

of the drug store display and an organized effort to bring about efficiency in such display, not for the national advertiser, but for the druggist.

The national advertiser has his part to play—he by the nature of things will always be a contributor to the dealer's display but the advertiser should be made to understand that he is in the dealer's window or on his counter as a guest occupying the most valuable space in the merchant's possession, and should contribute—not in rental—not in free goods—but in advertising and merchandising service to that store commensurate with his gains.

With the rapid strides being made in advertising methods, it is but a question of time until organization will develop some plan for a nationalized dealer's service, but when that time comes, the pharmacist should realize that he, as the chief contributor, is also entitled to chief consideration. Dealer's display should be what the name implies—display that will serve the pharmacy and the store first; the national advertiser second.

Every pharmacist should realize that he stands like an engineer controlling the main steam valve between a boiler room and the engine it supplies with power—his cooperation or lack of it controls the destiny of every advertising campaign.

THE COMPLETE SERVICE JOBBER—A REPLY TO MR. WILLIAMSON.

BY SAUNDERS NORVELL.*

I have read Mr. Williamson's well-prepared address on "The Purpose of Coöperative Wholesale Drug Companies and What They Are Accomplishing,"¹ with special interest and I wish to say at the outset that I am not opposed to the distribution of drugs through coöperative wholesale drug houses. I can see no good reason why retail druggists, if they think that it will be to their advantage to establish coöperative wholesale houses, also to buy stock in and finance such businesses, should not do so. I make this statement simply because I do not wish to be misunderstood as being opposed to the *principle* of coöperative wholesaling or coöperative effort of any kind.

Mr. Williamson paints a very black picture of the condition of the retail pharmacist when he turned to coöperative effort as a panacea for his ills. I might be led to inquire here, if this condition is true, *whether the fault was entirely with the wholesale method of distribution*. Was the trouble caused entirely by the fact that the retail merchant was paying too much for his goods? I might inquire whether, on the other hand, it might not be asked if a large part of the retailers' troubles was not the fault of the retailer himself. By this I do not mean to attack the individual retail merchant but to make a calm and judicial inquiry into general retailing conditions.

I am under the impression that the retail drug business is overdone. There are too many retail drug stores. I would like to see the figures as to the increase in retail drug stores in the past five years in proportion to the population of the country. I have not these figures at hand but I should judge, just from my personal obser-

* Chairman of the Board, McKesson & Robbins, Inc., New York City.

¹ October JOUR. A. PH. A., pp. 919-922.

vation, that the business is over-crowded and that one of the *main causes of trouble with the retail druggist is that there are too many of them*. This over-crowding has no doubt led to very keen competition for business and this keen competition has led to the cutting of prices. This cutting of prices has naturally led the retail druggist to seek the very lowest price source of supply for his goods. If the over-crowded condition of the retail drug trade is one of the main factors in the cutting of prices, naturally this condition could not be helped either by manufacturers or wholesalers.

Another condition that may have brought about the distressing situation among retail druggists as outlined by Mr. Williamson was, not the inability of retail druggists to buy goods at the lowest price, but their lack of good judgment in pricing and selling their goods. The retail druggist is called upon to give unusual service to the public—I mean—comparing his service with that of shops in other lines of business. When other stores close at 6 o'clock, the retail druggist keeps open until 12 o'clock at night. He has a clerk sleeping in the shop to answer the night bell. He must make frequent, hurried special deliveries.

I have always believed that service rendered should be paid for. I do not believe the retail druggist has been adequately paid nor has he asked sufficient remuneration to compensate him for the many unusual services he renders. Allow me to illustrate by saying that if I send a prescription to a retail druggist to be filled at 4 o'clock in the afternoon, he charges me a certain price. Now if at 12 o'clock at night I ring his clerk out of his bed behind the prescription counter and he fills the prescription, I am quite sure I would be charged exactly the same price. It seems to me that the value of the service at 12 o'clock at night is very much greater than the value of that service at 4 o'clock in the afternoon, and should be paid for accordingly.

