an ounce, and if your chemicals are purchased by the pound they can be produced for less than fifteen (15) cents an ounce.

The topic is not exhausted, the most popular ones have not even been mentioned, but a sufficient number have probably been mentioned to prove that the N. F. is a vast storehouse of "Good Things."

WHY SOME DRUGGISTS DON'T MAKE MORE MONEY.*

HARRY B. MASON,
Editor of the *Bulletin of Pharmacy.*

In an address which I have recently prepared at the request of another association, but which has not yet been delivered. I have shown in detail how strikingly at variance druggists are in the incomes derived from their stores. I have presented the actual facts about twenty-five druggists who are scattered in different sections, and who therefore represent the average conditions as they are found over the country. The percentage expense of these men run from 18 to 35! Their percentage of gross profit runs from 31 to 51! Often one man realizes a total income as large as another whose volume of business is nearly twice as great!

Now why do these discrepancies exist? Why does it cost some men so much more than it does others to do business? Why do some men realize a profit so much less than others? Why does one druggist make so much more than his neighbor on a business of exactly the same size?

The answer to all these questions is simple. Locality and environment have something to do with the problem, it is true, but in the last analysis, and in the great majority of instances, the fundamental reason is that some druggists are poor business men—that's all. They don't study the game. They haven't mastered the rules. They aren't skillful in playing their cards, and, worse yet, they make one blunder after another without ever knowing it.

Now, what are some of these blunders?

1. *They don't keep business accounts.* This is the day of science in commercial operations, when every large business house, in whatever line of trade, is making a close study of business economics, and yet many druggists are nevertheless following the good old-fashioned method, or lack of method, of spending what accumulates in the bank account and fancying that it represents net profits. Hundreds of such men have discovered when it was too late that they were eating up their principal without knowing it, and that accumulated dead stock, decreasing inventories, and bad book accounts had cut into their imagined profits so far as almost to destroy them entirely. The sheriff has had to come along and close them up before they tumble to the situation. A druggist who does not keep

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careful business records is not in position to know anything at all about the amount of money he is actually making. He is simply asleep at the switch.

2. *They don't take inventories.* The druggist who does keep business records, but who fails to supplement them with annual inventories, isn't much better off. In Philadelphia not long ago two brothers bought a store which had previously enjoyed a very good trade, and which was pretty well stocked. The first year the new owners thought they were making all kinds of money. They increased their living expenses and plumed themselves with the thought that they had finally landed on their feet. Over a year went by, perhaps indeed two years, before it began to dawn on them that they had been gradually decreasing the stock in the store, and that much of the money which they thought they had been making as profit was literally taken out of their capital. An inventory would have prevented them from making this mistake.

A druggist in Missouri, who submitted his business statement to us for two or three years in succession, was finally induced to begin invoicing his stock annually. What was the result? He discovered the very first year that his assets increased to the extent of $1,600. If he had taken no inventory, if he had based his calculations upon purchases and sales alone, his figures would have been grossly inaccurate. To be sure this particular druggist would have erred on the safe side, but the very next year the situation might have been approximately reversed.

More striking yet was the case of an Arizona drug firm, from which we received a statement indicating net profits during the year of $1,256.31. The inventory had been taken, but it had not been figured up and compared with that of the year before. When we received the inventory figures for both years, and carefully went over the entire statement again, we found that this Arizona firm, instead of making a net profit of $1,256.31 during the year, had actually lost $716.60!

Instances like these might be multiplied—but what's the use! As I have said on other occasions, I have been brought in contact with numerous cases where the inventory figures have disclosed differences in the value of the stock to the extent of anywhere from $200 to $2,000, according to the size of the store and the nature of the circumstances. The stock in any store is constantly shifting; the prices are forever fluctuating; the fixtures, and particularly the soda fountain and its appurtenances, are always undergoing depreciation, and the druggist who is not aware of the exact nature and extent of these changes is not in position to know where he stands. He may fancy his percentage of gross profit to be 40, when in fact it is only 30, and he may consequently be losing money on many transactions which he fondly believes are yielding him good returns.

3. *They don't know how to figure profits.* There are many druggists who do keep business records, and also take inventories, but who blunder strangely in the calculation of profits. A very common mistake is to figure the precentage expense of doing business on the volume of sales, which is right, and then to figure the profit, not in the same way on the selling price, but *on the cost.* It is true that ordinarily, in every day language, profit estimates are based on the cost price.

