

SECTION ON COMMERCIAL INTERESTS, AMERICAN PHARMACEUTICAL ASSOCIATION

NET PROFITS AND THE AVERAGE SALE.*

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The cost of doing business in the average retail drug store amounts to approximately 25 percent of the total cash receipts. Out of every dollar taken in almost 11 cents must be paid out for salaries; 5 cents for general expenses; 4 cents for rent; and $1\frac{3}{4}$ cents for advertising; while another 4 cents will fail to appear in the net profit column because of the incidental expenses of insurance and taxes, heat and light, deliveries, depreciation and shrinkage, supplies, and bad debts. The item of "overhead expense" is a very real part of the cost of selling merchandise and should be so considered when determining upon retail prices and in figuring profits.

The smooth-talking salesman who explains that an item which costs the dealer 50 cents and sells for 75, nets him a profit of 50 percent, is figuring profit, and gross profit at that, on the cost price and is either deliberately misstating facts in order to create a sale or is ignorant of the fundamentals of retail selling. Twenty-five cents is 50 percent of the cost price but is only $33\frac{1}{3}$ percent of the selling price, so instead of making 50 percent gross profit only $33\frac{1}{3}$ percent gross profit is made and, after deducting 25 percent for overhead expenses, only $8\frac{1}{3}$ percent remains—quite a different figure from the one set by the salesman.

Let us analyze an average transaction in an average drug store, for instance, the sale of any standard advertised proprietary remedy which, intended to retail at \$1, sells at the cut price of 85 cents.

In this transaction the retailer suffers an initial loss of 15 cents because of cut prices, that amount being retained by the customer. The remaining 85 cents, the actual selling price, passing through the hands of the salesman, finds its way into the cash register and is distributed somewhat as follows:

DEMONSTRATION.

Sixty-five cents pays the cost of the merchandise, leaving 20 cents as gross profit from which he must pay overhead expenses amounting to 25 percent of the selling price, as follows: salaries, 9.30 cents; general expenses, 3.81 cents; rent, 3.41 cents; advertising, 1.49 cents; insurance and taxes, 1.02 cents; heat and light, 0.58 cent; and here we discover that there remains but 0.39 cent to pay for the cost of deliveries, depreciation and shrinkage, supplies, and bad debts, amounting in all to 1.28 cents, leaving a deficit of approximately 0.89 cent, which must be paid and since we have no other source available we must withdraw that amount from the bank. In other words, instead of making a profit on the sale of the average advertised article selling at a cut price, we actually lose money on every such transaction.

If such sales were unusual we could perhaps afford to pay little heed to them, but they occur many times every day and the situation is so serious as to merit our most careful study. We cannot long afford to do business at a loss and since a considerable proportion of our retail sales bring us little or no profit we must

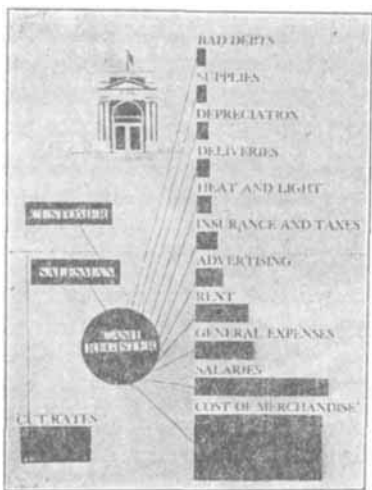
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cast about for a means of transforming unprofitable into profitable business. The problem is, "What shall we do about it?" and the apparent answer is, "Sell the customer what he comes in to buy and, in addition, sell him some other item—one that nets a good margin of profit.

Suppose, for instance, that the customer who purchased the advertised item in the transaction just described is shown a special hair brush, retailing for \$1, and purchases it—that dollar will be distributed as follows:

DEMONSTRATION.