One midnight here in New York I dropped into a certain retail drug store and purchased a can of a well-known tooth powder. The price charged me, at midnight, was 19c. Happening to know the cost of this tooth powder, I asked the clerk why he sold it at this cut price at 12 o'clock midnight. This salesman replied that 19c was the price at which this tooth powder was advertised by a certain department store and therefore they were "compelled" to meet the price. "Yes," I replied, "but that department store closes at 6 o'clock in the evening. Do you continue to compete with the department store's cut prices with midnight service?" The clerk gazed at me as if I were a crank, yawned and remarked, "Well, anyhow, that's the price. What are you kicking about?"

I could give instance after instance in my own personal experience where I have found retail drug stores giving unusual service without an adequate charge. Just this week I telephoned The Wilson Pharmacy in Larchmont, New York, where I live, to kindly send a certain prescription. Within an hour afterward, a large delivery automobile drove up to my home. The small prescription was delivered and I noticed the price was exactly the same as when I called for the prescription in person at the drug store. The cost of this automobile delivery service, I believe, was more than the entire amount charged me for the prescription.

In a nutshell, as a merchant of many years' experience, *I am convinced that the retail druggist in the majority of cases has never awakened to the fact that he is selling Service instead of merchandise*. The trouble is that all of the figuring is done on his

percentage of profit on the cost of goods when, for the service he renders to the community, the cost of his goods should be a secondary consideration. Therefore, it is my contention that the retail drug merchant by the nature of his business should continue to render the splendid service he is giving to his community. The quality of this service should not be cut down but the retail merchant should have the courage to charge his customers what this service is worth and defend his charges. If I eat unwisely and along in the middle of the night am taken with cramps, and if I require certain medicines very quickly in the small hours of the morning, the fault is not that of the retail druggist. The fault is mine. It is my indiscretion *and I should be compelled to pay for it.*

No, I do not believe that the deplorable condition in which the retail druggist found himself before and since the formation of coöperative stores was entirely the result of the retail druggist's paying high prices to his wholesaler. I think if the retail druggist will study the problem from all of its angles instead of from only one, he will find that one of the causes, and a very important one, was the lack of good judgment in selling—by that I mean—in not getting a profit where the character of his service entitled him to that profit *and where the price could be obtained if it were simply charged.*

Another thought that both the retail and the wholesale drug merchant should consider is the fact that the unit of his sales is exceedingly small as compared with other lines. The drug business is just full of 5c, 10c and 25c items. The making and recording of these small sales is very expensive. Now if many of these 25c or even 50c sales are on nationally advertised items, while they give the retailer a quick turn over, as a matter of fact, they do not usually pay a percentage of profit as much as the retailer's cost of doing business. If the retail merchant would analyze the sales of these items, he would find he has a very quick turn over but he is losing money on every sale and the more frequently he turns his stock, the more money he loses.

For years I have contended, both to wholesalers and retailers, that there was never as much money lost in paying too much for goods as was lost in buying the wrong kind of goods—buying too many goods or buying the unsalable sizes of goods. I have preached for a generation that the character of the inventory was of more importance than the price paid for the inventory. By this I do not mean to say that all merchants should not try to buy their goods just as cheaply as possible but what I do mean is that it is more important for a buyer to carefully consider first what he is buying—the salability of the item—than its price. The experience and observation of forty years in business have convinced me that in this I am correct. I have lost more money in my own business by buyers purchasing the wrong kind or the wrong quantity of goods than I have lost by these buyers not purchasing their lines cheaply enough.

Let me illustrate the idea in another way: Suppose there were ten retail drug stores for sale and these stocks inventoried in total about \$5000 each. I do not believe between the closest and the most careless buyer that there would be a variation in the value of these stocks of more than 5%, or \$250. On the other hand, I am sure, by reason of careless buying in kind and quantity, that we would find a variation in the value of these stocks of from 25% to 50%. If a committee should start to investigate the troubles of the individual retail druggist to-day, I am quite

sure they would find that the real cause of the greatest amount of trouble was poor buying in the kind of goods and in the quantity of goods purchased.

