federal law, see Federal Food, Drug, and Cosmetic Act, Sec. 303.

governing the manufacture and sale of narcotic drugs, commonly defined as "opium, coca leaves and every substance not chemically distinguished from them."<sup>1</sup>

The narcotic laws usually cover the following subject matter:

1. Penalties for the possession, manufacture, cultivation or sale of the drug by unqualified persons
2. Licensing for the cultivation, manufacture or sale thereof
3. Kinds of sales permitted
4. Maintenance of sales records
5. Label requirements
6. Legal responsibilities of purchasers

**SUNDAY SALES LAWS.**—The legal propriety of Sunday sales by retail pharmacists is never questioned as long as sales are confined to drugs and medicinal preparations. Difficulties arise only when the sales include, for example, films, stationery, razor blades, cameras, sporting goods, and other nondrug items. In many states, there is no legal objection even to these sales.

It should be realized, however, that in some localities, a state or municipal "blue law" may be revived from time to time, in which event, some little embarrassment, and grief, too, may be caused by the imposition of a fine upon the offender. For this reason, the pharmacist should familiarize himself with the laws and municipal ordinances of the state and the city or town and ascertain, if possible, the attitude of the officials toward the enforcement of them.

**STATE FAIR TRADE ACTS.**—Nowhere, perhaps, is price cutting more prevalent than in the retail drug field. For many years retail merchants sought to secure some legal form of protection from deliberate and often predatory price cutters, but with no success. In fact, previous to the passage of fair trade legislation, contracts other than agency agreements to maintain minimum prices were illegal.<sup>2</sup>

<sup>1</sup> For example, see Ohio General Code, Sec. 12,672, for typical statute.

<sup>2</sup> See *Dr. Miles Medical Co. v. Park & Sons*, 220 U. S. 373. *R. H. Macy & Co. v.*

Today the situation with respect to maintaining minimum and fixed resale prices and thereby preventing price cutting has changed, with the enactment of certain state and Federal<sup>1</sup> laws. Nearly all the states have passed fair trade acts,<sup>2</sup> so-called, which commonly provide that the person, firm, partnership, or corporation that sells trade-marked or branded goods may contract with the retailer for the maintenance of minimum resale prices; and further provide that it is unfair competition willfully to offer such merchandise at less than the stipulated price. Since a sale below the price agreed upon is deemed unfair competition, persons damaged thereby may recover at law for the violation of minimum selling prices established by contract under the provisions of these legislative enactments. An equity injunction may be issued if that procedure is preferred.

These contracts covering resale price may thus provide that:

1. The vendee may not resell for less than the price agreed upon in the contract.
2. The vendee shall require purchasers to whom he sells, in turn, to enter into a like agreement.
3. The price fixed or minimum price stipulated need not be maintained, (a) where the purchaser is discontinuing carrying such merchandise, provided (in some states) he first offers it for sale to the seller from whom he bought at the invoice price; (b) when the merchandise has been damaged or has deteriorated; or (c) when the goods are sold by order of any court.<sup>3</sup>

Before entering into contracts of the kind described above, the pharmacist should, as a protection to himself, determine the laws of his state relating thereto.

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*American Pub. Co.*, 231 U. S. 222. See also Federal Trade Commission, Report on Resale Price Maintenance, 1931. Best see *U. S. v. General Electric Co.*, 272 U. S. 476.

<sup>1</sup> Miller-Tydings Act of 1937.

<sup>2</sup> For a typical statute, see Rev. Stat., Ill., 1937, Chap. 121½, 1935 L. pp. 1436-1437.

<sup>3</sup> See p. 511 for a statement of the relation of the various state Fair Trade laws to the Federal statute known as the Miller-Tydings Act.

## Miscellaneous State and Municipal Laws and Ordinances

**FOOD AND DRINK SALES.**—Reference was made earlier in this chapter to the likely requirement of food and soft drink licenses. If the pharmacist maintains a fountain service, he may be required to secure a state or a city permit covering his sales of ice cream and other milk products. If he serves sandwiches or complete meals, a restaurant license may be necessary.

**LIQUOR SALES.**—Our state legislatures have deemed it to be in the public interest to regulate or prohibit the sale of intoxicating liquors, because of the evils that attend the business. In some states the sale of liquor is denied to private firms, including retail pharmacists, the state assuming a monopoly. In other jurisdictions, where there is no state monopoly, licenses are required of those engaging in the trade. Pharmacists located in one of these states should ascertain the license requirements and become informed on the regulations surrounding the hours of the day during which they may operate, and many other pertinent matters.

**TOBACCO PRODUCTS.**—As a health measure, the state legislature, or city, town, or village council may require licenses as a condition to the sale of cigars, cigarettes, and other tobacco products, and limit or prohibit the sale thereof to particular classes of persons. In some states these licenses are really only revenue measures, but even so, the pharmacist who sells these items should not overlook the importance of compliance. The violation of these statutes and ordinances is often attended by heavy fines or imprisonment.

**FIRE HAZARDS.**—Many cities and towns enforce legislation designed to reduce fire losses. These laws commonly cover the location of the business and the maintenance or construction of the building in which the business is housed. These enactments also permit the city or state to order the removal of substances that constitute fire hazards. Thus, periodic inspection of business establishments may be made, either by some

member of the local fire department or by employees of the city building inspector's office. Cooperation in these inspections should be extended freely; nor should they be considered nuisances or unnecessary interruptions to business routine. They will be of real value, either in the way of possibly reducing the fire insurance premiums to be paid or cutting down the number of claims made by persons who may be injured through the defective construction or maintenance of the business establishment.

**WAGE AND HOUR LEGISLATION.**—The states have, time and again, taken the position that the hours worked and the wages paid to an employee are directly related to his health and morals. Because of this attitude, state legislatures have enacted laws fixing minimum wages and maximum working hours for men, women, and children. In an early case,<sup>1</sup> the Supreme Court of the United States held that such legislation, when applied to adult women, was unconstitutional.<sup>2</sup> However, in 1937, the Court expressly overruled the *Adkins* case and held that such legislation was constitutional.<sup>3</sup>

The pharmacist's interest in this legislation often arises in connection with the employment of soda-fountain and lunch-counter clerks. He should, therefore, familiarize himself with the laws dealing with these matters as enforced in his state.

## Federal Laws and Regulations

Experienced merchants know that the Federal government can and does exercise definite control over many aspects of what might, at first, seem to be a business purely local in nature. Moreover, they know that such control is constantly taking on additional forms and is reaching into new areas. Granted power to control interstate commerce and the postal service, and to raise funds by taxation, Congress has gradually extended its power so that it now forbids the shipment of goods that are injurious to health, the advertising of many

<sup>1</sup> *Adkins v. Children's Hospital*, 261 U. S. 525.

<sup>2</sup> Rule reaffirmed in *Morhead v. New York*, 298 U. S. 587 (1936).

<sup>3</sup> *West Coast Hotel v. Parrish*, 57 Sup. Ct., 578-800 U. S. 379.

products through the mails, and through taxation has even gone far enough to destroy the companies producing certain articles. The Federal Food, Drug, and Cosmetic Act is illustrative.

**THE FOOD, DRUG, AND COSMETIC ACT.**—Because of developed techniques of producing certain foods, pharmaceuticals, and cosmetics, and because of the addition of the radio as an advertising medium, the Federal Food and Drug Act of 1906 had, long before its revision in 1938, become inadequate to control such products in commerce of the modern period. Moreover, the original act did not include cosmetics.

A further important difference in the two acts is that under the old law of 1906 it was necessary for the government, in order to prevail in a criminal prosecution, to prove that the retailer or drug manufacturer had “knowingly” perpetrated fraud by knowingly making untrue statements. This was difficult to do and, as a result, many guilty manufacturers escaped punishment. It is possibly no longer necessary to prove fraud if provisions of the law to be mentioned below have been violated. The exact point has as yet not been finally settled by the courts.

*Provisions of the Act.*—Briefly, the new Federal Food, Drug, and Cosmetic Act prohibits the introduction into interstate commerce of a cosmetic or a drug adulterated or misbranded, and it also provides that a preparation used in self-medication is misbranded and subject to regulatory action if its label does not contain information required by law concerning its description and use.<sup>1</sup> In addition to the net weight, measure, or numerical count of the contents of the package, and the name and address of the manufacturer or distributor, the label of a drug product, consisting of more than one ingredient, must bear a declaration of all the active ingredients in the preparation. The active ingredients—*i.e.*, those drugs upon which the product depends for its therapeutic efficacy—

<sup>1</sup> Adapted from the pamphlet, “Behind the Contents of the Home Medicine Chest,” by Dr. F. J. Cullen. This pamphlet, useful for all druggists, may be secured from The Proprietary Association of America, 810 Eighteenth Street, Washington, D. C.

need not be declared quantitatively, but may be listed merely by name.

Certain drugs specified in this act must be declared *quantitatively*, whether or not they are active. Drugs classified as narcotics or hypnotics not only must be declared quantitatively, but must be followed by the statement, "Warning—May be habit forming." The quantity and kind of alcohol contained in the preparation must also be shown.

Certain drugs may deteriorate with age or improper care, and so the Social Security Administration is authorized to require the labels of products containing such drugs to include appropriate information to caution the purchaser against using a preparation that may have deteriorated.

The labels of products intended for self-medication are required to bear adequate directions for use and appropriate warnings against their use in those conditions where they may be contraindicated.

Labeling (which includes the carton, label, package inserts, and any pictorial matter accompanying the product) must not contain any statements that are false or misleading in any particular.

