

# DEPARTMENT OF BUSINESS MANAGEMENT

Conducted by Paul C. Olsen.\*

## BUILDING A RETAIL BUSINESS FROM THE GROUND UP.

BY F. PAGE SEIBERT.<sup>1</sup>

(What a druggist with limited capital can do. This article is interesting as a record of accomplishment. Moreover, the successful solution of problems confronting this business may be a guide to others in similar situations.—PAUL C. OLSEN.)

In 1911 when Bert Flack and I talked of starting a business of our own our friends laughed. In 1906 and 1907 when we were in college together we had always been notoriously hard up and the wages paid in those days hadn't helped us to save much even after we were out of school. However, by 1911 we did manage each to have \$300. But where was there a drug store which could be handled with a total cash capital of \$600?

Finally, trusting relatives advanced us \$1500 on notes and with this added capital we started our search.

Naturally, the store of our dreams was far out of our financial reach and our choice finally settled on a run down place in a fairly good neighborhood. The location was at a trolley intersection but years of mismanagement had given the place a terrible reputation. The price was \$5000, of which \$1200 had to be cash and the balance in notes to be paid off at the rate of \$75 a month.

We paid the \$1200 and less than two days later, before the actual transfer had taken place, the owner of the store was declared bankrupt! Instead of being in possession of the store we were in the position of preferred creditors with hardly a chance of getting a settlement of more than 10 cents on the dollar.

That was our first lesson. Trying to save a \$100 lawyer's fee—it looked as though we had lost \$600 of our own money and \$600 more of borrowed money. Fortunately for us, the referee in bankruptcy decided that we had made our purchase in good faith and allowed us to take possession. He knew that the only chance of our being able to pay the notes given the former proprietor was to let us go ahead.

What we took possession of was mostly "empty store" and a few battered fixtures. A large part of what little stock there was, was unsalable and another portion we did not want to sell. Therefore, with every cent we could spare we bought stock. Having no credit ourselves and with the former owner a bankrupt, we were required to pay cash for all purchases. We put every bit of merchandise we had in the windows and up on the counters where people could see it and the blank spaces we filled in with display material which could be obtained readily enough from manufacturers and wholesalers. By actually displaying as much as we possibly could we accomplished two purposes. First, we knew that the more merchandise was displayed the more we would sell, and, second, the displays helped to acquaint people with the change for the better in the character of the merchandise the store was selling.

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\* Instructor of Merchandising, Wharton School of Finance and Commerce, University of Pennsylvania; Lecturer on Business Administration, Philadelphia College of Pharmacy and Science.

<sup>1</sup> Retail Pharmacist of Philadelphia.

But we were in a too desperate financial condition to sit back and wait for business to come to us. We had a 10-year lease on the building at \$75 a month and had \$75 a month more to pay to the referee in bankruptcy on the notes we had given the former owner. Also, there was \$50 a month more to pay on the \$1500 we had borrowed from relatives. In addition, we had a living to make for ourselves and we hoped, eventually, to have some earnings.

We opened every morning at 7 o'clock so as to catch the trade of the early morning crowd of workers who transferred at our corner and the store was open until nearly midnight. For five years I opened every morning, did all the cleaning and got the place in order, as well as waited on the trade. At 10 o'clock Mr. Flack came in and then I started out detailing the physicians in the neighborhood. As mentioned, the store had justly earned an undesirable reputation, and I met with a lot of sharp rebuffs before I could even begin to tell a physician the story of the new ownership. Mr. Flack and I believed we saw an opportunity to develop in the neighborhood a store specializing in prescriptions and sick room supplies and stock unusual preparations which physicians might be prescribing or dispensing. We saw also that success along these lines would lift us out of cut price competition, of which there was a sufficiency in our neighborhood.

The key seemed to be to get the confidence of the doctors. But remember, every day the question with us was—would we have enough money in the drawer at night to buy the merchandise actually needed and to meet our other expenses? So this detailing of the doctors had to be profitable immediately, if we were to stay in business.

What I did was to try to sell the doctor supplies and preparations he needed. This brought in an immediate return and also started to create good will which began to show later in the form of an increased prescription business. We kept close track of the professional and technical journals so as to be in touch with new developments and to be the first in our neighborhood to offer them.

As a matter of fact, this necessity of having to get an immediate return from detailing physicians was a blessing to us. For instance, I couldn't go into a doctor's office every three days and tell him what a fine store we had and the usual information about our careful attention to his requirements. About once every two or three months was as often as he could be expected to listen to that story. But if every time I called—and in the early days I did call on a lot of doctors every three days—I had some new idea or preparation to tell him about, he was willing to listen to me. Incidentally, we were building good will quickly for all departments of the store.

I think there is a lesson in this for the druggist who wants to establish himself in the confidence of the doctors in his community. It is hard work but, in our experience, we have found that it pays well.

Five o'clock found me back in the store and on through the evening rush Mr. Flack and I worked together. I left about 10 o'clock and Mr. Flack kept open every night until nearly midnight. He looked after the books and took care of most of the inside work while I was on the outside trying to bring business in.

