

Contributed and Selected

THE RELATIONS OF THE PROPRIETOR TO THE RETAIL DRUG-GIST AND PRICE MAINTENANCE.*

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I would like to say at the beginning of this report that the views of your chairman may be somewhat influenced by his personal position in regard to some important details which later will be quite thoroughly discussed.

Our relations with the retail trade appear on the surface and from the personal standpoint to be cordial and satisfactory, and the volume of business is on the whole fairly maintained.

To those in closer touch with the retail dealer, and therefore better acquainted with his personal views and his organized efforts to make such views effective, there is, I think, easily recognizable a serious movement, not perhaps intentionally so, but nevertheless antagonistic to the interests of proprietary manufacturers.

This movement has no reference, as a rule, to the merits or demerits of the articles themselves, but has had its origin in the rather complicated conditions arising from (1) a compulsory change in the working methods of the organized trade, (2) from the extremely unsatisfactory price schedules in the large cities and the localities immediately surrounding them, and (3) to an uneasy feeling among the ultraethical members of the trade caused by the vicious attacks upon proprietaries generally made during the last five or six years by individuals who have been either misled by their prejudices and associations or who have had some commercially selfish end in view.

You will remember that the slogan of the N. A. R. D. at its organization was and is now "Live and let alive," and a very good slogan it is.

Following the decision of the Federal Court at Indianapolis, commonly known in the trade as the "Indianapolis Decree," much of the militant spirit which previously characterized the efforts of the organization for better prices disappeared of necessity, and was replaced by a much more chastened feeling, and followed by efforts to maintain the prestige and influence of the association along other lines. The immediate result was the propaganda movement, far heralded at the start, but apparently in the net result somewhat disappointing.

*Abstracted from the "Report of the Committee on Relations with the Retail Drug Trade," presented at the last annual meeting of the Proprietary Association of America. The paper is reprinted as a contribution to the subjects of price maintenance on proprietary medicines and the cooperative manufacturing and buying movement. The report is not only well written and readable, but presents a fair-minded statement of the retailer's reasons for being dissatisfied with his present profits on proprietary goods, and shows that the proprietors are awakening to the necessity of cooperating with him in devising or finding an effective legal method for giving the relief asked for.

While this movement may not have measured up to the fond anticipations of its friends, it yet had a temporary tendency to bring the druggist and physician closer together, a result which could hardly be an advantage to the manufacturing proprietor. In this movement the idea was to induce the physician to use in his practice the pharmaceuticals made by the druggist instead of those made by the well-known manufacturers of pharmaceutical specialties. A certain amount of detail work was done among physicians, many "get together" meetings were held, and the doctor was urged to use the home products of the druggists. The arguments presented doubtless had a considerable effect, but I can easily imagine that some of them fell on unsympathetic ears and that propositions on the quid pro quo order might have been made, which if accepted by the druggist must have bound him to look with less favor on the sale of advertised proprietaries.

Following also the "Indianapolis decree," the cut-rate situation in many localities grew steadily worse, not that prices were cut nearer to cost, but that more cutters and cut-rate cities developed, and the chain store idea came more and more to the front.

As a corollary to the chain store in private hands various enterprises, large and small, of a co-operative nature, with druggists as stockholders, were organized and most of them appear to have met a fair measure of success.

Chief among the chain store enterprises are the Riker corporation, the Owl Drug Company and the United Drug Company, the latter sharing profits with retail druggists who are its stockholders.

The Riker concern, known as the Riker-Hegeman Corporation in New York and New Jersey, has also located in Philadelphia and Washington, D. C., besides acquiring stores in Schenectady and Rochester, N. Y., while as the Riker-Jaynes Company it is firmly seated in Boston and most of the other cities of Massachusetts, Rhode Island and Connecticut, and is about to begin operations in Portland, Me., with prospects of farther extensions in the States of the Middle West. The Owl Drug Company covers the Pacific coast states.

The United Drug Company is now operating a number of stores in the New England cities and in Buffalo, N. Y., and is marketing the "Rexall" line throughout the country with the assistance of those dealers who are among its stockholders.