*Public Protection.*—The public is further protected by the "new drug" provisions of the act, which make it unlawful to introduce a new drug into interstate commerce until it has been established that the preparation is safe when used as directed. Before putting a new drug on the market, the manufacturer must submit an application to the Food and Drug Administration with respect to the product. He must accompany this application with information concerning the components of his preparation, its method of manufacture, and the tests conducted to determine its efficacy and safety. If the Administration is not satisfied from the evidence submitted that the preparation is safe to use, the application is not allowed to become effective, and the preparation cannot be shipped in interstate commerce.

From the foregoing it is evident that the consumer is adequately protected against the adulterating and misbranding of drugs that are distributed in interstate commerce, since



these preparations are required to meet the exacting provisions of the Federal Food, Drug, and Cosmetic Act. The standards set by the law would be sufficient to insure the purchaser of the quality of the preparations he buys, but these standards are *minimum* standards. The reputable manufacturer frequently considers them merely as starting points for the development of greater values and services. He is not satisfied in having his product meet only *minimum* requirements. He sets up standards that are higher and more stringent than those specified by law.

*Enforcement.*—Enforcement of the act is under the Federal Social Security Agency. Both fines and imprisonment may be imposed for violation of the act. The administrator of the act has adopted the plan of advising with manufacturers and assisting them in complying with the provisions of the act, since it is believed that such an attitude is much more helpful than one of enforcement by punitive measures after the act has been violated. It would seem to be wise for every pharmacist to take steps to be sure that no provisions of the act are violated in the daily operation of his prescription room, and that adequate directions and warnings are on every bottle of potentially harmful medicine that leaves his store. Special care should be taken concerning goods purchased in bulk for repacking.

**THE MILLER-TYDINGS ACT.**—Prior to the enactment of the so-called Miller-Tydings Act in 1937 by Congress, state fair trade acts were limited in scope to transactions taking place wholly within the respective states and between residents of those states. Manufacturers or others who wished to operate under the law were forced to “domesticate,” *i.e.*, secure legal residence in each state in which they desired to maintain minimum resale prices. This was both inconvenient and costly. But since the passage of the Miller-Tydings Act, individuals and corporations may establish minimum resale prices for products meeting certain conditions and with limitations across state lines, *i.e.*, they may contract with merchants in states other than those in which they are located to observe established minimum resale prices. The principal

limitation is that such a contract is not valid except in the states having state fair trade acts, 45 in number at the present time.

**THE HARRISON NARCOTIC LAW.**—Although first enacted in 1914 as a tax measure, the Harrison Narcotic Law has its principal justification in its control over public health and morals. Regardless of the genesis of the act, it is so important that every pharmacist must be thoroughly familiar with its provisions. Its principal provisions are as follows. Every pharmacist who expects to sell opium or coca leaves or any of their derivatives, must register with the Collector of Internal Revenue for his district. He must describe and definitely locate his place of business and must pay a small annual fee. Pharmacists may sell the products only under and in pursuance of a written prescription issued by and signed by a physician, dentist, or veterinary surgeon who is himself registered under the act. Such prescriptions cannot be refilled and must be preserved for 2 years after the date of filling and be kept readily accessible for inspection by Federal agents.

The manufacture of remedies or preparations that do not contain more than certain stated amounts of the drugs in question, or that are intended for external use only, is exempted from registration and tax; but such remedies and preparations must be manufactured or dispensed as medicine and not for the purpose of evading the law. A record of such sales must be kept, as prescribed by the Commissioner of Internal Revenue. Heavy penalties are provided for violation of the act.

Detailed regulations governing the sale of narcotics are available at internal revenue offices. They should be consulted and followed by pharmacists, who otherwise may unknowingly commit some act that violates the law. The entire matter is so important as to justify careful study by every drug store operator.

**THE MARIHUANA TAX ACT OF 1937.**—The provisions covering the sale of the drug marihuana are similar to those just described as applicable to narcotics. The difference lies in the scope of the act, for it applies to the sale of all parts of

the plant, *Cannabis indica*, whether growing or not, to the seeds, to resin from the plant, and to any compound derived wholly or in part from the plant. In the Orient this drug is known as "hashish." Pharmacists should exercise every precaution to avoid handling the products of this plant in any but an entirely ethical and legal manner.

**OTHER IMPORTANT LAWS.**—The Serum and Virus Act, which protects the quality of the supply of serums and viruses intended for the general public, sets up standards to regulate the manufacture of the antitoxin used for diphtheria, the virus used in the prevention of smallpox, and other similar products. Thus the public is assured that the pharmacist and the physician are furnished with serums, vaccines, and viruses of the highest quality.

The Insecticide and Disinfectant Act sets up specific requirements regarding the strength and labeling of products intended for use as agricultural or household insecticides. The Caustic Poison Act of 1927 provides a specific type of labeling for caustic poisons. Among other provisions is the one requiring that labels for all such poisons shall include directions for supplying an antidote.

# What Kinds of Insurance Should a Pharmacist Carry?

## CHAPTER 29

THE IMPORTANCE of proper insurance coverage is not always recognized by retail merchants. Many believe that they are properly protected when, as a matter of fact, hazards exist that might easily throw them into bankruptcy. For example, a survey has revealed that, in one line of retailing, 48 per cent of the merchants carried no automobile liability insurance and 72 per cent had no protection against the risks of public liability. Apparently these men had not fully visualized the position that they would be in when confronted by a jury verdict for \$5,000 or \$10,000 awarded to some person who had slipped on the floor of the store or had been injured by the merchant's delivery car. It must be granted that such an award would often result in the loss of his business by the average pharmacist. Few pharmacists have resources that would allow for their paying such an award and still continuing in business.

The same survey showed that 46 per cent carried no insurance on fixtures, a significant part of their total investment, and 51 per cent carried fire and windstorm insurance for less than 50 per cent of the normal value of their stock. It is hoped that this chapter will serve to emphasize the importance of adequate coverage for persons engaged in the drug business.

**INSURANCE, A NATURAL COST.**—Probably every merchant has felt at times that the cost of insurance was one that he

would like to avoid. Some are tempted to believe that premiums, if not paid, might be added to net profits. This may be true, but it involves a tremendous gamble at unattractive odds—a gamble on hazards that are beyond the control of the merchant and one that no business is justified in assuming if the insurance remedy can be applied.

After all, insurance costs are a part of the price we pay for the conveniences and pleasures of modern life. If we enjoy the pleasure of driving an automobile, we must accept the liability for damages that accompanies the operation of the car. If we wish to have customers enter our stores, we must accept the liability for damages that they may suffer because of unavoidable and unforeseeable accidents, negligence, etc. Fortunately, we have the benefit of the insurance principle, which allows each individual or business to share total risk by paying his proportionate share of the cost.

It is suggested, therefore, that merchants should consider their expenditures for insurance in just the same light as they do amounts paid for rent, wages, heat, and light, or delivery. Insurance protection is just as necessary as is any one of these items, and should be considered as just the same type of cost. It is proper, therefore, to include it in total operating costs and to recover its costs in operating margins. Indeed, customers have the right to ask the merchant to do so, for they are not fully protected against certain types of risk. It is the pharmacist's duty, therefore, to safeguard his customer and preserve his own financial security. With few exceptions, the pharmacist will find that the most feasible way to secure protection from such risks is through the purchase of insurance.

**BUYING INSURANCE.**—The purchase of insurance is a complex matter. Many types of coverage are necessary; several kinds of carriers are available. Many agents offer their services. Since the average merchant is relatively untrained in the purchase of insurance, it is just as futile for him to make an unguided decision as to his insurance needs as it would be for the average layman customer of the pharmacist to attempt to list what should be purchased for the prescription-room stock. A pharmacist would not allow any one other than a person of

experience to buy goods for him. It is, therefore, logical for him to use the services of a trained individual in the purchase of his insurance.

The trained advisor is the agent of a reputable company. Experience plus constant training from the home office furnish him the ability to give good advice. The one selected should be someone whose standing in the community suggests that he is such a person and insurance buying may then be *concentrated* with him. This advice is contrary to the normal practice of many merchants, for they tend to divide their insurance among many friends, or customers. The result is often duplication or, even worse, omission of essential coverages. Concentration prevents such a situation, because the broker or agent is familiar with his client's entire insurance needs and coverages and can advise just what to carry and how savings may be made without assuming unnecessary risks.

**TYPES OF COMPANIES.**—The companies that carry the average merchant's insurance are of the stock company or the mutual type. There are important differences between these two types of companies, which retailers should understand. Although the supervision of state insurance departments tends to increase their safety, it is important to know the arguments that are advanced in behalf of each type of carrier.

*Stock Companies.*—Stock companies are organized and operated like any other corporation that has goods for sale at a profit. They sell their merchandise and hope to make a profit for their stockholders. Mutual companies, on the other hand, are owned by the policyholders, and earnings are returned to them in the form of dividends. It is claimed that stock companies are safer than are mutuals, because of their policy of building up large cash reserves. Furthermore, they quote a definite rate in advance and thus the retailer knows just what his insurance will cost for each year. If he belongs to a mutual, his costs depend upon the loss experience of the company in the period. Long-established mutuals can, however, point to a loss experience over a period of years, which allows a rather accurate forecast of probable costs. In some minds the argu-

ment that mutuals may levy an assessment if original premiums are not large enough to pay the losses is offset by the claim that expenses in stock companies are larger because of higher salaries, sales costs, etc.

*Mutual Companies.*—Mutual companies advance the argument that they are entitled to pharmacists' patronage because they do not charge more than is necessary and use the excess for payments to stockholders. That they are operated for service, not profit, is an often-repeated claim. Mutual companies as a class, it is asserted, select risks with great care and thus give the good risks the benefit of lower loss experience. This is denied by adherents of the stock company.

