

## THE COST OF FREE GOODS.\*

BY W. BRUCE PHILIP.

The Cost of Free Goods. Does this title seem foolish? Do we not have invisible hair nets and invisible face powder in many shades and color? Can you not see and feel vanishing creams? Titles or names mean so little that a true knowledge of words used must tell every story. Business means success or failure. Success is achieved and failure overcome or prevented by knowledge. Therefore, any knowledge on the cost of free goods should be of value.

In talking to the credit men of our local wholesale drug houses as to why certain drug stores are not successful, I was told a large percentage of the failures were due to improper buying. In analyzing improper buying I found that a large number of druggists did not understand "quantity buys." They faced dangers without appreciating them. The only "stop, look and listen signs" were their bank accounts. This sign was not noted before the danger was reached, but after the danger was passed. Very often it was good luck alone that allowed the druggist to miss the danger sign and arrive at a position where the sign could be read. Can we move this "stop, look and listen sign" from past the danger to some bright noticeable place in advance of the danger, so that the retail druggist can be properly warned? Surely, a careful consideration of buying will help materially. If we understand what we are doing and place the proper value on words and contracts, much trouble will be avoided.

I will not endeavor to discuss all phases in quantity buying of merchandise, but only discuss the commercial term "free goods." Frankly, free goods are seldom offered the retail druggist. I do not desire to criticise the salesmen or firms that advertise or try to sell deals containing an offer of so-called free goods. I do criticise the retail druggist who swallows this bait, carrying the hook, line and sinker, without a thought as to the true meaning of the word "free." Let us start with a practical illustration:

You are offered a gross of a tonic at \$8.00 per dozen and you are to receive one dozen of the tonic free. When the goods and the bill come to your store you find a package containing one gross and one dozen of the tonic and receive a bill reading "12 dozen at \$8.00 equals \$96.00." Right under this you will find a line that reads: "One dozen FREE" and the word Free in large type to impress you as to the terms of the deal. What are you going to mark this merchandise? Will your marking tell you that this tonic costs \$8.00 a dozen or 67 cents a bottle? If so, you are putting \$104.00 worth of so marked merchandise on your shelf and for this same merchandise you will pay only \$96.00. Is this fair to your next inventory? Would you buy a drug stock marked in that way and pay inventory price? You certainly would not. Then at what price should these goods be marked? Can we not truthfully say we have bought a certain lot of merchandise for which we have paid a certain price? Is that not the whole and only story as far as cost is concerned? If so, thirteen dozen cost \$96.00. One dozen cost \$96.00 divided by 13, or \$7.39 per dozen. This divided by 12 gives 62 cents per bottle.

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\* Read before the Section on Commercial Interests, A. Ph. A., Philadelphia meeting, 1926.

If you do not agree with me, which dozen is the free dozen and how does this dozen differ from the other 12 dozen in the shipment. Under what principle of sound and fair merchandising are you going to mark this dozen that you say costs you nothing the same retail price that you mark the other merchandise that you say costs you 67 cents a bottle? Will not such a system of marking your goods make of your business a guess as to its success and increase your chance of business failure?

Many deals and offers of so-called "free goods" differ slightly from the above example. Time will prevent the consideration of all. Still one or two may be presented to you in an endeavor to show that thought and knowledge are essential to considering this commercial problem. You are offered the three dozen of a live seller, say Milk of Magnesia, at \$4.00 a dozen, and one dozen 25¢ liver pills, dyspepsia tablet, or what-not, of a wholesale value of \$2.00 per dozen, free. It is a simple problem in arithmetic to consider this dozen of liver pills at \$2.00 per dozen as one-half dozen units worth \$4.00 a dozen. Then having found the cost of  $\frac{1}{12}$  of a dozen of the \$4.00 a dozen unit, the price of the liver pills is determined by dividing by 2. While the Milk of Magnesia may be a good seller the liver pills may be of the slow turnover type. Is it fair to reduce the price of the magnesia and fool yourself as to an extra profit, when actual results may find the magnesia all sold and most of the liver pills on hand? This thought is one of the "stop, look and listen signs" that may make you think twice before you buy such a deal.

I purposely refrain from discussing this problem further and leave the question as a famous novelist left the question—do you get the lady or the tiger?

#### ABSTRACT OF DISCUSSION.

H. J. Goeckel referred to a purchase by a druggist of a preparation in a large quantity, because of free goods and discount. Much of the purchase is still on his shelves.

P. Henry Utech asked for Mr. Philip's opinion on exchange of slow sellers for unknown goods. The author remarked that thereby the sale of the druggists' own preparations was cut down. A sale established on an unknown product may result in not being able to secure any more of the preparation, or only at a price which does not produce a profit. The former brought out the further point that stock on the shelf meant a gradual but interest-consuming investment. Chairman Hunsberger stated that an unknown preparation as bonus required an effort to sell the article by recommendation, a habit that ought to be discouraged.

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#### PHARMACISTS IN POLITICS.

In a reply to a letter from Secretary J. G. Noh, of the Pennsylvania Pharmaceutical Association, in which request was made to Senator Pepper to give consideration to certain legislation in Congress, the Senator replied fully relative to the latter and closed his letter by saying that the Pennsylvania Pharmaceutical Association ought to be in politics as soon and as effectively as possible. His

observation had led him to believe that the type of people that compose the Pennsylvania Pharmaceutical Association are of the type whose influence on public life is altogether wholesome, and that the opportunities carried with them responsibilities. He considered it was the duty of the members of the Association to make their influence felt on the side of wholesome legislation and diligent law enforcement.