In the first place, there is no loss from cut rates and the dollar reaches the cash register intact. Fifty cents of it will suffice to pay the wholesale cost, 50 percent representing the usual margin of profit in the sale of sundry items of this kind; it is not necessary to add anything to the cost of salaries, because the same sales-



man who sold the first item also sells the second; the general expenses are not affected by this additional sale; the rent remains the same; the cost of advertising may, because of the cost of show cards and window displays, advance a fraction of a cent, and we shall make a liberal allowance here of an entire cent; the cost of insurance and taxes remains unchanged; no more heat and light is required; there is actually less loss from depreciation and shrinkage when such additional sales are made, because they increase the number of turnovers, prevent loss from deterioration, and reduce the amount of capital invested—but we will permit the figure to stand as it is; the cost of deliveries may advance 1 cent and we shall allow for that; more paper and

twine will be required to wrap the parcel because of its increased size, thus increasing the cost of supplies, and we shall deduct another cent from the gross profit to cover that; and, finally, because these additional sales are usually made to cash customers, there is little or no increase in the loss from bad debts, but we shall generously provide 1 cent here for possible additions to the list of uncollectable accounts. Now, with the cost of the merchandise paid and every item of overhead expense taken care of, we find we still have 46 cents which is net profit and, because there is hardly a better place to put it, we shall put it in the bank. Selling the additional item has transformed an unprofitable sale into a profitable one and has added materially to our cash balance in the bank.

THE AVERAGE SALE.

Not many retail druggists know the amount of their average sale. In a certain large chain of drug stores in the East the average sale is 30 cents to each customer, while a Western chain, after devoting years to training its salesforce, improving the quality of its merchandise, and perfecting its store service, has advanced the figure to 49 cents. The average in the United States is 35 cents and the lowest figure compatible with safety is 25 cents. It has been pointed out that

if every salesman in the chain system referred to above with a sales average of 30 cents, should sell only 10 cents more to each customer, that is, increase their average sale to 40 cents, it would result in an increase of eight and one-half million dollars in the annual gross receipts of the corporation and would add almost four million dollars to the net profits of the year.

Any increase in the amount of the average sale has a direct and pleasing influence on the figure representing the net profits and the things to be done to increase this amount are, briefly, to sell the largest sizes of articles asked for; talk quality rather than price; suggest "running mates;" sell additional items; improve our advertising and display methods; and perfect our store service.

SALESMANSHIP.

The fine theories of salesmanship go to pieces in a small store. Sales cannot be forced and suggestion must take the place of compulsion.

In this the larger store, catering to transient trade, probably has an advantage because it can and does force many sales, but where the large store must depend almost entirely upon salesmanship to sell the merchandise, the average small retailer can build up an actual clientele through sheer personality.

The optimist makes the best salesman; he smiles more readily; his "good morning" is more spontaneous, and his entire frame of mind encourages the customer to spend his money. It is easier to give up hard earned dollars to a man who smiles and seems glad to get them than to one who is gruff and barely even thanks you for them.

The first requirement of a good salesman, taking the good nature for granted, is a thorough knowledge of the goods he is selling. Many people, especially when buying drugs, want the "boss" to wait on them, because they think he knows more about the items than the clerks do, and he usually does. It is a serious mistake, therefore, for the owner to withdraw himself from the front of the store and permit the candy girl, the soda water man or a clerk to meet the people that he should meet himself. Customers in a drug store do not want to talk drugs to the candy girl, and the soda water man is out of his element selling medicines.

Every customer should be greeted with a courteous "good morning;" "good afternoon;" or "good evening;" and a genuine smile should accompany the salutation. Such expressions as "what's your's?" "is there something I can do for you?" and "something for you?" should not be tolerated in stores of the high professional standing of the modern retail drug store.

It is neither possible nor advisable to here discuss the many elements requisite to successful retail selling and rules which apply in large stores frequently do not apply in small ones; no salesman can be a machine and be successful—he must be tactful, he must know how to make a sales opening without offending his customer; he must know when to make such openings; and, more than all, he must know when to say nothing. There are, however, a number of rules which apply in all stores, as follows:

First. Step forward when a customer enters the store and greet him with a smiling "Good morning," "Good afternoon," or "Good evening," as the case may be, and if he does not then make his wants known, add "What may I do for you?"

- Second. Look your customer in the eye and give him your undivided attention.
- Third. If you notice a customer waiting and you are busy, do not ignore him, but nod to him and say pleasantly, "In just a moment, please." It will keep him waiting, patiently.
- Fourth. If you notice a customer and do not know whether he has been waited on or not, say, "Pardon me, have you been waited on?"
- Fifth. Never correct a customer's pronunciation nor laugh at his error. If a drug is called for by an unusual name, see that the package bears that name. It is permissible to label cascara bark as such, but if the customer has asked for sacred bark see that that name also appears on the label. Educating the public in the correct names of drug plants, etc., is rather too much of a job to be undertaken by the retailer.
- Sixth. Turn the label down when wrapping medicines of a private nature; the customer does not always want his neighbors to know what he is taking.
- Seventh. Do not make extravagant promises, and see that all promises made are kept.
- Eighth. Place the change in the customer's hand; never lay it on the counter; and do not hand the package to the customer until he has had time to put his change away.
- Ninth. Always say "Thank you" at the close of a transaction and a courteous "Call again" is in no way amiss.

