

# DEPARTMENT OF BUSINESS MANAGEMENT

Conducted by Paul C. Olsen.\*

## RUINOUS PRICE CUTTING IS NOT THE ONLY WAY TO MEET COMPETITION.

SIX DRUGGISTS TELL OF SUCCESSFUL PLANS THAT HAVE HELPED THEIR BUSINESSES  
TO PROSPER.

### **Druggist No. 1 sells the newest goods.—**

"I am located in a small town 75 miles from New York and endeavor to get down to the city at least every two weeks. This gives me a line on new goods that I wouldn't hear about otherwise for several weeks. For instance, last fall, as a result of one of these trips, I was the first druggist in our town to have the new waterless warming bottles. I had sold over \$150' worth at full prices before my 'cut price' competitor had them in stock."

### **Druggist No. 2 gives every salesman a hearing.—**

"My store is out in the middle west, 250 miles from the nearest large city. I keep in touch with things through the trade papers and the advertising matter that comes to my desk, but I find that the salesmen who come in the store also have good ideas. All that they cost me is the time required to hear them, and I know how to get rid of a man if he is just wasting time. I find, however, that most houses won't put a man on the road unless he is capable of giving patrons or prospects some service. Last week a salesman gave me an idea for displaying tooth-brushes which just about doubled my sales on this item, and at full prices."

### **Druggist No. 3 pushes large sizes.—**

"Whenever we can do so tactfully we try to sell the larger sizes. This helps our volume sales and really is an economy for the customer. For instance, the dollar size of one item we sell contains nearly three times the amount of the fifty cent size."

### **Druggist No. 4 has free service which brings sales.—**

"We have to sell stamps and, in one way, every stamp sale is a dead loss. On the other hand, we spend hundreds of dollars every year in advertising to attract people into our store. I figure that this accommodation sale of stamps is also a magnet which draws people into the store. To get a further profit out of our stamp sales I moved the drawer to a place directly behind the stationery display. Every person who comes in for stamps sees this display and this idea adds one or more extra stationery sales every day."

### **Druggist No. 5 gets out and sees what the other fellow is doing.—**

"If I feel myself getting a little stale or if the store work begins to lose some of its zest for me, I get out—I let my assistants take charge for an afternoon, for a day, or longer, and that gives them some good experience. If I only have an afternoon, I walk around the business section of our town and see what the other merchants are doing. If there is more time I visit some of the nearby towns. I do not look

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\* Instructor of Merchandising, Wharton School of Finance and Commerce, University of Pennsylvania; Lecturer on Business Administration, Philadelphia College of Pharmacy and Science.

only at drug stores; I find that merchants in other lines use ideas that can be applied to my business. A jeweler's use of draperies in his window gave me an excellent idea for displaying our line of perfumes."

**Druggist No. 6, keeps on good terms with the wholesalers and manufacturers.—**

"It isn't always as easy as it sounds to pay every bill when it is due. For me it has sometimes meant borrowing from the bank or going without something I wanted. Now, however, I am beginning to see the practical results of sticking to this policy. Wholesalers and manufacturers tell me I am what they call a 'preferred customer.' This means that when there is any shortage of merchandise I am apt to get my orders through first, because I pay most promptly. Last spring brought a striking demonstration of this. Our city was in the midst of a small-pox scare and vaccine was becoming scarcer and scarcer. I was able to keep a good supply on hand because, as one house put it, 'Why shouldn't we give you preference? We can sell right now all we can produce; why shouldn't we sell it to the people who pay us promptly?' Thus I made a lot of profitable sales that other druggists had to pass up, and, in addition, this added to my reputation for dependable service."

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**WHEN A QUICK TURNOVER MEANS A QUICK LOSS.**

SOMETIMES THE FASTER YOU SELL YOUR GOODS THE FASTER YOU LOSE YOUR MONEY.

THIS ARTICLE TELLS WHY.

Druggist Brown shook his head dubiously. His friend, Herbert Smith of the Newfound Soap Company, had just finished a 5-minute enthusiastic talk about his product and the gigantic newspaper advertising campaign which was appearing to acquaint the general public with it.

Its claims to merit were unquestioned. Druggist Brown knew that, but still he hesitated to place his order. Finally he said, "'Newfound Soap' is all right, Smith, but I don't see how you expect me to make any money on it when we buy it for \$8.00 a case and sell it for \$10.00. That's only a 25 per cent mark-up."

"But think of the turnover," quickly answered Smith. "In a store doing the business yours does you can sell a case of 'Newfound Soap' a week. We have a distributing depot here in town so you won't need to order more than one case at a time."

Smith then took out his pencil and reached for the pad of expensive paper that Brown reserved for demonstrating fountain pens. He continued, "You buy 'Newfound Soap' for \$8.00 and sell it for \$10.00. There's a profit of \$2.00 or 25 per cent on your investment. But, listen, how long did it take you to sell that case? One week. You made 25 per cent in one week. In a year therefore, you make 52 times 25 per cent or 1300 per cent on your investment of \$8.00 in 'Newfound Soap.'"

Brown was impressed. His mind wandered to the dozens of half-filled bottles of old-fashioned compounds which had been in the store when he bought it 10 years before and were still there. He wondered how much money he would have made if he had been able to turn over this stock once a week during the past ten years. That was enough. He would stock this fast-selling soap, even if his mark-up was only 25 per cent. The fast turnover would bring in the profit, and a handsome one, as Smith's figures showed.