Allow me to say here that I personally have never believed in the price-for-quantity system of selling goods. I do not believe that the retail dealer should be tempted to buy more than he actually needs by the bait of a lower price for a quantity order. Personally, I do not believe in deals or free goods. Speaking for myself only, I consider all such things an abomination. It is simply a method of forcing sales and I do not believe that forced sales are healthy or that success that comes from this method is permanent. I believe that goods should be priced at the lowest figure at which the wholesaler or manufacturer can afford to sell them, that they should be sold at this price and that this price should be maintained to all retail merchants without exception. If one retail merchant happens to sell a large quantity, he derives his reward from the larger profit he earns by reason of his larger sales.

Of course I know the arguments of salesmen in favor of these quantity deals. They will say that if you do not fill up a retail merchant, he will run short and buy goods of the same kind from your competitor. Salesmen claim that as a general rule they cannot count on the loyalty of the retail merchant to their line and for that reason it is to their interest to sell him all the goods they can by the bait of a quantity price or a free goods deal.

Let me say that I never knew anything of such a selling system until I came into the drug business and after ten years, I am not yet convinced that the system is right. In fact, I believe in it less now than I did in the beginning. One result of this system is in the fact that the retail drug merchant has now reached the stage in his evolution where he does not feel like buying anything unless there is some kind of chromo, prize, rebate or something-for-nothing to go with the purchase. This is only natural and I feel that the fault is that of the manufacturers and not of the retail merchants.

Now Mr. Williamson tells us about the great success of these coöperative stores. I understand from hear-say that the Philadelphia coöperative store has been very successful. I do not know any of the gentlemen connected with this business but from what I have heard, I have the impression that this coöperative house must be very well and skilfully managed. On the other hand, I have heard of other coöperative stores that have not fared so well. I have even heard of retail merchants who have bought stock in these stores and who have lost all their money. I have even heard in the case of one coöperative institution where the head men in this institution have done very well indeed while the retail druggists who were stockholders could not to-day sell their stock for one-fourth of what they paid for it. What do I conclude from this? Not that there is anything wrong in principle about coöperative merchandising but that *this class of business is subject to the same law as all other lines of business*. If a business is well and skilfully managed—whether it is a coöperative business, a manufacturing concern or an old line, complete service jobbing business—it prospers; while, if it is mis-managed it gets into trouble.

Here we come to the human equation in business. If the retail merchants of the country were sure that every coöperative wholesale distributing house they should form would be managed with integrity, energy and good judgment, then, of course, it might not be dangerous for them to invest their money in such concerns. Un-

fortunately, however, they have no such guarantee. The mere fact that such a house in one city is a success is no reason why such a house in another city, running upon the same principles, will be the same success because into the problem comes that ever-present human question of integrity and good management. In the case of a regular wholesale drug house, if the management is poor and if there are losses, the losses are borne by the owners of the business. If the concern fails, it causes no loss to their customers. The regular wholesale drug houses take their own chances on the success or failure of their business. Their retail customers can buy from them if their service and prices are right. If they fail or if they are unsuccessful, their retail customers do not suffer.

There is another angle to this question. In every line of business, certain parts of that business are profitable while other parts are unprofitable. It is often wise in a wholesale business to carry certain lines of goods or the parts of one line of goods simply as a matter of service in order to help along the entire business. For instance, slow sellers should bear a very much higher profit than quick movers in order to cover interest, overhead and lack of turn over. The fact remains, however, that this is not the case. Slow sellers in almost all wholesale houses are priced on just about the same percentage of profit as other goods in their class that move more rapidly. On the other hand, every retail druggist knows that when he requires any of these slow sellers, he must have them and he wants them quickly along with his other goods. The average retail merchant never stops to think how long his complete service wholesale house has had to carry these goods simply *to be ready* to serve him when the occasional demand arose. This, I repeat, is true of all lines of business. All of us know that the medium sizes in all lines as a rule are the best sellers. The very small sizes and the very large sizes are slow stock. I am sure I am not far wrong when I state that *one-third of the entire capital invested in merchandise* in all lines, consisting of these small and these large sizes, is slow and comparatively dead stock.

