

DEPARTMENT OF BUSINESS MANAGEMENT

Conducted by Paul C. Olsen.*

COMMENTS, QUESTIONS AND SUGGESTIONS ARE INVITED AND WELCOME.

Readers are invited to submit comments, criticisms and suggestions regarding the material which appears in this department. The Editor will also undertake to answer questions regarding general problems of business management. Letters of general interest will be published, but the writer's name will not be revealed without his permission.

ADVERTISING AND SELLING PROBLEMS OF DRUG STORES.

PERSONAL SALESMANSHIP IN DRUG STORES.

BY PAUL C. OLSEN.

Sales in drug stores are of three general types, depending upon whether or not choice is involved in the purchase, and upon suggestion. An example of a purchase in which choice is infrequently involved is a tooth paste. In such cases, the customer usually has decided before ever she enters the store that she needs tooth paste and is going to buy it. Most druggists have observed, too, that she has decided on the brand which she will buy.

Sometimes it is said that in such purchases that the salesperson is little more than a cashier whose function is to receive the money, make change and wrap and deliver the package to the waiting customer.

Even in such cases, however, there is opportunity for the salesperson to employ skilfully many of the characteristics of successful personal salesmanship. The objective is, of course, to make the customer so pleased with the reception and service she has received that she will continue to make purchases in the future at that particular store.

This is of the greatest importance in all drug stores because, even in the so-called transient stores, the bulk of the business comes from a relatively small number of people to whom that store is more accessible and more convenient than any other drug store. This is true to even a greater degree, of course, in city neighborhood drug stores and in drug stores in communities of small population.

An example of a sale involving choice is a stationery purchase. The customer says, for instance, he would like some correspondence cards or he would like a notebook or other stationery for a special purpose. A selection must be made by the customer with the skilful assistance of the salesman. Other types of merchandise in which choice is frequently involved are cameras, bristle goods, rubber goods and perfumes.

A type of sale often employed in some drug stores is that in which suggestion is involved. This is the so-called companion sale. A customer makes a purchase upon which she has decided before she enters the store. Then the salesperson suggests to her additional purchases which appear logical in view of her original purchase. The tooth paste purchaser, for example, is asked to buy a tooth brush

*Lecturer on Business, Columbia University and Philadelphia College of Pharmacy and Science.

and, perhaps, mouth wash. Sometimes the suggested sale is of a totally unrelated item. The justification for calling such an item to the attention of a customer after she had made an original purchase is the special value offered by the suggested item.

Consider first the personal characteristics which are vital to the success of a drug store salesman in the case of merchandise in which choice is not often involved. He should know where the goods called for are in the store, so that he can find them without delay to himself and to the waiting customer. I have observed many drug stores in which unnecessarily large sales forces are employed with consequent high salary costs simply because the merchandise for sale is so disordered and poorly arranged that salespeople must spend a large part of their time looking for items called for by customers.

A further aid to drug store profits is a knowledge by salespeople and an arrangement of the stock so that he can sell, first, the merchandise which has been in stock the longest. I have observed many times when merchandise is placed on the shelves in a drug store that the new stock is placed in front of the stock of the same item already there.

It is natural for a sales person trying to wait on a customer quickly to take the item which is easiest to reach. When stock of an item has been replenished several times, it is not hard to see that on the back of the shelf will be two or three or four of that item which have been there indefinitely.

This increases the likelihood of this slow-moving part of the stock becoming shop-worn, damaged or deteriorated. The net profits from the sale of a dozen of many drug store items are so small that if even one-twelfth of that dozen becomes so shop-worn that it cannot be sold, *the result is likely to be no net profits from the sale of the entire dozen.*

For instance, a druggist buys a quarter dozen at a time of a 50-cent item. He pays \$1 for the quarter dozen. He reorders each time he observes the stock of that item to be reduced to one-twelfth dozen. For four quarter dozen orders he thus has paid \$4 and should receive from their sale, \$6. Assume that the cost of making each sale is 13 cents, of which 8 cents is the actual cost of waiting on the customer and handing the merchandise to him and 5 cents is the cost of keeping the merchandise in the store ready for sale.