Always talk quality rather than price and make it a rule to show the larger sizes of articles asked for rather than the smaller. When a customer asks to look at dressing combs do not say, "What price?" but show her a tray of combs at prices ranging from \$1 to \$2 and if that is more than she wishes to pay she will probably tell you at once the kind of comb she wishes. If she seems interested it is good policy to show her something better as well. There is less possibility of offending a customer by showing her the better grades than the cheaper and it is always easier to "come down" than to "go up" on the price scale.

When the customer asks for a bottle of spirit of camphor do not say, "What size, five or ten?" say rather, "Yes, Madam, we sell one ounce for 10 cents and three ounces for 25 cents." Let them know the advantage of buying the larger size; forget that you sell anything of the kind in such small quantities as 5 cents worth—and give the customer a chance to forget it.

One of the best ways to increase the average sale is to sell a "running mate" with every item that is sold. We are apt to forget that the man who purchases a new tooth brush might also be in need of a tube of dental cream, and he too is apt to forget it unless we call it to his attention. We cannot talk "running mates" as aggressively in the small store as in the large one and not infrequently an attractive display must suffice but a suggestion of styptic pencils with sales of shaving soap; of chamois skins with face powder; and envelopes with writing tablets will not be out of order in any store. The man who failed to suggest films with a camera sale was probably more negligent than tactful.

An energetic salesman in a chain store will sell a "special," consisting of a box of paper and envelopes marked at 39 cents, to every eighth customer day in

and day out; to some he will sell as many as three boxes, and he may have a run of 25 or 30 unsuccessful attempts but the average of his successes will be about one in eight.

Selling an additional item is largely a matter of calling the customer's attention to some special value *after the article the customer came in to buy has been sold and disposed of*, suggesting its timely value and stating its price, but it should be remembered that it is not good policy to attempt too much vocal salesmanship in a small store; tact and good judgment must be employed and the fact borne in mind that many people trade at small stores for the sole purpose of escaping the aggressive sales policy of the larger ones. Attractive displays must be largely relied upon to create this extra business.

DISPLAY AND ADVERTISING.

Neat displays of seasonable merchandise in the windows and on the counters in the store will prove potent sales makers. They will suggest wants and argue quality and price in a way that can offend no one, at the same time supplying openings for tactful sales talks. The display method of advertising is of more importance to the small store than to the large one—in the former it sometimes provides the only available means of creating extra sales while in the latter it is exceeded in importance by the more productive vocal sales argument.

Time does not permit of a description of window and counter display methods and perhaps enough has already been said on that subject but I would say that the show windows, particularly of the small store, should be used continuously and effectively and that there should be attractive displays of seasonable merchandise on practically every show case in the store.

COURTESY AND SERVICE.

Courtesy goes far toward making and keeping customers and the unfailingly courteous service of a well-managed store has more to do with the success of that store than one would imagine. An offer to wrap several small packages together, wherever they may have been purchased, frequently adds names to one's list of regular customers. A woman entering the store with half a dozen poorly wrapped packages and leaving it with one large, neatly wrapped bundle with a handle on it is an asset to that store—worth many dollars spent in advertising.

A request for a cork, a sheet of writing paper, or an almanac, should be welcomed. It provides an opportunity to make a friend for the store—or to lose one. Be pleased, and show it, to look up addresses in the directory or to direct people to those addresses. The 5-cent customer and the woman buying stamps are sometimes trials, but they should receive the same courteous attention accorded the \$5 customer. Selling stamps has become one of the "businesses" of the drug store and should be done in an efficient manner and the 5-cent customer of to-day may become the \$5 one of to-morrow.

Increasing the average sale helps to increase the total sales—the gross profit and the net profit. It lowers the cost of operation, the controllable expenses and the advertising expense. It helps to cut down overstock, increases the sale of profitable merchandise, increases the number of turnovers and improves the store service. Every dealer should know the amount of his average sale and there should be a determined effort to keep that figure well above 40 cents.