The Owl Drug Company has long been the dominant concern in California, Washington and Oregon and has been a persistent price cutter, thoroughly demoralizing the trade in localities in which it operates.

The United Drug Stores of Baltimore is also a newcomer in the field.

It would seem that the Riker stores of New England were able alone to sufficiently demoralize the trade, but in the cities where United Stores are also located and in which the competition on advertised proprietaries is something frightful, the lot of the average druggist, ground as he is between the upper and nether millstone, must be very unhappy.

One of the most deplorable features of the situation is that the conditions described are unlikely to be long confined to present areas.

The smaller co-operative ventures of dealers in the various cities, the "buying clubs" and many small jobbing houses owned by the retail dealers which are

thorns in the flesh of the regular wholesale druggists, add their complications to the general situation, not only for the jobber, but for the manufacturer.

These co-operative ventures at first originated in localities (usually large cities) in which the retailer, unable to protect himself adequately against the ruinous prices made by the professional cut-rate dealers—that is, being unable to control his own selling price—looked with much favor upon plans which gave promise of a saving at the buying end.

This movement, however, has grown in some instances to larger proportions, and has been handled in a manner to excite the envy of promoters who have long traveled the path of high finance in other lines.

It has also involved the manufacture and sale of many articles of a proprietary nature, often on a small scale, but sometimes on a large one, and as to which every individual sale over a retail counter has been based on a demand created by your advertising and in each such instance your legitimate business and profit have been diverted to other channels.

The conditions outlined above have been of gradual growth, and for that reason their influence has not been readily noted, but taken as a whole it would seem that they must work to our disadvantage, not only in the movement of our products through the hands of retail distributors, but also in a divergency of interest, which is sometimes manifested in a lukewarm support in matters which are important to us, or by a seeming disregard of our welfare in matters which seem important to them.

The conditions to which I have called your attention are in my judgment very important to every proprietor, and are due primarily to the inability of the retail druggists to obtain the fair profit on advertised proprietaries which we say he should have and to which he is certainly entitled.

It is true that with the ultra-ethical portion of the trade arguments unfriendly to proprietary interests would have had their influence regardless of price conditions, and articles marketed on fake lines or palpably sold for improper purposes would have been the subjects of discrimination by the self-respecting druggist doing his plain duty to the public, but it is a commercial axiom that the interest of a merchant cannot easily be diverted from a legitimate and reputable article whose sale shows a reasonable profit. However, when that profit disappears why should he be interested? Why is not a certain antagonism perfectly natural and why is the idea of substitution not the inevitable result?

I do not undertake to fix the blame for this trade difficulty, but the fact remains that it is a glaring absurdity to expect a retail merchant—and the druggist is a retail merchant to the extent of half his business or more—to continue to sell articles of any nature on which he makes but an inadequate profit or none at all.

Don't blame the druggist generally for this condition. He is in business to make a living, and as he cannot do so by selling your article without a profit he will sell something in its place whenever possible upon which his profit is adequate. And remember, too, that it is the business of the various syndicates, co-operative concerns, and the older manufacturers of non-secret goods to furnish the trade the proper articles with which to effect the substitution. Re-

member, too, that these concerns flourish in proportion to the spread of professional price cutting, and that the loss in your business is measured by their success. Bear in mind, also, that the habit of substitution is not natural but acquired.

It does not matter where the blame lies. It does not matter that the trouble originates in the ranks of the retail trade. The important thing is to find a means of cutting out the professional price cutter. The retailer says that the manufacturer should do it, but he does not point out the way. The manufacturer perhaps has a right to say that he is not responsible, but that attitude cannot rehabilitate his business, nor assist his retail distributor, and is probably tempered by the theory that he gets his price and his profit, no matter what happens to the goods after they leave his hands, which theory is, in my judgment, very short sighted.