After five years of this kind of plugging we began to see some results. Our business had increased from a bare \$10,000 in 1911 to over \$40,000 in 1916. We

had increased our weekly drawing from the business from \$10 a week each to \$20.

Then, just as we began to breathe a little more easily another crisis came—the mortgage on the building we were in was foreclosed. That meant that our 10-year lease was invalidated. It was a case of either get out or buy the building. We bought and, naturally, had to pay a fancy price. Here was another legal lesson for us. If we had taken the trouble to have the title to the property examined when we originally signed the lease we would have seen that the carrying charges on the mortgages were more than the rent we were to pay—therefore, our lease was likely to be invalidated any time by foreclosure.

Fortunately, in 1916 our credit was much better than it had been when we started our business. Even when we were in the most serious financial difficulties we had always been careful to keep our promises when credit was granted us; as a result of this regard of our obligations we were able to finance the purchase of the building under much more favorable terms than we had expected. In fact, with the increase in rents since the war we have felt that the purchase, although it was forced on us, has proved a profitable one.

Sometimes success is said to be more a matter of luck than work. I don't think so. By way of proving that, we had, in 1918, the chance to buy another run-down drug store in an excellent neighborhood. Now, of course, one of us was needed all the time in the store we had, so I took over the development of this new store. Here we used the same methods just described in building up the business—results came; in fact, in three years, instead of five, it was on a paying basis and today is doing even better than our first store.

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### SHOULD A DRUGGIST BUY A SECOND STORE?

(The following article presents a statement of a successful pharmacist's consideration of this question. For obvious reasons the names are assumed but the facts are exactly as stated.—PAUL C. OLSEN.)

In September, 1925, H. G. Scanlon was offered the store of W. V. Savage. Scanlon himself has operated a high-grade store for over eight years. This store he developed from a business of less than \$10,000, in 1917, to a point at which he estimated his 1925 sales will exceed \$60,000. Scanlon has always been successful in selling his merchandise at full prices and for this reason his business pays a good profit. In 1924, his net income was about \$7000. Scanlon averages about 65 prescriptions per day and his store is very highly regarded by doctors in the vicinity.

The store which was offered to Scanlon has been operated by its present owner for over 40 years. The principal business of the store is in prescriptions and sick-room supplies. In fact, it has no soda fountain, and candy and cigars are not stocked. The neighborhood is very much like that of the one served by Scanlon's present store and is located about three-quarters of a mile from it. Scanlon's store has already obtained some prescription business from this section and the repeat business obtained has led him to believe that service of the character he gives would have an appeal in this section, and the stores are far enough away so as not to be competitors. Savage has no competition of any kind within two city squares of him and the nearest store doing a business similar to his is Scanlon's present store,

three-quarters of a mile away. Savage's sales have averaged \$25,000 a year for the past 5 years and his net profit \$3500 to \$4000. His price is as follows:

Good will, fixtures and stock (stock about \$7500)	\$15,000
Real estate (combination corner-store and residence)	25,000
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	\$40,000

To this investment Scanlon adds the following:

New fixtures to replace present 25-year old equipment	\$4,000
Soda fountain	2,000
Altering display windows	500
Repairs to building	1,000
Additional stock and new lines	2,500
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	\$10,000

These additions would be made, of course, with the hope of increasing the store's business. However, they would not all necessarily be made at the same time, but they represent the investment which eventually would be put into the property. As a matter of fact the changes outlined would have to be made gradually or the store would be in danger of losing some of the business which 40 years of ultra-conservative policies had developed.

With this \$50,000 investment Scanlon believes he could increase sales from \$25,000 to about \$40,000. Based on his experience at his other store, this would yield him a net income of about \$5500. This includes about \$900 a year rent which he believes could be obtained for the residence-part of the store building.

As mentioned, Scanlon's income in 1924 from his present store was \$7000. However, this \$7000 included \$50 a week or \$2600 which he allowed himself as salary for services in managing the store.

If he took on the second store a man would have to be placed in charge there, certainly at a salary of \$50 a week and, perhaps, more. Scanlon, of course, would expect to exercise general supervision over the second store but most of the details would be left to the store manager, as Scanlon's duties confine him to his own store.

The net profit which Scanlon could expect to receive from his operation of the second store would be reduced therefore by \$2600 to \$2900.

As a matter of fact, Scanlon feels that this estimate of \$2900 profit is rather liberal because it is reasonable to assume that the results achieved by a store owner managing his own store would be greater than those obtained by a hired manager, whose work was supervised only in a general way by the owner. This is particularly true in a store such as Scanlon's, depending to such a large extent for its success on the quality of its personal service. In this connection it is interesting to note that chain stores have obtained the greatest success in those lines in which personal service is reduced to a minimum such as cigars, groceries and news stands.

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Dr. Juan Guiteras, one of the foremost figures in Cuba's medical world, died October 28, at his home in Matanzas, aged 73 years.

With General William C. Gorgas, U. S. A.,

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and Dr. Joze Lazear, he was prominent in the work of stamping out yellow fever in Cuba and the work of sanitization in the island.