Fortunately for Brown, all his stock was not sold on this fast turnover, low margin theory. *Otherwise, in a few months Brown's fine store would have been the object of a sheriff's sale.*

Turn for a minute to Brown's profit and loss statement for the first 11 months of 1925. It shows:

		Per cent.
Sales	\$44,000	100
Cost of goods	26,400	60
Expenses	13,200	30
Profit	4,400	10

His cost of doing business has averaged 30 per cent of his selling price. That is to say, on every dollar's worth of goods he has sold, 30 cents has gone to pay the salaries of his help, rent, light and heat, delivery and the dozen other expenses that he incurs in selling his merchandise. While some of these expenses are fixed, most of them vary with the amount of business done. For instance, more sales mean more sales-people, a larger wrapping and delivery force and eventually more floor space. This statement is borne out by the fact that the costs of doing business in the largest department stores show little percentage variation from those of much smaller stores.

Now consider this soap deal. Assume that Brown gets the full price, which in the case of a heavily advertised and highly competitive article like soap is not at all certain.

		Per cent.
Brown's sales of 1 case of Newfound soap will be	\$10.00	100
The cost of these goods is	8.00	80
His expenses will be (the percentage shown by his profit and loss statement)	3.00	30
His loss on the deal is therefore	1.00	10

Moreover, this \$8.00 investment is expected to turn over once a week. Thus in a year's time Brown's total loss is \$52. Quite a difference from the glowing picture of profits previously outlined!

Here is the lesson in this story of miscalculated profits.

First, there are two elements of cost in every sale: (a) the cost of the merchandise sold; (b) the cost of making the sale (the expenses or overhead).

Second, if the selling price is not sufficient to pay both the cost of the goods and the cost of making the sale (the expenses or overhead) a loss is inevitable, and the faster the turnover the greater the loss.

The reader should not infer from this that rapid turnover in itself is undesirable. Quite the opposite. For example, a druggist makes 4 times as much on his investment in an article which nets him 1 cent and which turns over 12 times a year than he does on an article which pays a profit of 3 cents but which turns over only once a year. *However, in order for any profit at all to accrue the selling price must be sufficient to pay both the cost of the merchandise and the cost of selling it.*

#### A BUSINESS ARTICLE WORTH READING.

"The Case Against Comparative Prices." *The Nation's Business*, October 1925, page 60. Bernard G. Priestly tells why many of the country's largest department stores are eliminating all comparative prices from their advertisements.

## SEASONABLE DISPLAYS FOR DECEMBER AND JANUARY.

Perfumes and Toilet Articles.	Atomizers and Syringes.
Brushes.	Thermometers.
Flavoring Extracts and Spices.	Chest Protectors.
Olive Oil.	Hot Water Bottles and Warming Pads.

## ACTIVITIES OF W. J. M. GORDON.\*

## HISTORICAL NOTES ON THE EARLY MANUFACTURE AND USE OF GLYCERIN IN THE MIDDLE WEST.

BY JOHN URI LLOYD.

Sixty years ago, September, 1864, the AMERICAN PHARMACEUTICAL ASSOCIATION held its meeting in Cincinnati.<sup>1</sup> That was the first meeting attended by the writer of this paper, who though but a lad, recalls most vividly incidents connected therewith. My employer, W. J. M. Gordon, took the most active part of any Cincinnati member and at that meeting was made *President* of the A. PH. A.

With a respect approaching veneration the writer viewed the semi-official visit made by a party of the "celebrities" present to the Gordon establishment. Among them, conspicuous to memory, are Procter, Parrish, Ellis, Taylor of Philadelphia, Sharp and Caspari of Baltimore, Markoe of Boston, as well as others whose faces rise before me as recollection bridges the sixty-year chasm between that day and this.

Reference to the PROCEEDINGS of that year shows that the members present embraced many whose records stand as milestones in the progress of American Pharmacy. For example: John M. Maisch, Frederick Stearns, Enno Sander, H. N. Rittenhouse, P. W. Bedford, H. A. Elliott, may be mentioned as among many others well known, taking part on that occasion. This introduction brings us to the subject of our present paper, namely—Glycerin.

At that time glycerin was just coming into pharmaceutical and therapeutical service. The writer has particular reasons for remembering this material, because at that date his employer, Mr. Gordon, was absorbed in this "wonderful new menstruum," being the only manufacturer west of the Allegheny Mountains. He was the earliest Cincinnati investigator concerned in the applications of glycerin to medicine and its use in the arts, and naturally an enthusiast concerning the glycerin problem as a whole. His factory, located in Deer Creek, was at that date largely devoted to glycerin and the newly introduced glycerin products.

Let us first consider the name itself, pronounced so differently by different persons. It was varyingly accented as glycerine'—glycerène'—glicerine'—and occasionally glycerin, the preferred name as I remember it being glycerène', although glicerène' was also a favorite, spelled with the final e.<sup>2</sup> This demonstrates

\* Section on Historical Pharmacy, A. PH. A., Des Moines meeting, 1925.

<sup>1</sup> Hall of the Catholic Institute of Cincinnati, Wednesday, September 21, 1864, 3 P.M.

<sup>2</sup> The use of superheated steam enabled Mr. Gordon to make his "Pure Concentrated Glycerine," which process, see the *Report of the British Association for the Advancement of Science*, had been introduced in England in 1855. Note the spelling of the word, *Report*, 1855, p. 75 of the *Abstracts*.