This is the method we are taught in school, and it is the method most frequently met with in the advertising announcements of manufactures. A manufacturer, for instance, who sells you an article at $1.00, the retail price of which is $1.75, will tell you that you are making 75 per cent. profit. This is legitimate and right, but the wise merchant must thoroughly realize under such circumstances that *he is considering a profit based solely on cost,* and when he comes to apply the figures in his own business, *he must understand the necessity of converting them to the other system and basing them on the selling price.*

Expenses are nearly always estimated from sales—this is almost a universal custom. If, therefore, the profits are to be compared with the expenses, they must both be figured by the same method. Suppose you pay $1.00 for a certain product and you desire to make 35 per cent. on it gross. It costs you 25 per cent., we may assume, to do business. You want to make a 10 per cent. net profit beyond that for yourself. Very well, then, what should the selling price be on this article which costs you $1.00, and on which you want to make a gross profit of 35 per cent.? If you make the common mistake of basing this 35 per cent. on the *cost* price you will sell the article for $1.35, but if you do let us see how you will come out. It will cost you, as we have already assumed, 25 per cent. of the *selling* price to handle the article. Now 25 per cent. of $1.35, the price you place on the product, is 34.75 cents, so that you are selling for $1.35 an article which cost you $1.34¾, and while you flatter yourself that you are making a net profit of 10 per cent., you are practically breaking even on the transaction!

There are hundreds of merchants—perhaps thousands of them—who are figuring their profits in this erroneous manner. Some months ago the Burroughs Adding Machine Company published an advertisement in one of the national magazines requesting answers to the following question: "A certain article costs $1.00 wholesale. What will it have to be sold for to allow a net profit of 10 per cent., after allowing 22 per cent. for the cost of doing business?" Something like 1,000 replies were received, of which 750 were wrong! The answers ranged all the way from $1.10 to $1.60. The majority gave the selling price as $1.32, notwithstanding the fact that an explanation was printed at the bottom of the advertisement declaring this answer to be incorrect. The very common mistake was made by these men of basing their percentage expense upon the selling price, their percentage of profit on the cost price, and expecting they would get accurate results. This was the whole source of the trouble.

Here is the proper way to tackle a problem of this character: The article costs $1.00. Your cost of doing business is 22 per cent., and you want to make a net profit beyond that of 10 per cent.—a total of 32 per cent. The cost figure of $1.00, therefore, represents 68 per cent. of the final selling price. Is this perfectly clear? Suppose, again, your expense is 40 per cent., and you want to make a net profit of 10 per cent. You would then have to realize a total profit on the selling price of 50 per cent. Now considering 100 per cent. as the final price you get, and subtracting 50 per cent. of this for profit, you have left a residum of 50 per cent. for cost, and the $1.00 which you pay for the article therefore represents 50 per cent. of your selling price. You must consequently double the cost and sell the article for $2.00 if you want to realize your 40 per cent. of expense and your 10 per cent. of net profit.

Reverting now to the first example which I mentioned, that of an article which costs $1.00, and on which it is desired to make 35 per cent. gross, it may be seen right away that the cost is 65 per cent. of the desired selling price. Your problem may then be stated as follows:

$$\$1.00 : 65 :: X : 100$$

and the answer is $1.54. Instead, therefore, of selling the article for $1.35, you sell it for 19 cents beyond that. And this 19 cents means just the difference between making money and losing it. It means the difference between figuring profits correctly and figuring them incorrectly. It means the difference between ignorance and wisdom.

In this connection a few rules may be of assistance. In order to make a profit of 16⅔ per cent. of the sale price, add 20 per cent. to the cost; for a 20-per-cent. profit add 25 per cent.; for a 25-per-cent. profit add 33⅓ per cent.; for a 33⅓-per. cent profit add 50 per cent.; for a 40-per cent profit add 67 per cent.; for a 50-per-cent. profit add 100 per cent.

4. *They lose money without knowing it.* Partly because of the inaccurate method of figuring profits, which I have just been considering, and partly because department records are not kept, many druggists fail to realize a profit on some of their goods. It is pretty well known that patent medicines, for instance, bought at 68 cents and sold at 80 or 85 cents, very frequently fail to reimburse the druggist even for his cost of doing business, to say nothing of yielding net profits. But it is less frequently known that sometimes even the candy and cigar departments are poor profit makers.