In the principal retail lines there are well-established mutuals that have a long list of good risks in well-scattered areas and are thus free from the hazards that might accompany concentration of clients. Many mutuals are closely affiliated with state associations of retailers.<sup>1</sup>

The suggestion is made that it is an obvious duty of each pharmacist to investigate not only the record of the companies with which he is already insured but the possibility of securing equivalent protection for somewhat less cost. But let him be sure that it is equivalent. In insurance, as in other fields, one gets just about what he pays for and no more. There are no insurance bargains.

**HOW MUCH INSURANCE?**—Certain general principles that determine how much insurance a pharmacist ought to carry should be considered before the question of what kinds of insurance to carry is discussed. Particular reference is here made to fire insurance.

A good rule is that property insurance should be carried equal to not less than the coinsurance requirement. For this there are two reasons. The first is that, unless a merchant is

<sup>1</sup> Some pharmacists have found it feasible to become members of a reciprocal exchange organization specializing in insurance for drug stores. They carry the mutual idea still further by setting up an informal organization, every member of which is obligated to pay his share of losses incurred and of operating expenses. Overhead is low and thus costs are somewhat reduced. Members can sometimes take out more insurance than is allowed by either stock or mutual companies. Selective membership also makes for lower costs.

very heavily indebted, he can carry the risk in excess of 80 per cent. Rarely are losses total. One authority states that only about 10 per cent of drug store fires involve losses of over 50 per cent. Even if the loss is total, there is some compensation in being able to start a new business with new stock and fixtures. The second reason is due to the application of the coinsurance clause in case of loss.

This clause is an agreement between the company and the policyholder whereby he agrees to carry insurance equal to at least 80 per cent of the value of the property insured.<sup>1</sup> If he does not do so, he becomes a "coinsurer" for the difference between the amount carried and the 80 per cent required by the agreement. If the insured carries insurance equal to 80 per cent of the value involved and has a loss, the company will pay the entire loss up to the face value of the policy. If the insured does not carry 80 per cent, the company is liable for only that proportion of the loss which the amount of insurance carried bears to the amount required.

Assume the case of a drug stock and fixtures valued at \$10,000 but on which insurance of only \$6,000 is carried. Note that this is only six-eighths of the amount required (\$8,000) under the 80 per cent clause. If a loss of \$8,000 occurs, the company will pay only \$6,000. Moreover, if a smaller loss, say, \$2,400, was incurred the company would pay only on the basis of six-eighths of the loss, in this case, \$1,800. This is a just rule, for in such a case the pharmacist decided to carry two-eighths of the risk himself, and thus became a coinsurer for that amount.

A further important reason for using an 80 per cent basis for property insurance coverage is that the insured thereby secures a somewhat lower rate than the one charged if less than that proportion of the value is covered. Usually this reduction is as much as 15 per cent of the rate, and in many territories it is even more.

<sup>1</sup> In some states the requirement is 75 per cent only. In some territories the requirement is 90 per cent for risks protected by sprinklers or in fireproof buildings. Only rates calculated on that basis are published by rating agencies in those territories.



If this rule is to be followed, it is essential to know the value of the property to be insured. The annual inventory, if carefully taken, can be relied upon to give the value of the stock that should be covered. But if the value of the stock increases during the year, the merchant may be unknowingly and unwillingly assuming a liability in excess of 20 per cent, since the valuation is greater than it was when the calculation was made to determine how much should be taken to meet the 80 per cent requirement. A very real danger exists at this point.

Valuation of fixtures is more difficult. There is no hard and fast rule. Some merchants take good care of their fixtures, which, therefore, show the effect of style obsolescence only. But a conservative policy dictates a depreciation rate of 10 per cent a year on fixtures and the soda fountain until they have been depreciated to 50 per cent of the original cost. If they are kept in good condition thereafter, no insurance company will question that basis of valuation. But remember that if fixtures are mortgaged and that fact is not stated in the policy, the protection is canceled even though a loss may have been sustained.

There is no general rule that can be followed in determining how much insurance should be carried as protection against other types of loss, *i.e.*, those involved in public, product, or automobile liability. It is suggested that the pharmacist rely upon the experience of the agent or company that writes the insurance. Far more important in such cases is the fact of coverage—not the amount.

**TYPES OF INSURABLE RISKS.** *Fire.*—Doubtless more pharmacists are adequately protected from fire than from any other hazard. Everyone understands the nature of this risk and has seen spectacular examples of the cost it occasions. Moreover this is one of the oldest forms of insurance. The principal thing to watch is that the amount of insurance carried bears a close relation to the value of the property insured. It is important to make upward adjustments at times, when seasonally large stocks are carried. A refinement of this plan provides for a monthly reporting of the inventory totals

on a form provided by the insurance company. The company will adjust the amount of the coverage to agree with the value of the inventory. Obviously, this requires a more careful knowledge of inventory totals than is kept in mind by the average pharmacist, who takes only an annual or at most a semiannual inventory.

It is important to notify the insurance agent just as soon as stock or fixtures are placed in a new store and to ask that the proper proportion of coverage be made effective. If fixtures are being purchased on installments, the insurance agent should be asked to attach an endorsement to the policy, reading as follows: "It is understood that no encumbrance on the described property shall invalidate this insurance." As payments are made from time to time on the fixtures, equity in the fixtures will be increased. It is important to make sure that this fact is reflected in greater coverage on them.

*Extended Coverage.*—Most fire insurance companies now write what is known as "extended coverage insurance." By use of a rider policy attached to a fire policy, the amount of fire protection is extended to cover losses from damage caused by windstorm, cyclone, tornado, and hail; by explosion, riot, riot attending a strike either by outside persons or by the employees of the insured; and from damage by aircraft or by smoke from a stationary steam, hot-water, or hot-air plant, but not from a stove, a fireplace, or a vehicle. Although damage of this kind is usually somewhat remote and infrequent, the hazard is just enough to make the additional protection desirable. This is especially so since the cost is very low.

*Workman's Compensation Insurance.*—It is well for the employer to remember that he has the definite responsibility of providing a safe place for his employees to work in and of protecting them against unnatural hazards in the pursuit of their duties. The laws of most states require that if three—or sometimes five or eight—or more persons are employed, the employer must either purchase insurance from an insurance company or place it with a state fund.<sup>1</sup> But he must remember

<sup>1</sup> In several states insurance in a state fund is required.

that even if he has less than three employees, they still have the right of recovery from him if they incur injuries while at work and are not held by the court to be themselves responsible through contributory negligence.

*Public Liability.*—One of the greatest hazards involved in the operation of any retail store is that of public liability. When anyone opens a store for business, he offers it as a safe place for the public to enter for the purpose of buying. In fact, they have a right simply to loaf, to use a public telephone, or even to buy stamps. Anything that is a cause of hazard to the public is allowed to exist at the risk of the owner of the store. He is responsible for damages caused by any unsafe condition in his store. Juries usually give their sympathy to the injured persons—a fact that may affect their impartial determination of the verdict in suits brought against store owners. Certain examples of liability incurred by merchants by virtue of the rule which requires them to maintain their premises in a safe condition will help to clarify the nature of the risk involved.

*Slipping on a Floor.*—A customer entered a dimly lighted drug store on a dark day. She fell, slid until she came in contact with the soda fountain, and injured her spine.<sup>1</sup> When she arose, she noticed an employee who was waxing the floor in another part of the store. The pharmacist claimed that only one-half of the floor had been waxed and that the way was clear for the plaintiff to use the unwaxed portion. The court held that it was not the duty of a customer to anticipate an unsafe condition and, since she took her normal course in entering the store, she was entitled to damages. She assumed only a normal and not an unnecessary risk in entering the store. She was not required to exercise a high degree of caution and keep her eyes on the floor. The jury awarded damages to the injured person, which had to be paid by the pharmacist unless he had adequate public liability insurance.

In another case, damages were awarded to an elderly lady who, after making a purchase in the store, went to the soda fountain and sat down on a stool and ordered an ice-cream soda. Arising, she took a step and fell to the floor, in-

<sup>1</sup> *Ralston v. Merritt*, 178 Atl. 159 (Pa.).

juring her hip. It was shown that the stool was on a platform 24 inches wide and 7 inches above the floor of the store. The tiles on the platform and on the floor of the store were identical, a fact that made it hard for the customer to realize that she must step down when leaving the platform in front of the soda fountain. The court held that the maintenance of such a platform constituted a potential danger to customers, a danger of which the owner of the store might be presumed to have had knowledge. The appeals court upheld the lower court and its jury in making an award of damages.<sup>1</sup>

**Aisle Hazards.**—Two other cases suggest other hazards that should not be allowed to exist in a drug store. In one, a young lady while walking to the soda fountain passed a gas fire and suffered loss from burns, which followed contact of her clothes with the fire.<sup>2</sup>

In the second case, a customer entered a drug store with intent to use the public telephone. While walking to the booth, she fell over the base of a weighing machine, which extended 2 feet into the aisle, and she was injured. The court held that she was not guilty of contributory negligence as a matter of law in stumbling over the projection. Her negligence, if any, was for the jury to decide as a matter of fact. They held for the plaintiff in awarding a considerable sum as damages for the injury.<sup>3</sup>

The proprietor of a store should keep in mind, also, that it must be safe for meter readers, postmen, delivery boys, or others who are not trespassers to enter the store or its basement.