Of course if any concern can go into business and carry only the quick sellers, leaving out all these slow-paying, sleeping boarders, they can do business theoretically and actually on a smaller margin of profit but in that case *who is to supply these necessary slow movers?* Who is to supply these special goods that are seldom called for? It is hardly fair for the retail druggist to send his orders *in full case lots* to his coöperative house for the *best sellers* and at the same time make up his orders *in fractions of a dozen* for the complete service jobber in order to secure these slow movers. This way of doing business may be fair but to me it hardly seems so and, what is more, I do not believe that doing business in this way can continue. The complete service wholesale house naturally cannot be expected to compete with the short service coöperative house on such a basis.

Then there is the problem of salesmen. Are salesmen necessary? Are the drug salesmen of the country worth their salt? If new goods are to be introduced—if samples are to be shown—who is to do this missionary work if not the salesmen and who is to pay for this work but the complete service jobber? As I understand it, these coöperative houses do not have traveling salesmen. They allow the regular wholesale drug house to introduce new goods, specialties and novelties through their salesmen. Then when the business has been worked up and established, they add such goods to their stocks. I wonder if this is fair.

What is the history of the majority of the retail drug merchants? They are first clerks in a drug store. They obtain a small amount of capital, call on the complete service jobber for a complete assortment of drugs, chemicals and sundries (in fractions of a dozen), have the traveling salesmen of the jobber help them select the goods they need, pay part cash on their new stock order and then string along the balance for many months. In a word, the complete service jobber with his salesmen not only furnishes the complete assortment and help the new merchant with their knowledge of the assortment he should purchase, but in the majority of new stocks actually finance the business. So these new merchants, as a matter of fact, with the assistance of the complete service jobber, start into business *and then make their living out of the business while they are learning how to conduct a retail drug store.* If this merchant becomes successful, is it exactly fair for him later, when he is out of the woods financially, to join a coöperative association and give them the cream of his case lot business while he still continues to draw on the jobber in fractions of a dozen for odds and ends in the drug line?

Then I note from Mr. Williamson's article that the retail merchant is being *trained* by these coöperative stores to pay his bills promptly—in fact—to take his discounts. Now every regular wholesale druggist knows from sad experience that a very large part of his trade do not take their discounts, that another percentage of his customers just pay when the bill is due without any discount and that still another percentage do not even pay at due time but force the wholesale house to go to a good deal of trouble, by collectors' calls, drafts, threats and dunning letters to collect these accounts. Of course if a wholesale house could do business only with cash payers, this would save a great deal of time and money. It would be a delightful way to do business. I wonder if it is exactly fair for the retail druggist to stand off his regular wholesale house while he is paying cash to his coöperative institution.

There is another, and a last, consideration that I will touch upon in this article. It is the human factor. Once I started a wholesale business with practically all young men. There was not a man on our Board of Directors over forty years of age. In our business from top to bottom it happened that they were all young men. In this business we had no national experts and therefore no large salaries were paid to anybody. All of us, practically without exception, were out of the ranks of the workers. To be frank, we did not know just what a good salary was because none of us had ever had one! We increased our sales and we did business at a surprisingly small cost.

However, what happened to this business in the course of time? Our best men soon realized their value. They asked for and received higher salaries. The officers of the company felt they were entitled to the same comforts and even luxuries that the heads of other houses were enjoying. The pressure for high salaries from all directions was steady and with advancing age, the efficiency of many of our men declined. This natural condition was reflected in the increased cost of doing the business.