Some years ago we had a statement from a druggist in the West whose annual business amounted to a little over $16,000. He kept careful department records and he found that his annual soda sales were nearly $4,000, his cigar sales over $6,000, and his candy sales something like $1,600. The soda business yielded him a gross profit of 35 per cent., the cigar business 16 per cent., and the candy business 25 per cent. Now his percentage expense was 28, and it was even 25 when, for purposes of calculation purely, his own salary as proprietor had been eliminated. He found, therefore, that he was losing money on his cigar business. Without considering his own salary at all as part of his expense, he was still losing 7 per cent., failing by this margin to make any profit whatever toward his own living, letting alone the question of surplus profits. Even his candy business, netting a profit of 25 per cent., lost money for him. It paid a little toward his salary, it is true, but it failed to measure up to his total real expense of 28 per cent.

I haven't any doubt at all that much the same thing would be true of many drug stores throughout the country. It doesn't follow, however, that because a given line is failing to yield adequate profits, it should be thrown overboard. When I read a paper on this subject before the Michigan State Parmaceutical Association last year I was taken severely to task by one or two speakers who misinterpreted my position. They assumed my argument to be that goods which didn't yield a profit shouldn't be carried in stock. They declared with perfect truth that it costs more to sell some goods than it does others. A patent medicine, for instance, which can be quickly wrapped and passed out over the counter can probably be handled for one-third the expense of a prescription. Much the same thing is true of cigars, which are sold with a good deal of rapidity. It is therefore scarcely fair to charge up against such things the average percentage expense of the whole business.

Furthermore, some things have to be carried even if they do lose money. This is noticeably true of patent medicines. It may even be true with cigars and candy, for if you throw out a given department, and put nothing else in its place, you are reducing your volume of sales and thereby increasing your volume of expense. You are therefore jumping from the frying pan into the fire. Charles H. McConnell, proprietor of the Economical Drug Store in this city, whose daily sales exceed a thousand dollars, found many years ago that his soda and cigar departments were actually losing money for him, and he promptly abandoned them. But it was possible for this aggressive man, with a fine down-town location, to take a radical step of this kind when it is frequently not possible for a small druggist in an outlyng suburb. Mr. McConnell was able to keep up and even increase his volume of sales by a more energetic drive on other features of his business, but this the small druggist cannot always do.

Someone might reply, then, what's the use of all this talk if we must keep our departments anyway? A lot of use! Every man ought to know the facts about his business. In the first place, if he finds that his candy department isn't yielding adequate profits, he can change the selling prices, or the character of the goods, in such manner as to come out whole on the business, and he can perhaps find leaks and stop them up. The same thing is true to a limited extent of the cigar department. In the second place, if a druggist realizes that he is making a low profit on a good many things in his store, he then understands the vital necessity of putting in such additional lines, and of getting such increased profits elsewhere, as will bring up his *general average* of profit. It must be obvious to every merchant that as *few* goods as possible should be sold at a gross profit below the percentage expense, and as *many* as possible above it. By no other rule can a satisfactory average be yielded. If it is necessary to carry a lot of stuff that pays indifferently, the thing to do is to expend a little gray matter in planning to put in other things that will pay handsomely and bring up the average.

5. *They don't keep the percentage of expense and the percentage of gross profit far enough apart.* This shortcoming grows out of what has been said already. I found from the statements of the 25 druggists to whom reference has been made that the average percentage of expense was 24½, and the average percentage of gross profit 38⅔. This means, in round numbers, an average *net* profit of 14 per cent. Every druggist should strive to keep his percentage of expense and his percentage of gross profit this distance apart from one another. Make your business yield 14 per cent. net on the average if you can. Hold this up to yourself as an eminently attainable ideal and strive in every way to realize

it. Others have done it—you can. Don't be satisfied with anything less. If you are, then you fall to this extent below the general average reached by druggists throughout the country.

It is my conviction that the net profit ought never to fall below 10 per cent. at the worst. Anything between this figure and the general average of 14 per cent. might possibly be considered fairly satisfactory. But if 10 per cent. is not realized, then the business needs to be looked into most carefully. Throw the searchlight on it in every detail. Conduct an investigation of the most earnest character—and don't neglect to appoint yourself your own most heartless and ruthless critic.