**Sidewalks.**—Public liability extends beyond the premises of the store to the sidewalk and to any overhanging fixtures, such as signs or awnings. If it is shown that the sign had not been properly erected or that due diligence had not been exercised in testing its condition at proper intervals, the owner of the sign can be held liable for any damage that results from it. The same principle applies to an awning or to a storm door or any other attachment to the premises of the store.

<sup>1</sup> *Touhy v. Owl Drug Co.*, 44 P (2d) 405 (Calif.).

<sup>2</sup> *Christine v. Vaile*, 12 N. J. Misc. 725, 174. Atl. 483.

<sup>3</sup> *Dowling v. MacLean Drug Co., Inc.*, 248 Ill. Ap. 1270.

There is one general principle governing the merchant's liability for damage caused by rain or ice encountered by persons passing the store on a normal sidewalk. It is that if there is any unnatural interference with the flow of water, *i.e.*, rain, the merchant who allows such interference to exist is responsible for resulting damage. Thus, if a downspout pours water onto a sidewalk and it freezes into ice, there is an unnatural hazard. Damage resulting from it must be assumed by the owner or, if the store is rented, by the tenant, since he has possession of the store building.

Other hazards often exist in front of a place of business. Coalholes are especially dangerous. Since the public has a right to assume that they will be covered and in a safe condition to walk over, any damage resulting from their being in poor condition is a cause for suit against the user of the coalholes, *i.e.*, in most small stores, the tenant. Tripping over an improperly replaced elevator covering on a sidewalk is a common cause for action against merchants. Trap doors in store floors have long been a particularly potent hazard.

**LIABILITY INSURANCE.**—It is clear that pharmacists face a group of severe but often unrealized hazards in connection with the general legal rule of public liability. These hazards fall into two classes. The first, prescription or product liability, was described in Chap. 26 as a phase of the legal setting of the drug business. The second, public liability has just been given comment. Too often the insurance agent does not explain these risks with care and demonstrate the relatively small cost of protection against them. Fortunately, a general policy can be secured that covers all claims resulting from the application of this rule. The cost is not great. It is recommended that the typical pharmacist should protect himself to the extent of at least a policy carrying \$5,000 public liability for injury to one person or \$10,000 to two persons.

**BURGLARY INSURANCE.**—The cost of burglary insurance is so small in comparison with the protection it affords as to make it wise for the pharmacist to carry such insurance in some form. The ordinary fireproof or cast-iron safe easily yields to the use of explosives, and the more expensive types of safe

can be opened by use of the oxyacetylene torch. The daylight holdup of a store and all the customers in it is all too common an event in the larger cities. Messengers on the way to the bank incur constant hazards. Robbery by forcible entrance often involves damage to the physical assets of the store. For these reasons it is recommended that a combined burglary and robbery policy be carried.

Many merchants carry, besides, what is known as a "store-keeper's robbery policy," usually in the amount of \$250, since that will cover the risk involved in the case of smaller merchants, at least. Hazards included are interior robbery, outside holdup, kidnapping, breakage of the safe, open-stock burglary, damage to furniture and fixtures, and robbery of a residence depository. Usually the company's liability for robbery of cigars, cigarettes, fountain pens, and narcotics is limited to \$50. The cost is about \$40 per year.

**AUTOMOBILE INSURANCE.**—No pharmacist should drive an automobile without adequate insurance coverage for damages done to the property or persons of others. Nothing that can be said within the limits of this book would be adequate to emphasize the foolhardiness of violating this well-accepted principle. But space does permit comment on the rule of law that holds the employer liable for damages done by an employee who is driving either the employer's car or *his own* while engaged in business for the employer. Numerous court decisions establish the rule that an employer is legally liable for the negligent acts of an employee who is required or authorized to drive his car on business for the employer. The ownership of the car has little to do with establishing liability. Thus, if a pharmacist sends an employee to the wholesale house to secure an emergency item or if his delivery boy uses the pharmacist's car, his own car, a motorcycle, or a bicycle, and damages the property or persons of others, the pharmacist is liable. The same rule applies to salesmen working on commission.

A Massachusetts case applied the rule to a merchant whose son was delivering goods for him. A Florida delivery boy ran into an elderly couple with his motorcycle, and the

court assessed heavy damages against his merchant employer. A Michigan case brought out the fact that in any instance wherein the employer has a right to control the conduct of an employee he is liable for the result of their actions. Several cases further establish the fact that ownership of the car is not material.

Some merchants feel that they are safe since they require their employees to carry liability insurance on their cars, motorcycles, or bicycles. But the merchant cannot always be sure that the insurance is in force, that it is placed with a reliable company, and that enough is carried to give adequate protection. Because of these uncertainties it is strongly recommended that the pharmacist secure a form of liability automobile insurance policy that includes a so-called contingent or nonownership liability.

**USE AND OCCUPANCY INSURANCE.**—A form of business protection that is growing in popularity as its value to merchants is becoming known is that known as “use and occupancy or business interruption insurance.” It is designed to protect profits that might have been earned had there not been a fire or other interruption to a business. Anyone who stops to think of what would happen if his business were stopped for several weeks while he was moving into a new store or awaiting the rebuilding of one destroyed by fire will quickly realize just what is involved in this particular coverage. Usually, he employs one or more clerks, whose services are desired in the rebuilt store and who must, therefore, be paid wages while they are unemployed. Dues to trade associations, magazine subscriptions, donations to community chests and other charities must be continued, even though no sales are made for a period of time. To cover such financial liabilities a policy can be purchased that guarantees the payment of the normal net profits during the period of interruption. The amount is established by what the pharmacist’s books show as the profits made in the last year or even the few months preceding the fire. Payment is made on a prorata basis.

**FIDELITY BONDS.**—Not long ago, the employees of the drug stores of a Western state requested their employers to

purchase fidelity bonds to cover each employee in the drug stores of that state. These persons seemed to have a keener appreciation of the fact that losses in American business due to dishonesty of employees are estimated as running from two hundred to four hundred million dollars annually. Doubtless the actual amount is greater, for the estimate covers only such losses as are ferreted out or confessed. In fact, it has been claimed that losses due to dishonesty exceed those caused by fire. Often losses are not publicized because of possible adverse effect on the employer's credit.

If employees to be bonded were required to qualify financially for fidelity bonds, few would be written. Therefore, the issuance of bonds is based upon a thorough investigation of each application and a check of past employers. Personal references are used as a gauge of the employee's social life. The filing of the application and the realization by the employee that he is under bond exercise a moral control over his actions, which in itself is worth while.

A great source of loss through dishonesty of retail employees is the appropriation of incoming cash the receipt of which was not expected. Sale of waste products and payments on accounts that had been written off are illustrative. Manipulation of petty cash funds is a frequent source of loss. Some employees know at least some of the ways in which the cash register may be manipulated with profit to the clerk.

It is worth while, as in other types of protection, to study just what type of bond is needed and not to buy one that costs more than need be paid, because it gives either more protection than is needed or is of a type that is not needed.

**LOSS PREVENTION.**—It is well to realize that payments made after a loss has been suffered rarely compensate the business for the actual loss. Prevention of losses is far more profitable than collections from insurance companies. Much can be done to reduce the number and severity of losses.

Stock rooms of drug stores are particularly subject to fires, because of the careless housekeeping that too often exists. Inflammable packing material and live cigarettes, in many cases, come together, with the inevitable result. Constructing aisle-



table displays in such a way as to make it possible or even easy for merchandise to fall on and injure customers is a frequent cause of claims under the rule of public liability. Confusion of drugs in the prescription room has been considered above. When projections are allowed to obtrude in passageways or aisles, customers often suffer damage from stumbling over them. Dark passageways leading to public toilets should be lighted. A stairway, if open, should have a guardrail. Care should be exercised when electrical wiring is extended into displays on the counter or in the window for, if the wire is in poor condition, damage may easily result.

*Air-conditioning Hazards.*—It has been found that when modern air conditioning is installed there is often additional danger of the spread of fire through the ducts of the conditioning system. Smoke damage may result from the same cause. Certain precautions can be observed. One is the location of the conditioning unit in a noncombustible room. The intake for outside air should be located in such a way as to minimize drawing outside smoke into the pipes. All ducts should be of noncombustible construction throughout. Filters, even when fireproof themselves, often accumulate combustible dust and lint. Frequent cleaning is the logical preventive. When refrigerants are used, care must be taken to employ only those that are nonflammable and nontoxic. A supply of chemical fire extinguishers—important for all parts of the store—is indispensable for the air-conditioning room.

**ADJUSTING FIRE LOSS.**—The importance should be realized of the pharmacist's always keeping his records in such a way as to be able to prove his loss after a fire has taken place. When the adjuster arrives, he at once asks for a copy of the last annual inventory, a record of all purchases since that date, and the sales record as shown by adding-machine tapes. If these records cannot be produced, or if they indicate that they have been kept very carelessly, the insured merchant is pretty much at the mercy of the adjuster, because he cannot establish the degree of the loss suffered.

It is, therefore, important to anticipate the possibility of a fire by doing the following things. (1) Keep the minimum

records indicated above. Others are needed for other control purposes, but these will suffice for adjusting fire losses. (2) Keep them in a fireproof cabinet. If this is impossible, keep the inventory at a point away from the store. If the invoice file is on a desk or if, as is all too common, the invoices are "on the hook," they may be destroyed by the fire. You cannot, then, prove the fact of your purchases and the adjuster will be forced to assume the condition of the stock as of the date of the last inventory and make normal adjustments for purchases and sales on the basis of your testimony or that of wholesalers' salesmen who may be familiar with the condition of your stock and with your operating policies. If you have made more than normal purchases and cannot prove that fact, you will probably not secure an allowance for them.