The obvious method of accomplishing this result is unfortunately closed by the various anti-trust laws of the states and nation, and we have this very peculiar situation—that a small retail merchant cannot protect himself against piratical price cutting on articles which comprise in volume about one-half of his business, though the laws were designed to prevent monopolies and discourage unfair competition, and the decent manufacturer takes his business life in his hands and jeopardizes his personal liberty if he tries to assist him.

I am not attempting to point out the solution of the problem, but believe that the anti-trust laws should be so amended as to protect the average merchant against the unfair encroachment of his large and purse-proud competitor. The small merchant has certainly some rights which even the legislators and the public should respect.

Articles in a recent number of Everybody's Magazine on the "High Cost of Price Cutting," by Prof. Galloway, of New York University, and by Henry B. Joy, of the Packard Motor Car Co., show that similar troubles afflict other lines. The Ingersol Watch Company, among others, is also having trouble to maintain the price on its dollar watches.

Some legislator in New Jersey has evidently seen light on this subject, for after the passage in the Legislature of that State of a number of very stringent anti-trust bills, he introduced a bill which is now a law forbidding the stealing of the trade-marks, good will, etc., of another, in which good will the advertised retail price is included and compelling the observance of that price if notice of a fixed selling price accompanied the package. If this law can be sustained in the courts it will do much for the merchants of New Jersey.

My observation is that our relations with our ultimate distributors are from a personal standpoint satisfactory, and on the commercial side only fair, with a tendency to grow worse. If we all made it a point to keep in close touch with the retailer, co-operating wherever possible with his legitimate efforts to better his condition, if we attended his trade association meetings, if we took pains to consult with him individually and collectively as to matters of mutual interest, we should be better able to share his viewpoint and better able to help him and ourselves when emergencies arise.

I cannot believe that any argument along this line is necessary, as the advantages from a close association with our distributors is so self-evident. Nor do I

think I should take the time to go into this phase of the subject in detail. Gentlemen of your business experience are well able to devise means for accomplishing the desired result without elementary instructions. You have all taken post-graduate courses. My aim is to bring to your attention the vital necessity of close and pleasant relations with those who hand our goods over the counter to the public for whose business we advertise, and to insure so far as is possible that this transaction is accompanied by a standard and adequate profit.

I want to urge upon you as strongly as possible the great importance of making a personal and business friend of the retail druggist. Go to him with legitimate preparations advertised on clean lines, convince him that you have his interest in mind as well as your own, and your enemies will find it difficult to induce him to join in unfair attacks on your business.

BUYING CHEMICALS FROM PEDDLERS.

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The writer well remembers that some years ago, when refined deodorized wood alcohol was first placed on the market under a fanciful name, silver tongued salesmen were trying to convince the pharmacists throughout the country that this product was non-poisonous, and was in every way equivalent to grain or ethyl alcohol, and could be used in its place. As the result of this, many druggists throughout the United States were induced to use this product on account of its cheapness, and as a consequence some druggists had to pay fines, or even go to jail.

Practically the same conditions have existed, and do still exist ever since the new chemicals, the so-called coal tar derivatives, have been introduced into the United States. The large chemical industries especially those of Germany, have spent thousands, nay millions of dollars to perfect and to introduce these products, and for that reason, are charging a fair, and in some cases, a somewhat fancy price for these new chemicals. The processes of manufacture are patented, and the names of the chemicals are trade-marked. This serves as a protection for the manufacturer. The little republic of Switzerland has a patent law, which refuses protection to chemicals and chemical processes, and the result is that most of these chemicals are duplicated or imitated in that country, and are distributed from there. The United States in particular seems to be one of the large outlets for these products. Sometime ago, the writer read the following letter from a firm in Philadelphia:

"Kindly note that we have reduced prices on Givaudan's chemicals. Perhaps, at times, you have calls from druggists who want chemicals at ruinous low prices, regardless of whether the goods are A1 or not. If so, we have some of Siegfried's chemicals on hand, which we will sell below cost. You, of course, buy these at your own risk. Any reasonable offer will not be refused if you can use same."

Just think of such a condition in medicine, intended for the cure and relief of the sick! These imitation goods are distributed by peddlers, who deliver their