The difficulty of the problem must not be minimized. In striving for an average gross profit of 38 per cent.—one might better make it 40 while he is at it—it will be found that many things will have to be marked up to a selling price once, twice and occasionally three times the cost price. As Charles R. Sherman, the shrewd pharmaceutical merchant of Omaha, once said: "One of the most important points in the conduct of a business is knowing where to put the profit on, and while 20 per cent. profit would be all the traffic would bear in some instances, 80 or possibly 120 per cent. on another article would seem no more burdensome to the purchaser and would really be just as legitimate."

It must be understood that 40 per cent. on the selling price is the equivalent of 67 per cent. on the cost price, and that in realizing an advance of 67 per cent. over the cost of an article, you are putting on "all the traffic will bear" in many cases. But since this is to be your *average* profit, and not your *maximum* profit, and since you have to sell a lot of things at 15 or 20 per cent., you must summon up your nerve and tack on the advances wherever the weight can be borne. This is positively the only way you can break even. Remember this finally: If it costs you 25 per cent. to do business, which is the general average the country over for retail druggists, this is equivalent to 33⅓ per cent. on the cost figures. When, therefore, you buy an article for $1.00, and sell it for $1.33⅓, you are simply paying expenses and haven't made a cent! Don't forget this—it's a good thing to remember! A selling price of $1.33⅓ on an article costing you $1.00 hasn't netted you anything!

6. *They don't take advantage of their cash discounts.* Few druggists realize how much money they can save by availing themselves of cash discounts as they should, nor do they comprehend thoroughly that if they can cut down the cost of their goods in this manner they are certainly adding that much to what is yielded by them on sale. In a paper read last year I gave the facts about seven pharmacists who had always made it a practice to discount all their bills. The annual amounts saved by them were as follows: $150.00, $186.00, $301.26, $600.00, $600.00, $1,000.00, $5,000.00. Since that time two or three other druggists have written me about this feature of their business. A physician out West, who owns a drug store but who hires a manager to conduct it, told me that with a business of about $10,000 a year he was saving on an average $150.00 annually by discounting all his bills. In his case this meant an enlargement of the total net profit realized from the business of something like 8 per cent! In another case, that of

a Michigan druggist, $196.00 was saved last year in cash discounts. A saving of $196.00 a year is equivalent to the net profits on sales amounting to $1,500.00 or $2,000.00—in other words,one would have to increase his business to this extent to make as much money as he can make without any trouble whatsoever by merely taking advantage of his cash discounts. And yet druggist after druggist goes to sleep on this opportunity, and pays anywhere from 1 to 4 or in some instances 6 per cent. more for his goods than he should.

These are a few of the reasons why some druggists don't make more money. I haven't tried to exhaust the whole catalogue of shortcomings—but I have already talked long enough. Neither do I mean to suggest for a minute that druggists are any worse than other retail merchants. They aren't. But I am convinced in my own mind that as a class they do not make that close economic study of their business which the times demand. They are scientific pharmacists—but they are not scientific business men. Modern business is just as much of a science as astronomy or biology or engineering. The old shipshod methods won't go—we are either up-to-date or out-of-date.

THE OLD ORDER CHANGETH.

It is futile, though human, to lament the passing of the old-time apothecary, with his intimate knowledge of the drug from the appearance of the first seed leaf in the field or in the garden up to the time when it left his store in the form of an infusion or decoction. The regret has no warrant in the ultimate result accomplished, so far as the medicinal products are concerned. The most that the most skillful pharmacists could hope to accomplish under the old regime is accomplished under the new more expeditiously, more economically and more uniformly by the skilled manufacturer.

But the field which has been narrowed for the pharmacist in one direction has been widened for him in another. If the modern successor to the old-time apothecary has a scientific bent he will find an outlet for it in bacteriology, and in carrying out microscopical and chemical investigations for the physician. Scientific training, moreover, need not be wholly lost in the purely commercial aspects of the business. Indeed, there has quite recently grown up a science of commerce, which consists in the application of scientific methods to the solution of commercial problems, and the trained exponents of this new science of commerce terming themselves efficiency engineers, industrial organizers, etc., have shown that even in the smaller details of industrial and commercial callings the application of scientific principles may be made the basis for material reduction in effort and increase in efficiency. While the individual pharmacist may have been the loser by newer developments in the making of medicines, the world as a whole is the better off, and it is the type which must profit, even at the cost of the single life.—*American Druggist.*