Be honest with the adjuster. He is not trying to do you an injury. He seeks only to reach a decision that will be fair to the insured and to the insurance company. Remember that he is trained to note any suspicious circumstances in the condition of the stock, in the facts of the fire, or even in the attitude of the merchant. Be fair with him and he will be fair with you. But sign nothing until you are fully satisfied that the amount of settlement is in accord with the available facts.

## A Suggested Insurance Program

The following insurance program is suggested as one which, although not reaching all risks, is in line with needs of the typical pharmacist. It is based upon the costs of one who annually sells \$20,000 from a stock of \$4,000 and uses fixtures worth \$2,500. The building is of brick and either two or three stories in height. Roof, exposure to other buildings, and fire protection are all assumed to be such as to give the business an average risk. The suggested coverages are as follows:

1. Fire and extended coverage. \$1.25 per \$100 on \$6,500	\$81.25
2. Prescription and product liability. Based upon the employer and one registered pharmacist. \$5,000 for one person with a total liability of \$15,000	18.50
3. Public liability. Based upon the number of square feet of floor space. An average figure for this type of store would be	7.50
4. Automobile insurance (on car used for delivery and other business purposes. Fair to charge one-fourth of cost to the business; three-fourths to the owner).	
a. Fire, theft, and \$50 deductible collision. Rate varies with value of the car.	12.50
b. Nonownership automobile liability and property damage. Protects against loss arising from damage caused by operation of pharmacist's car by an employee	15.00
5. Burglary insurance. A general coverage on the normal risks of burglary, pay-roll robbery, messenger robbery, and holdups.	30.00
6. Fidelity bonds on employees, per man	10.00
7. Workman's compensation. Rate of 35 cents per \$100 of pay roll (Ohio cost). Estimated pay roll of \$1,500.	5.25
Total annual cost.....	<u>\$180.00</u>

Note that this rather adequate insurance coverage costs less than 1 per cent of the net sales of the store.

# Meeting Competition Effectively

## CHAPTER 30

**P**HARMACISTS have been very much worried by the continued growth of competition of various types. Department stores have increased the relative proportion of their drug and cosmetic sales. Variety stores have vastly increased the volume of their toiletries business in the last decade. Even the grocery stores, within the past few years, have begun to stock items customarily carried in drug stores. However, the pharmacist's competition is not confined entirely to that of stores in other lines of trade. Individual pharmacists compete with one another and with the chain drug stores. All these have been disturbed by the increase of self-service drug stores. Apparently the pharmacist faces competition on all sides.

Intense competition in the retailing of drug products has made it difficult for incompetent pharmacists to remain in business and, in fact, many of them are unable to do so. From drug store mortality studies it has been estimated that the average life of a drug store is about ten or eleven years.<sup>1</sup> Many drug stores are unable to survive even the first few years after being started. It has been said that one out of every four drug stores that begin business fails to survive the first year, and at the end of 6 years, only one of the remaining three is still in existence.<sup>2</sup>

<sup>1</sup> "Problems of Small Business," p. 4, Monograph 17, Temporary National Economic Committee, U. S. Government Printing Office, Washington, 1941.

<sup>2</sup> The reader must not get the impression that retail drug store operation is more

**CAUSES OF DRUG STORE FAILURES.**—It is extremely difficult to determine accurately the causes that have led to the failure of many drug stores. The studies that have been made indicate that the various causes are interrelated, but that most of them center about managerial incompetence. Many pharmacists have had technical pharmaceutical training, but very few have had the proper kind of merchandising training and experience.

*Managerial Incompetence.*—The successful operation of a retail drug store requires merchandising skill and business experience. Few pharmacists can prosper unless they know what kinds of merchandise they should buy and in what quantities they should purchase. Many others do not understand the fundamental principles of displaying goods to sell. The lack of knowledge of retail selling has been observed in several studies.<sup>1</sup> Many know little about merchandise turnover, proper markup, and balanced stocks. Very few keep adequate accounting records.

The failure to appreciate the necessity for merchandising knowledge has been found to be a major factor in drug store failures. The St. Louis Drug Survey showed, for example, that 21, of 30 pharmacists who failed, had never made up a profit-and-loss statement. Nine could not calculate rates of stock turn.

*Lack of Capital.*—One of the most frequently quoted causes of retail failure is lack of capital. Too many pharmacists enter business "on a shoestring," and as a result soon find themselves unable to meet their obligations. However, it is doubtful whether inadequate capital can be called the cause of business failure in many cases. If a going concern, successful in its

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hazardous than other types of retailing, because such is not the case. Drug stores have a lower mortality rank than most other types of retail stores. For example, seven out of ten new groceries fail during their first year, and only one of every hundred can expect to remain in business 35 years. The point is that the mortality rate is very high for all types of business. Only well-qualified merchants can expect to prosper for a continued period.

<sup>1</sup> A time-and-duty study made under the direction of one of the authors revealed that pharmacists made very little effort to sell customers anything except items that were specifically requested.

history of earnings, suffers from lack of capital, the probable fault lies with mismanagement rather than with the lack of investment or credit facilities. Almost any pharmacist who can show a satisfactory earning record can usually find firms who are willing to extend him credit.

Many pharmacists deplete their capital investment by withdrawing more than the stores earn, others tie up their capital in slow-moving stocks, and some never put enough into their businesses when they begin operations.<sup>1</sup> Pharmacists must always remember that their business should be properly financed. Optimism, faith in the future, and confidence in one's own ability are not proper substitutes for adequate capital.

*Poor Location.*—The negligence exercised by some pharmacists in choosing a business location is sometimes astounding. They select locations where previous drug stores have failed, and even go so far as to accept places that others have refused to consider. One of them may lease the store, put in thousands of dollars' worth of merchandise, and try to make a living in it, without even so much as taking a traffic count or making an analysis of the neighborhood. Further, after making the mistake of choosing poor locations, too many struggle along trying to make a living (never succeeding and only adding to their already large deficit) instead of seeking more profitable sites. True, it is expensive from the standpoint both of effort and of money for the small pharmacist to move his store, but the fact remains, he must get out or close his doors eventually. The sooner he moves on to greener pastures, the sooner will he start to make money.

*Inadequate Records.*—Proper records should mean as much to the small individual pharmacist as they do to the large multiple-unit stores. He should know the condition of his business *while* the business is going on. Unfortunately, some pharmacists violate even the most elementary principles of merchandising, management, and record keeping; it is a fact that many store owners fail to see the necessity for adequate records and are under the impression that they are doing a

<sup>1</sup> Twenty out of the thirty St. Louis Survey drug stores that failed supplied less than 30 per cent of their capital at the time they started business.

splendid job, while actually their business is failing. There is no substitute for knowledge, and records help to supply that knowledge.

*Lack of Experience.*—One of the most common causes of drug store failure is the lack of the proper kind of experience. Many pharmacists feel that a few years' experience in a drug store is all that is needed for the successful operation of a new store. However, the number of years of experience is not nearly so important as the type of experience.

Anyone who contemplates starting his own drug store should become familiar with modern drug store merchandising technique. He can secure this information by study of books on drug store operation, by study of trade papers, and by serving an "apprenticeship" in a well-run drug store. Modern individual and multiple-unit drug stores can serve as valuable training grounds.

## Meeting Competition

If the pharmacist is to avoid following in the footsteps of those who have fallen by the wayside, it is necessary to prepare himself for the competition that comes from many different sources. In addition to providing a background of adequate capital, the right kind of experience, and a knowledge of sound drug store merchandising practices, the pharmacist can utilize one or more of the following three methods of meeting competition:

1. Securing more customers
2. Selling more to the customers who come into the drug store
3. Increasing the efficiency of the store in such a way as to cut operating expenses

Each of these methods is open to every pharmacist, and he can use one or all of them to meet competition.

**SECURING MORE CUSTOMERS.**—All other things being equal, the more customers a drug store attracts, the more sales it will make and the more profit it will accumulate. The proper starting point toward the solution of the problem of

how to secure more customers is obviously a study of the reasons why customers trade at one store in preference to another. If a pharmacist knows why the customers in his neighborhood prefer to shop in one drug store rather than in

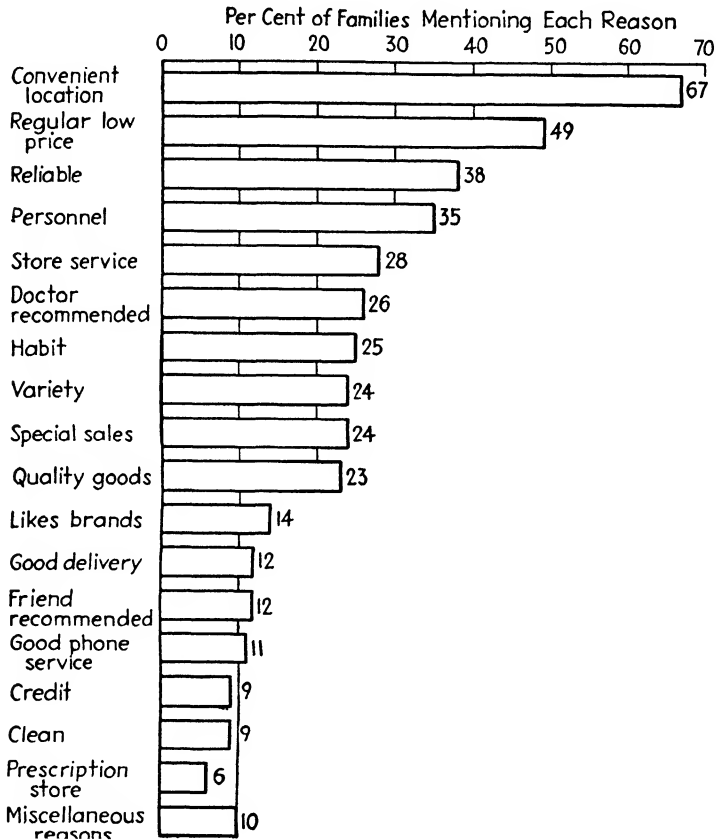


Fig. 77. Reasons for preferring drug stores used regularly. (Source: Arthur C. Nielsen, "Solving Marketing Problems of Drug Retailers and Manufacturers," A. C. Nielsen Company, 1940, pp. 36-37.)

another, he has the basic information on which to build a customer-getting program.