Now, following the theories of my friend, Mr. Williamson, in order to keep the cost of doing business down, when employees grow gray in the service, there should be some means of getting rid of them. When the dominant idea in a business is simply *to hold down costs*, the manager of that business must be very careful not to be caught with old and decrepit employees, no matter how many years

they may have served nor how faithful they may have been. No business with the one idea of the low cost can be conducted in a humane manner. Employees must understand that when they are not capable by age or infirmity of keeping up a grinding pace, they will be thrown out. Such businesses take no part in civic development. They make no charitable donations. They make no contributions to associations maintained for the welfare of the trade. Their names are never seen on the list of those who make donations to scientific institutions. In the nature of the case, *the one object of such concerns is to distribute goods cheaply and this is the beginning and end of their functions.*

In almost every old established, complete service wholesale house we will find a good many of these old men who have been with the concern many years. We must admit they are frequently a very difficult problem to handle. Now, of course, I may be wrong but it seems to me, even at the risk of a higher cost of distributing goods, that these old employees should be taken care of and in the end rewarded with a pension for their many years of service. This I know is a problem that most of the coöperative stores are too young to have faced but this problem will also come to them. *What do they propose to do about the human element in their businesses?*

Are the complete service wholesale drug houses of this country charging too high a profit for their services? I think not. The Harvard Bureau of Research studied the figures of 100 of the leading wholesale drug houses in the United States for the year 1922. What was their report? Of these 100 houses, selling \$160,000,-000 worth of drugs, 32 lost money on the year's operations. The net profit on the year's operation of the entire 100 was $\frac{9}{10}$ of 1%. What is the answer? Does it cost these wholesale houses too much to do business? My judgment of what I have seen of the wholesale drug trade of this country in the past ten years is that the true answer is *they are giving a service entirely out of proportion to the compensation they are enjoying.* They are in exactly the same boat with the retail drug trade of the country. Many wholesale houses give their city trade daily deliveries. These deliveries frequently go by motor many miles out into the suburbs. What does this mean? In order to give such service, it is necessary to have a maximum number of packers, checkers, stock clerks and billing clerks. The peak load of business, when all of this force is busy, is only four hours in the working day. In other words, in order to give such service, it is necessary to employ almost twice as many men as would be required if only a reasonable delivery service was expected. I estimate that in the average wholesale drug house giving this daily service, their stock men, checkers and packers work at their maximum speed only four hours in the day. Service of this character is not equalled in other lines of business and it is my observation that *the profits of the wholesale drug trade do not justify the cost of such service.*

Of course we all know that the very slim profits made on proprietary medicines is the great curse of the drug business, both for wholesalers and retailers. These goods are sold at one general discount, which is a mistake. The sale of patent medicines is about 60% of the volume of the business of the average wholesale house or retail merchant. Both classes of merchants fool themselves about the profits they are making on patent medicines. They have an idea they are saved by quick turn over, not realizing that quick turn over at a loss is a very dangerous

leak in a business. We, ourselves, in our business very carefully figured the cost of handling patent medicines over a period of several years. We found that it was impossible for us to furnish the complete daily service we were giving our retail customers without meeting with a heavy annual loss on patent medicines.

For this reason, after giving the matter very careful consideration, we discontinued the sale of patent medicines. It is argued, on the other hand, that certain houses in New York City sell nothing but patent medicines, that they sell them at cut prices and that these houses must make a profit as they continue in business. The answer to this is that these houses *have adjusted their service and their expense account to a patent medicine basis*. When the time comes, if it does, that they carry a complete line of drugs and sundries, they will find that the increase in the expense account will make it impossible to show a profit unless they advance prices.

To sum up the entire matter, it is my conclusion that the drug business of this country is in a very unsatisfactory condition, both for wholesalers and retailers, because the business thinking in the line has dropped into fundamental errors that are sure in the end to work out disastrously to all concerned.