Now suppose that as these replacements of stock are made, a quarter of a dozen at a time, the twelfth dozen remaining in stock is pushed back further and further and not sold until it is so shop-worn that it cannot be sold.

Carrying costs on the dozen used here as an example are twelve times 5 cents, or 60 cents. Selling costs on the eleven sold are eleven times 8 cents, or 88 cents, a total of \$1.48. For merchandise which has cost this druggist \$4, he is receiving from the sale of eleven of that item, \$5.50, leaving him a gross profit of \$1.50, from which to pay carrying and selling costs of \$1.48, or a net profit of 2 cents on the eleven transactions. This is less than one-fifth of a cent net profit on each item sold.

On the other hand, if the druggist had sold the entire twelve, instead of allowing one of that twelve to be pushed back and become so shop-worn it could not be sold, he would have received \$6 for the merchandise for which he paid \$4, a gross profit of \$2. Carrying costs on the twelve items would have been twelve times

5 cents, or 60 cents and selling costs twelve times 8 cents, or 96 cents, a total of \$1.56.

With a gross profit of \$2 and expenses of \$1.56, his net profit from the sale of a dozen, thus, was 44 cents, twenty-two times as much as was the case when stock was not sold in the order in which it was received. This is one of the most important reasons that many druggists do not earn the profits they should from the operation of their stores. One important characteristic of drug store salespeople should be, therefore, a recognition of the effect of these conditions upon drug store profits; also that most merchandise is subject to the competitive prices of stores in which the overhead is less because of greater volume of sales—the fact points out that development of the professional character of the service, to a certain extent, limits competition to those who have more closely related viewpoints.

Other characteristics vital to successful personal salesmanship in drug stores in any of the three types of sales enumerated before in this article, will be the subject of the next article in this series.

PROFESSIONAL PHARMACY EXHIBIT AT WISCONSIN PHARMACEUTICAL ASSOCIATION.

One of the unique features of the 1932 Wisconsin Pharmaceutical Association Convention will be that of a complete professional pharmacy set-up in the Hotel Schroeder, Milwaukee, Wisconsin, July 12th to 14th. This undertaking is being sponsored by the University of Wisconsin School of Pharmacy, through Dean Edward Kremers, in cooperation with Merck & Co., Inc. The exhibit will include three 15 x 15-foot sections, one section for a modern prescription shop; a second for a library reference room and the third for a reception room. In the prescription shop, the special type prescription desk will be featured. Members of Pharmacy will be engaged in the actual compounding of prescriptions during the convention dates. There will be a nurse in charge of the reception room as well as a number of members of the faculty engaged in library reference work in the library. The audience will be seated in front of this forty-five-foot exhibit space and will be privileged to witness the entire procedure during which times a series of four lectures dealing with professional pharmacy will be delivered by Prof. Anton Hogstad.

The Southwestern Bell Telephone Company is cooperating to the extent of installing a modern switchboard with a number of trunk lines as well as private lines. One or two of these private lines will be extended to places

in the audience so that the pharmacists and physicians in attendance will be privileged to telephone in prescriptions and then to actually witness the entire procedure.

RESOLUTIONS OF TEXAS PHARMA- CEUTICAL ASSOCIATION.

Texas Pharmaceutical Association adopted resolutions as follows:

In opposition to various forms of increased taxation.

Commending the high standard of excellence of the School of Pharmacy, University of Texas.

Favoring development of a four-year course in pharmacy.

Commending Hon. Clyde Kelly and endorsing Capper-Kelly Bill opposing combination deals.

Condemning methods subversive to the principles of Fair Trade practice.

Condemning the practice by the press of referring to narcotic raids, and the like, under the term of "drug." Condemning also similar application in moving pictures.

Endorsing the President's recommendation of county organization work.

Expressing approval of the work of Secretary Walter D. Adams and the national recognition given him as President of the AMERICAN PHARMACEUTICAL ASSOCIATION.

Urging the passage of a measure by the state legislature which will prohibit unfair competition, patterned after the Federal Trade Commission Act.