*Why Customers Prefer Certain Stores.*—Of the various studies that have been made of the reasons why people patronize certain drug stores, one of the most complete is that made



within the past few years by the A. C. Nielsen Company. The results of the Nielsen study are shown in Fig. 77. An inspection of these data shows that convenience of location was the most important reason for customers' preferring certain stores, that reason being mentioned by 67 per cent of the families. Price was second in importance, being mentioned by slightly less than one-half of all of the families. It is interesting to note, however, that many of the other reasons might be combined into one meaning—a pleasing store personality. If such reasons as personnel, reliable store, good store service, and quality merchandise are grouped together, it might be said that a pleasing store personality was at least as important as either of the other two reasons mentioned, if not more so.

After inspecting the explanations given by the customers as to why they patronize stores, the pharmacist might ask himself, "How can I use this information to secure more customers for my store?" It may not be possible to do much about the matter of store location, in case that has been settled already, but the pharmacist can go into this factor thoroughly when he is selecting a site for his store. However, he can utilize information as to the customer's preferences for low prices and for a good store personality. Both of these can be stressed in such a way as to attract regular customers.

*Using Price as a Means of Attracting Customers.*—One feature that practically every pharmacist can utilize, whether he is an individual or a chain operator, is that of price. Price can be made a means of attracting customers to stores.

A pharmacist does not have to operate a cut-price store to let people know that his prices are as low as those charged in other drug stores, but he can use feature prices, odd prices, and similar devices for letting customers know that he is price conscious. All customers, particularly those in the lower income levels, like to feel that they are getting the most value for their money, and it is necessary for the pharmacist to stress price in some degree to prove his values. It is important in emphasizing price to give customers the impression that the prices are regularly low, instead of just that way on certain occasions.

Under fair trade it is not difficult for most pharmacists to meet competitive prices on popular items. The majority of well-known branded merchandise sold in drug stores in most of the states is "fair traded." Therefore, a pharmacist need not be undersold on those items unless he feels that it is necessary to secure more than the minimum price in his store.

*Developing an Attractive Store Atmosphere.*—One of the most effective means of attracting more customers is by creating an attractive store atmosphere or personality—one that appeals to the people who live in the trading area served by the store. In order to do this, the pharmacist must study his clientele to find out something of their buying habits. He should know where the people in his trading area do their buying, how much they do, and why they prefer this or that store to his own. When he has that information, he can develop his store personality to fit it.

Although the store personality has to be fitted to the customers, in general, there are several things that all customers expect from their drug stores. One is a *professional atmosphere*. To convince his community that he has a drug store, the pharmacist must give his place the appearance and the atmosphere of a drug store. It is not enough that his store be known as the best place to get this or that for which his customers may be seeking, but that it be known as the best drug store in which to get whatever he may have to sell.

Not only must the store itself look like a drug store, but the proprietor and his employees must look the part of competent pharmacists and salespeople. The store and the personnel must be spotlessly clean. In Chap. 23 store housekeeping was discussed and store cleanliness emphasized. But what is just as important is the appearance of the store personnel. Customers do not like to patronize stores operated by dirty or untidy employees. Drug store employees should wear coats, preferably of the white or buff type, as these help to make the wearers look tidy. Under the white coat should be worn a white shirt, as colored shirts do not have a clean and sterile look. The entire personnel should be taught to guard against

dirt and spots on their clothing. They should cultivate the habit of washing their hands frequently. Dirty fingernails are repulsive to customers, and the clerk's hands are very much in evidence when he shows an item of merchandise, wraps a package, and gives out change. Customers seeing dirty fingernails, an unshaven face, or other evidences of personal carelessness in an employee are very sure to feel that some of this carelessness might be evidenced in the filling of prescriptions or the serving of foods.

**Store Courtesy.**—An important part of a pleasing store personality is courteous personnel. All store employees should be taught to be considerate and well mannered when waiting on trade. When customers enter a store, they usually intend to buy something and are in a good humor on coming in. It is the job of the proprietor and his employees to keep them in that mood.

When customers realize that some sort of effort is being exerted by the store management to make them comfortable, to cater to their every want, they soon begin to feel that this particular drug store really desires to be of service. The following are some common rules of courtesy that will aid in making the drug store more attractive to the customers.

1. Smile, when waiting on trade.
2. Do not act tired or bored.
3. Do not say "yes" or "no," but "yes, sir" and "no, sir," as the case may be.
4. Do not argue with customers.
5. Wait on customers promptly even though they are children.
6. Call the customers by name, when possible.
7. Be particularly courteous to children. Wait on them cheerfully.

*Developing the Quality of Neighborliness.*—Every pharmacist should try to develop the spirit of neighborliness in his store. This denotes something more than just friendliness in human relations; it implies also a spirit of helpfulness to one's customers.

Neighborliness is most beneficial to the pharmacist as the first and foremost attribute in his relations with his customers, with his fellow pharmacists, with the physicians in his community, and with the other merchants in his neighborhood. Even in the larger cities, where neighborhoods largely exist in name alone, being neighborly is good business. It may be a bit more difficult to practice neighborliness under such circumstances, but it is not impossible.

It seems somewhat unnecessary to advise that a merchant should be neighborly toward his customers. His business is such an intimate one that close relationships are almost sure to develop between him and his patrons. However, this is not always the case. Too often the pharmacist forgets the human side of his business and thinks only of trading merchandise for dollars. The pharmacist properly holds many professional confidences between himself and his customers.

If the spirit of neighborliness is properly developed, people living in the community served by the drug store will soon learn to look upon the neighborly store as the place for buying all drug products. In fact, such a spirit may be the means of building up more trade than can be gained by any other single factor.

*Service.*—One important factor in store personality that can be developed as a means of attracting trade is that of service. The pharmacist who demonstrates to his customers that he desires to do all in his power to help them is the one who will probably attract the most business. Service means more than delivering an occasional package or extending a little credit. It means doing constantly and regularly those things that make clear to customers that the pharmacist really desires to help them.

Probably no other merchant has the same opportunity as the pharmacist to emphasize customer service, since the drug store is generally looked upon as the service store in the neighborhood. The pharmacist may have to operate certain departments that are, in themselves, unprofitable, such as the selling of stamps; but it then is probably worth while if on that account customers feel more friendly toward the store. The

stressing of service is one very important card that the individual pharmacist holds in his game of competition with multiple-unit drug stores, department stores, and variety stores. Most institutions of these types must curtail their services; so, by emphasizing his, the individual pharmacist can do much to attract business to his own store.

**SELLING MORE TO CUSTOMERS.**—Next to that of attracting more customers to a store, the second major method of meeting competition is to sell more to the customers who come into the drug store. This is generally accomplished by using more effective display; by having well-trained, courteous salespersons, who can do suggestion selling; and by stocking the right types of merchandise. It is not necessary to go into this method at length, as it has been discussed in detail in earlier chapters of this book.

**ENHANCING DRUG STORE EFFICIENCY.**—Neither of the two previously considered methods of meeting competition—that of attracting more customers and that of selling more merchandise to the customers who come into the store—is complete in itself. A drug store must not only have more customers and sell them more, but it must operate efficiently. No store can hope to compete successfully unless it can do so without waste.

The merchandising of drug products is so intensely competitive today that no pharmacist can long remain in business who does not apply reasonably scientific management to the operation of his store. This does not mean the employment of an efficiency expert or the installation of mechanical equipment, but it does imply a careful study of the problems involved in drug store merchandising and the application of intelligent solutions.

*Control of Purchases and Inventory.*—Every drug store should try to control its purchases and inventory in order to maintain as low a stock as possible and yet meet all legitimate demands from customers. One of the significant aspects of modern drug store merchandising is the emphasis placed upon a rapid turnover of stock. Rapid stock turnover is essential to successful retail store operation. It is not now necessary to go

into the matter of achieving a rapid turnover, as that has been discussed in Chap. 8. It is mentioned at this point merely because it is an integral part of scientific drug store operation.

*Maintenance of Adequate Records.*—In order to obtain as rapid stock turn as is warranted, proper and adequate stock records must be maintained. Only in this way will funds available for purchasing goods be spent judiciously. Other records must be kept that will supply needed and timely information concerning the status of the business, both by itself and as compared with similar enterprises. Many leaks and losses can thus be eliminated before it is too late. The importance of current knowledge of the activities of the drug store is usually so readily appreciated that little argument need be used to convince anyone of its soundness as a factor in success. Yet there are numerous drug stores in which such information is lacking. As a result, some firms have no knowledge as to what progress they are making, and their adjustment to conditions may lag considerably behind the changes that warrant them.

*Control of Sales.*—To control sales properly, a drug store must plan its future volume of business, make a periodic analysis of its sales by departments and by salespeople, and adequately supervise its sales operations. This type of control would often lead to a more careful selection of lines of merchandise and to improved selling. There appears to be a very definite relation between sales per employee and selling expense. Attempts should, therefore, be made to obtain a high volume of sales per salesperson. This can be accomplished through careful selection, proper training, and the correct supervision and management of the selling employees.

