

THE BUSINESS SIDE OF PHARMACY

This department is devoted to the discussion of problems of business administration and commercial policies relating to the various branches of pharmacy.

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The Domestic Commerce Division of the U. S. Bureau of Foreign and Domestic Commerce recently held a conference in Washington with representatives of five associations of retailers including grocers, dry goods merchants, clothiers, shoe dealers and hardware men. The object of the conference was not to discuss the individual problems of any member of this group, but, rather, the fundamentals of retailing. That is why the conference should have been of interest to druggists and one is apt to wonder why they were not represented.

It is very interesting to note briefly the trend of the discussions and the splendid analysis of the function of the retailer which was presented at this conference. In the first place the function of the retailer was defined as follows:

"The retailer performs the final function in distribution of essential commodities and gives fulfilment to all preceding efforts by making merchandise available to consumers at the time, place, and in the form required by them.

"The retailer's true function is that of serving as a purchasing agent for his community; as such he selects and carries a reserve supply of merchandise to meet the requirements of the individual consumer.

"When the retailer enters business he assumes the responsibility of performing a public function, that of providing commodities and services to his community, economically and conveniently, and maintaining such environment as is necessary and desirable to the consumers who support him. If he fails in his responsibility and performs only as a distributing agent for the manufacturer, he ceases to be an economic factor in the community which he serves."

If we add to the above such statements as would adequately describe the particular professional service which the pharmacist performs, we would have as fine a description as anyone might desire of the true function of a retail druggist and one that the highest type of professional man could find no objection to.

It was brought out in the conference that the retailer in his relation to the public has a double duty to perform. He must act as a purchasing agent and he must render a selling service.

As a purchasing agent for the consumer he must possess capital and credit. He must have a knowledge of raw materials and finished products. A knowledge of market resources and commercial conditions is also essential. He must know how to obtain prompt deliveries and attend to the proper receiving, arranging and marking of goods. A knowledge of turnover is necessary. Stock must be reordered with sufficient frequency and a minimum of expense. A knowledge of the uses and purposes of all commodities sold is essential as is also a knowledge of style, the best buying seasons and the best methods of buying. It is important to be able to use trade association facilities to the greatest advantage. A knowledge of the requirements of consumers in the community is of course at the very basis of successful retailing. Such knowledge requires constant study of the demands of a community and study of new requirements resulting from changing economic conditions.

Proper sales service to the public involves maintaining an adequate stock of merchandise of quality and value to meet the requirements of the community;

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maintaining facilities and environment to economically and efficiently serve the requirements of a community; assuming responsibility for merchandise distributed; selecting, educating and stimulating the sales force; providing proper publicity through newspapers, circulars, direct mail and telephone as well as by means of window displays and demonstrations.

The conference gave recognition to the fact that the retailer, the wholesaler and the manufacturer each has his separate function, and that upon the efficiency with which each performs his functions depends the economy of distribution. A clear definition of functions and the elimination of overlapping and duplication of activities offers a source of immediate economies.

Stock turn is recognized as one of the basic factors in economical distribution. Store departmental studies of distribution offer a basis for the determination of the most effective means of increasing stock turn and reducing retail operating expense.

Future buying too far in advance is one of the outstanding problems of retailing and contributes in large measure in many lines to increased operating costs. In its effect it adds to the problems of the wholesaler and manufacturer. In the latter case it contributes to the cost of distribution and is reflected in operating costs of manufacturing.

A factor which contributes in no small measure to operating costs of retailing in certain lines, results from certain expectations of the public in the matter of extravagant and uneconomical rate of return of goods, a situation to which the retailer himself has to some degree contributed in the competitive effort to attract trade.

The Domestic Commerce Division was commended for its practical approach to the problems of domestic commerce through an analysis of factors involved in distribution, and its purposes of establishing a basis of fundamental principles as a means of correlating distributive effort from the producer to the consumer.

An extract from a formal statement issued by the conference before adjournment is of interest and is printed below. With such effective coöperative work going on among retail organizations with the assistance of the government it seems as though better business methods must result. The business side of pharmacy can profit immensely by keeping in touch with these developments—or better still, by taking part in them.

“It is the judgment of the conference that the Department of Commerce can materially assist retailers to render the most efficient service by directing studies in the entire field of domestic commerce, with the object of improving practices, determining justifiable costs and eliminating wastes.

“The conference assures to the Department of Commerce the full support of the organized retail associations represented and promises their coöperation in such further studies as the Department of Commerce may undertake.”

“The conference of representative retail trade associations recognizes the value of an exchange of views and of a presentation of the specific problems inherent in their several branches of retailing, and expresses great satisfaction in the fact that a disinterested branch of the Government, like the Department of Commerce, has undertaken a study of the facts of retailing.

“The conference expresses the hope that the Department of Commerce will undertake not only to educate and inform the public as to the facts of distribution, but that it will assist in the dissemination of knowledge to the men who are them-

selves engaged in retailing concerning problems of distribution, not only in their own retailing spheres, but in the producing and manufacturing field as well, and that the Department will gather, correlate and compile the facts and figures of distribution, and that it will give the results such practical analysis, interpretation and publicity as will best serve the interests of the consumer, producer and distributor alike."

PROFIT, TOTAL SALES AND RENT.

BY J. A. W. LUCK.

Profit is customarily computed from the selling price of merchandise. It is therefore important to know the relation which exists between the percentage profit of the selling price and the percentage profit of the cost price. Strictly speaking, it is immaterial what manner is used to compute the profit, so long as a uniform method is used throughout all calculations. Butler Brothers in their "Way System Book" give tables, which show the amount that must be added to the cost price to yield a given percentage of the selling price. A very convenient method is the graphical representation of these two quantities. By establishing a mathematical relation between the two percentages an equation is formed which may be plotted upon squared paper. The accuracy will depend merely upon the scale of the plot.

Let A = Purchasing Price
 B = Selling Price
 u = Gross Profit

a = Percentage Profit of P. P.
 b = Percentage Profit of S. P.

then $Aa = 100 u$, and $Bb = 100 u$, also $A = B - u$

therefore $Bb = Aa$ or $B = Aa/b$ (1)

$b = 100 u/B$ (2)

$a = 100 u/(B - u)$ (3)

In Figure 1, Curve A represents Equation 2, percentage as ordinate and gross profit as abscissa. Curve B represents Equation 3 showing the relation as in Curve A. Curve C shows the relation b as ordinate to a/b as abscissa. In all three cases B is taken as unity.

TABLE I.

a.	b.	u.	a/b.
0	0	0	1
1.01	1	0.01	1.01
11.11	10	0.1	1.11
25	20	0.2	1.25
66.66	40	0.4	1.66
100	50	0.5	2
150	60	0.6	2.5
400	80	0.8	5
900	90	0.9	10
9900	99	0.99	100
∞	100	1	∞

When $b = 100$, A must be equal to zero. The merchandise has been received gratis. It is to be noted that any value B for such merchandise will be equivalent to a gross profit of a 100%.

Equation 1 is the most important one, particularly if it is used in conjunction with Curve C. If we consider the purchasing price $A = 1$, then $B = a/b$. The