The retailer makes the fundamental mistake of thinking he can sell a large part of his stock, especially goods where there is a quick turn over, at less than the cost of doing business. He believes that this class of selling brings customers into his shop and that he can recover his loss in this part of his business by selling these customers other and more profitable goods. In this idea he is frequently mistaken. *He does not sell enough profitable goods to offset his loss from cut prices.*

Many wholesale houses sell specialties on which they make a very fair profit. These houses are also laboring under the erroneous idea that they can sell 60% of their goods at a loss and recoup their profits on their specialties. Many of these wholesale houses, by taking a careful inventory at the end of the year and pricing their stocks at their actual cash, dollar value, *are finding out what a serious error they have made.*

Retail merchants, in their desire to buy goods cheaper, have joined coöperative establishments. They are giving these establishments their case lot business in quantities and are paying cash while they give the complete service jobbers the skimmed milk part of the business and also expect these jobbers to be very lenient with them when they make slow payments. The retail dealers do not seem to see what is very clear—that if this sort of thing should become general all over the country, the complete service jobber will be compelled to pass out of business. *The coöperative distributor will be forced to put in complete lines and give complete service. When they do this, they will be compelled to advance their prices in order to cover the increased cost of doing business that will result.*

In the last analysis, if we carry through the ideas of the coöperative store to its logical conclusion, the retailer will find that he will not buy goods any cheaper than he does at present. The only difference will be that instead of allowing the present wholesale drug trade of the country to shoulder their own losses in their businesses, the retailer will be compelled to share the losses of his own coöperative wholesale house. The retailer, instead of confining himself to working out his own retail troubles and problems, will find that he will be loaded down also with the troubles and problems of his coöperative wholesale business as well.

Once upon a time there was a Scotchman who decided to train his horse to live

on sawdust. He succeeded very well for a time but unfortunately, just as the horse learned how to eat sawdust, he died. As George Ade would say, the moral of this fable is in its application!

PHARMACY—THEN LET US BE PHARMACISTS.*

WHEREIN IT IS ADVOCATED TO GIVE THE TERMS "PHARMACIST" AND "PHARMACY"
A DEFINITE STANDING.

BY JOHN C. KRANTZ, JR.

Pharmacy is now experiencing an era of effective propaganda, to create in the mind of the public a comprehensive conception of the profession of pharmacy and its relation to public health. The pharmaceutical journals have been publishing articles each month, very often written by very eminent pharmacists, with the sole purpose of enhancing the profession and promoting better pharmaceutical ethics.

There is, however, a great obstacle that is standing between better pharmacy and those who are striving to better existing conditions, and that is the usage of what might be designated as pharmaceutical nicknames or synonyms such as—druggist, drug store and drug shop. The indiscriminate use of these terms by pharmacists and the laity have been the means of darkening the public vision of pharmacy and have retarded, by the commercial atmosphere created by them, the expediting of professional pharmacy.

It seems quite unnatural and extraordinarily unusual that a profession would not want to use all of the dignity and respect in a community that its standing will allow. This is true of all professions excepting pharmacy. Thus the dentist uses the impressive title Doctor of Dental Surgery, and the veterinarian the professional title of Doctor of Veterinary Surgery; one has yet to see the dentist or veterinarian who has failed to use the advertising value of his title and call himself a repairer of teeth or animal doctor. The impression established by the use of the title doctor by physicians cannot be overestimated and yet we, who graduate in pharmacy and are qualified by state boards as pharmacists, have adorned ourselves with the commercial, non-professional title, druggist.

The title druggist has grown rapidly and because of its growth it is very difficult to create in the minds of the laity a definite vision of pharmacy, as it appears in the world to-day. The average person does not seem to connect pharmacist with druggist; for this reason there should be only pharmacists who conduct pharmacies (not drug stores or shops); when this change in title is made, in the writer's mind, pharmacy will have laid the cornerstone of a general public identity.

There are some pharmacists who seem to have dodged the word druggist and used such titles as Prescription Chemist, Prescriptionist, Pharmaceutical Chemist, which probably seemed to them to create a professional atmosphere far superior to that created by the title pharmacist. Possibly this is true, but in using these titles, which are all covered by the word "pharmacist," the pharmacist is making it extremely difficult for the laity to conceive of the profession of pharmacy. The word pharmacist is an extremely comprehensive word of Greek origin and signifies "one who is engaged in the practice of pharmacy." Let us then eliminate these trade names and all other delusive titles and have the laity know us as pharmacists who practice pharmacy.

* Section on Practical Pharmacy and Dispensing, A. Ph. A., Buffalo meeting, 1924.