*Control of Operating Expenses.*—Scientific management alone may not prove to be a cure for those drug stores that have high or excessive distribution costs. To achieve control of operating expenses, an adequate expense accounting system must be provided. Current knowledge of costs must be obtained, rather than waiting till the end of the year for results. Analysis of expenses at periodic intervals should prove helpful. This analysis may be made by merchandise depart-

ments, by salespeople, by weeks, and in any other way that may be deemed desirable. Knowledge of the weaknesses invariably leads to the uncovering of the factors responsible for them, and from there to possible ways of improving the situation.

**EXTERNAL EFFICIENCY FACTORS.**—In addition to factors pertaining to internal store efficiency, every pharmacist who hopes to be successful must give attention to a number of external conditions. He must decide on the number of brands to be featured and the extent to which parallel lines should be stocked. He must carefully investigate the subject of prices. He must study his customers, to find out why and what they buy. These and many other considerations require the careful attention of every pharmacist if improvements in drug store efficiency are to be expected.

In conclusion, it may be stated that what is needed most of all for whatever merchandising ills exist in drug stores is a scientific approach to the problem of drug store management. Drug stores, their methods, and their practices must be placed under the microscope and subjected to the most searching diagnosis. The weaknesses thus disclosed must then be attacked by the intelligent application of merchandising knowledge and skill, so that the drug store may maintain or attain its rightful place in American economic life.





# Appendix A

## Store Check Sheet

Because most pharmacists spend many hours a day, every day in the year, in their own place of business, they become so accustomed to seeing the same things over and over that frequently they are unable to appreciate the commendable features of their stores and fail to observe the objectionable features that are clearly noticeable to a customer coming into the store only once a week or less often.

To correct this situation, it is suggested that the first thing a pharmacist should do on arriving at his store in the morning, during the first week of each month, is actually to grade his store just as a professor grades a pupil's examination paper, using the inspection sheet that follows.<sup>1</sup>

The various factors contained in the form have been weighted from the standpoint of their importance directly or indirectly to sales, and the points have been allotted accordingly.

### ADMINISTRATIVE ROUTINE

	<i>Weight</i>
1. Personnel	
<i>a.</i> Appearance: Neat, clean, no skin blemishes	3
<i>b.</i> Approach: Quick—act interested	3
<i>c.</i> Salesmanship	20
<i>d.</i> Familiar with merchandise advertised and displayed	6
<i>e.</i> Register receipts and tax stamps in wrapped packages	2

<sup>1</sup> This form was devised by Mr. French Schemmer of Cleveland, Ohio. He has kindly consented to allow reproduction of it in this book.

2. Lost sales recorded (all departments)	2
3. Store bulletin	
<i>a.</i> Filed properly	}
<i>b.</i> Read and signed by all employees	
4. Proper charge account procedure	3
5. Fire extinguishers: Are they renewed and in place?	1
6. Photographic work	
<i>a.</i> Outdated films—should be none	1
<i>b.</i> Uncalled-for pictures—none dated over month	2
<i>c.</i> Record book—record should be made in book when films are brought in and when customer picks them up	2
7. Price changes	
<i>a.</i> Fair trade book—kept up	7
<i>b.</i> Shelf prices—complete	7
8. Refunds and paid outs made by proper person on proper form	2
9. Daily time sheet kept up	2
10. P.M. sales	
<i>a.</i> Record up to date	7
<i>b.</i> P.M. routine	3
11. Comparative sales sheet—kept up to date	3
12. Register receipts and detail tape legible	3
13. Stamp machines serviced properly	1
14. Store license and certificates properly posted	1
15. Registers	
<i>a.</i> Poison—Are all sales of poisons being recorded?	5
<i>b.</i> Narcotics—Are all sales of exempt and nonexempt narcotics recorded?	5
<i>c.</i> All above merchandise sold by pharmacists	7
16. Are window displays tied up on interior?	6
17. Merchandise displayed that is advertised	4

Remarks:

## STORE INTERIOR

	<i>Weight</i>
1. Floor	
<i>a.</i> Clean	5
<i>b.</i> Gum removed daily	2
2. Telephone booth	
<i>a.</i> Clean	3
<i>b.</i> Directory in good condition; if not, requisition new one	1
3. Transom—windows clean	5
4. Weighing scales	
<i>a.</i> Clean	5
<i>b.</i> Accuracy	2
5. Lights	
<i>a.</i> Clean	5
<i>b.</i> Proper size	2
6. Condition of store fixtures	15
7. Glass interior	5
	<hr style="width: 100%; border: 0.5px solid black;"/> 50

Remarks:

## STORE EXTERIOR

	<i>Weight</i>
1. Sidewalk: Is it clean, no obstruction, no breaks?	5
2. Window	
<i>a.</i> Glass clean	5
<i>b.</i> Proper signs	3
<i>c.</i> Base below clean	2
<i>d.</i> Lights proper size and style	3
<i>e.</i> Number of bulbs out	3
<i>f.</i> Reflectors clean	3
3. Sign	
<i>a.</i> Clean and polished	10
<i>b.</i> Number of bulbs out	5
4. Awnings: Are they dirty or torn?	2
5. Entrance	
<i>a.</i> Clean	2
<i>b.</i> Light clean	2
6. Doors	
<i>a.</i> Easy to open	2
<i>b.</i> Condition	3
	<hr style="width: 100%; border: 0.5px solid black;"/> 50

## BASEMENT AND STOCK ROOMS

	<i>Weight</i>
1. Cleanliness and order and condition of stock	
<i>a.</i> Drugs	15
<i>b.</i> Sundry	20
<i>c.</i> Cosmetics	15
<i>d.</i> Candy	10
<i>e.</i> Cigars	10
<i>f.</i> Fountain stock	5
2. Lights (25 watt only)	5
3. Toilets (sanitation)	5
4. Trash properly kept in containers	5
5. Furnace	
<i>a.</i> Clean	5
<i>b.</i> Ashes removed daily	5
	<u>100</u>

Remarks:

## PRESCRIPTION DEPARTMENT

	<i>Weight</i>
1. Condition of stock	
<i>a.</i> Cleanliness	20
<i>b.</i> Order	20
<i>c.</i> Drawer merchandise	5
2. Unsalable and outdated merchandise pulled	5
3. Scales and weights clean	5
4. Prescriptions double-checked and signed	5
5. Narcotic prescriptions canceled	5
6. All restricted drugs dispensed by registered pharmacist	10
7. Equipment	
<i>a.</i> Proper utensils	5
<i>b.</i> Properly cared for	5
8. Narcotic cabinet locked?	5
9. Are prescriptions priced according to cost of ingredients and actual time spent in compounding?	10
	<u>100</u>

Remarks:

## SUNDRY DEPARTMENT

	<i>Weight</i>
1. Condition of stock	
a. Cleanliness	25
b. Order	20
c. Priced	5
d. Drawer merchandise: neat	5
e. Over or short	5
2. Displays	
a. Compulsory—displays for which the retailer receives compensation from manufacturer or displays that the owner is particularly interested in	5
b. Signs—every display shall have a sign	5
c. Attractiveness-- have sales appeal	10
d. Floor cases, interior displays	10
3. Discontinued merchandise	
a. Pulled off shelf	5
b. Selling effort	5
	<hr/> 100

Remarks:

## SODA FOUNTAIN

	<i>Weight</i>
1. Top slab—front panel and footrail clean, also clean underside of slab	2
2. Stools and chairs clean	1
3. Draft arms and drip pans clean	2
4. Syrup jars, pumps, and jar rack clean	4
5. Cabinet top, sinks, and drainboards clean	3
6. Check coil cabinet and milk cabinet for cleanliness and defrosting	4
7. Bottled merchandise properly serviced	1
8. Ice-cream cabinets clean	3
9. Side walls and floor under fountain cleaned regularly	3
10. Glass rinser clean and in working order	1
11. Fudge warmer and hot cup clean and in working order	1
12. Back-bar fixture polished	4
13. Back-bar cabinets clean and orderly	2
14. Drains including main drains, sink drip pans, and milk cabinets functioning properly	4
15. Condition of food stuffs—appetizing and fresh looking	3
16. Syrup pumps dispensing correct amount	4
17. Glassware	2
18. Silverware } dirty or chipped	2
19. Chinaware }	2
20. Electrical appliances clean and in working order	5

21. Ice-cream scoops and dipper well, in proper working order and clean	2
22. Coffee maker in proper working order and clean	2
23. Setups	1
24. Garbage cans disinfected daily	2
25. Salad cabinet clean and neatly arranged	3
26. Steam table	3
<i>Personal Appearance</i>	
27. Clean uniforms	2
28. Hair and hands	2
<i>Miscellaneous Equipment</i>	
29. Refrigerator defrosted regularly and cleaned	3
30. Kitchen neat, clean, and orderly	3
31. Carbonator pressure and maintenance	2
<i>Merchandising</i>	
32. Paper sign on back bar	4
33. Back-bar displays	4
34. Window strips	1
<i>Service</i>	
35. Napkin and ice water served each and every customer	1
36. Salesmanship—large sizes and profitable merchandise suggested	6
37. Cash-register receipts and tax stamps given out	1
38. Milk drinks, sundries, and soda served on plates	1
39. Fountain temperature correct	4

## CIGAR DEPARTMENT

	<i>Weight</i>
1. Wall case	
a. Cleanliness	12
b. Order	12
c. Shelves filled	6
2. Floor case	
a. Cleanliness	10
b. Order	10
c. Boxes well filled	10
3. Displays	
a. Compulsory—displays for which the retailer receives compensation from the manufacturer or displays that the owner is particularly interested in	5
b. Signs—every display shall have a sign	5
c. Sundries displayed	5
d. Attractiveness - have sales appeal	5
4. Humidification	
a. Condition of stock	6
b. Humidor—working and filled	4
5. Stock	
a. Over	5
b. Short	5
	<hr/> 100

Remarks:

Drug Store Management  
CANDY DEPARTMENT

	<i>Weight</i>
1. Wall cases	
a. Cleanliness	5
b. Order	5
2. Floor case	
a. Cleanliness	15
b. Order	10
3. Displays	
a. Compulsory—displays for which the retailer receives compensation from the manufacturer or displays that the owner is particularly interested in	5
b. Signs—every display shall have a sign	10
c. Attractiveness—have sales appeal	20
4. Stock	
a. Over }	
b. Short }	5
5. Condition of stock	
a. Box candy outdated	5
b. Bulk candy	5
6. Candy scale	
a. Cleanliness	3
b. In view of customers	2
c. Check accuracy with 1 pound drug scale weight	2
7. Spot check each kind of bagged candy in store for full weight	8
	100

GENERAL REMARKS

<i>Summary</i>	<i>Possible points</i>	<i>Points scored</i>
Administrative routine maintenance	100	
Store interior and exterior	100	
Basement and stock rooms	100	
Prescription department	100	
Sundry department	100	
Drug department	100	
Cosmetic department	100	
Soda fountain	100	
Cigar department	100	
Candy department	100	
Total score	1,000	
Suggested needed repairs, new equipment, or replacements		



# Appendix B

## Bibliography

### I

The following books are suggested as those that would be particularly useful for pharmacists who wish to give further study to merchandising problems connected with the operation of a retail pharmacy.

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## II

The following magazines are of value to every alert pharmacist for they are devoted to his interest. Many local or sectional publications are of equal value.

- American Druggist*, 572 Madison Ave., New York.
- American Journal of Pharmacy*, 43d and Kingsessing Ave., Philadelphia.
- American Professional Pharmacist*, 95 Nassau St., New York.
- Apothecary*, 4 Park Street, Boston.
- Canadian Pharmaceutical Journal*, 45 Victoria St., Toronto.
- Chain Store Age* (Druggist Edition), 185 Madison Ave., New York.
- Drug and Cosmetic Industry*, 101 W. 31st St., New York.
- Drug and Cosmetic Review*, 101 W. 31st St., New York.
- Drug Merchandising*, 481 University Ave., Toronto.
- Drug Progress*, 77 W. Washington St., Chicago.
- Drug Topics*, 330 W. 42d St., New York.
- Drug Trade News*, 330 W. 42d St., New York.
- Journal of American Pharmaceutical Association*, 2215 Constitution Ave., Washington, D. C.
- Midwestern Druggist*, 608 New York Life Bldg., Kansas City.
- National Association of Retail Druggists Journal*, 205 W. Wacker Dr., Chicago.
- North Western Druggist*, 2642 University Ave., St. Paul, Minn.
- Oil, Paint, and Drug Reporter*, 59 John St., New York.
- Pacific Drug Review*, 508 Woodlark Bldg., Portland, Ore.
- Southern Pharmaceutical Journal*, 911 Insurance Bldg., Atlanta, Ga.
- Toilet Requisites*, 101 W. 31st St., New York.
- West Coast Druggist*, 162 N. Highland, Hollywood.
- Western Druggist*, 618 Homer St., Vancouver, B. C.

## III

The Druggists' Research Bureau, 205 W. Wacker Drive, Chicago, prepares and distributes very useful bulletins for retail pharmacists. Among those published in the past and still available from the bureau, the following should be of distinct interest to all pharmacists:

*Bulletin 2B. How Much Does It Cost to Run a Drug Store? Analysis of 39 Drug Stores Operating at a Loss.*

- Bulletin 2C.** Rapid Turnover Brings Bigger Net Profits: An Analysis of the 1981 Operating Statements of 22 Drug Stores.
- Bulletin 5A.** Toilet Goods Facts about a City Residential Drug Store: A detailed analysis of all toilet goods sales during a six months' period.
- Bulletin 5B.** Toilet Goods Facts about a Suburban Drug Store: A detailed analysis of all toilet goods sales during a six months' period.
- Bulletin 5C.** Toilet Goods Facts about a City Cut-rate Drug Store: A detailed analysis of all toilet goods sales during a six months' period.
- Bulletin 5D.** Toilet Goods Facts about a Country Drug Store: A detailed analysis of all toilet goods sales during a six months' period.
- Bulletin 5E.** A Comparative Study of the Facts Presented in D.R.B. Bulletins 5A, 5B, 5C and 5D. (The classes of toilet goods which produce the most profits.)
- Bulletin 7P.** Preliminary Report of Nation-wide Stock Control Census on Laxatives.
- Bulletin 8P.** Preliminary Report on Stock Control Census on Liniments.
- Bulletin 11.** Report on Stock Control Census on Cough and Cold Proprietarys.
- Bulletin 16.** Increasing Drug Store Profits by Promoting the Sale of Items with the Greatest Selling Possibilities.
- Bulletin 17.** Facts About Sales of Hospital and Sick Room Supplies in Four Types of Drug Stores.
- Bulletin 18.** The Annual Drug Store Inventory—Control of Buying—Cash and Expenses. Planning for More Profits.
- Bulletin 20.** Credits and Collections for the Retail Druggist.
- Bulletin 21.** Price Problems of the Federal Revenue Act—Short-cut Methods and Useful Facts and Suggestions.

# Appendix C

Table 25.—Commodity Sales, Drug Stores with and without Fountain Combined (Limited to stores which report an analysis of their sales by commodities. Ratio of commodity coverage indicates sales size of sample)

Commodity (Commodity coverage, 56.9 per cent)	Stores with annual sales of \$20,000 or more, United States total (All stores—84,428; sales \$1,211,943,000)				Stores with annual sales of less than \$20,000, United States total (All stores—38,645; sales \$350,559,000)			
	Stores reporting commodity data		Reported sales of stated commodity		Stores reporting commodity data		Reported sales of stated commodity	
	Number	Sales of such stores (add 000)	Amount reported (add 000)	Per cent column A	Number	Sales of such stores (add 000)	Amount reported (add 000)	Per cent column A
Total analyzed.....	15,063	\$713,765	\$713,765	100.0	18,072	\$199,621	\$199,621	100.0
Prescriptions.....	14,743	696,414	70,088	10.1	15,865	183,898	26,775	14.6
Drugs, medicines, chemicals, compounds.....	15,063	713,765	179,777	24.3	18,072	199,621	87,976	44.1
Drug sundries, rubber goods, surgical supplies.....	15,063	713,765	77,004	10.8	17,671	195,487	27,575	14.1
Toilet preparations, toilet articles, soaps.....	14,795	702,927	114,715	16.3	11,604	188,367	24,423	17.7
Cigars, cigarettes, tobacco.....	14,577	592,262	119,830	20.2	1,761	22,911	2,173	9.5
Meals and fountain.....	4,316	236,400	32,569	13.8	1,727	24,219	4,521	18.7
Beer, wine (bottled or canned).....	12,805	621,228	33,644	5.4	18,072	\$199,621	\$ 26,180	13.1
Liquors (packaged goods).....	4,056	\$226,940	\$ 15,826	7.0				
Candy, nuts, groceries, soft drinks, etc.....								
Other sales.....								

Source: Adapted from Table 18 of Retail Trade, Commodity Sales, Drug Stores, Census of Business: 1939.

Table 26.—Pay Roll and Year-end Stocks in Dollar Amount and as Percentage of Sales, Drug Stores with Fountain  
39,452 stores in United States, 1939

<i>Sales, pay roll, stocks</i>	<i>Dollar amount (add 000)</i>	<i>Percentage of sales</i>
Sales.....	\$1,205,241	100.00
Pay roll*		
Total† (156,366 employees).....	137,994	11.45
Full-time‡ (129,351 employees).....	128,066	10.63
Part-time§ (27,015 employees).....	9,928	0.82
Stocks on hand, end of year, at cost.....	218,799	18.15

\* Pay roll and employees include paid executives of corporations but not the number and compensation of proprietors of unincorporated businesses. Active proprietors number 33,257.

† 156,366 employees (average for year).

‡ 129,351 employees (average for year).

§ 27,015 employees (average for year).

Source: Adapted from Table 2C, p. 48, Retail Trade, Commodity Sales, Drug Stores, Census of Business: 1939.

Table 27.—Pay Roll and Year-end Stocks in Dollar Amount and as Percentage of Sales, Drug Stores without Fountain  
18,451 stores in United States, 1939

<i>Sales, pay roll, stocks</i>	<i>Dollar amount (add 000)</i>	<i>Percentage of sales</i>
Sales.....	\$357,261	100.00
Pay roll*		
Total†.....	34,739	9.72
Full-time‡.....	32,271	9.03
Part-time§.....	2,468	0.69
Stocks on hand, end of year, at cost.....	86,084	24.10

\* Pay roll and employees include paid executives of corporations but not the number and compensation of proprietors of unincorporated businesses. Active proprietors number 16,416.

† 33,037 employees (average for year).

‡ 26,791 employees (average for year).

§ 6,246 employees (average for year).

Source: Adapted from Table 2C, p. 48, Retail Trade, Commodity Sales, Drug Stores, Census of Business: 1939.





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