

# DEPARTMENT OF BUSINESS MANAGEMENT

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COMMENTS, QUESTIONS AND SUGGESTIONS ARE INVITED AND WELCOME.

Readers are invited to submit comments, criticisms and suggestions regarding the material which appears in this department. The Editor also will undertake to answer questions regarding general problems of business management. Letters of general interest will be published, but the writer's name will not be revealed without his permission.

## HOW MUCH SHOULD A RETAIL DRUGGIST SPEND FOR ADVERTISING?

In 1926 Howard Hobart's drug store did a business of slightly more than \$26,000. A check showed that this total represented 71,242 individual sales, indicating an average sale amounting to about thirty-six cents. Since profits averaged 8.3 per cent of sales, in 1926, the average profit on each sale was thus about three cents.

The problem which puzzled Mr. Hobart and which, incidentally, puzzles a great many other druggists in similar situations was, how much could he afford to spend to develop new business? How much could he afford to spend for advertising? He had heard, as many druggists have, of great chain organizations which spend two or three per cent of sales for advertising and promotion.

What Mr. Hobart wondered was how two or three per cent happened to be the figure chosen. If two or three per cent produced good results would not five or six per cent produce better results? But a little water makes grass grow while a flood washes it away. At what point does advertising change from an energizing creator of business to a devastating destroyer of profits?

To find the answer Mr. Hobart went back to the primary purpose of advertising, or any other business-getting effort. Any man should be willing to spend one dollar to make two dollars because his expenditure of one dollar results in a net gain of one dollar. Transferring this idea to Howard Hobart's drug store, we find him willing to spend for advertising and promotion part of his profits from the additional sales this advertising and promotion may produce because the result is a net gain to him. This is the basis upon which Howard Hobart can set a definite objective for every promotion effort he makes.

Suppose, for instance, he has just stocked a new iodine preparation. It costs him fifteen cents and sells for a quarter. Profits after expenses are paid are about two cents on each bottle. Howard Hobart wants to popularize this new preparation because he believes that if more people can be made acquainted with its merits more sales are bound to result, not only for this product, but also for other merchandise he sells. In other words, the new preparation can be used as an attraction to bring new people to the store. How much can he afford to spend to popularize this new preparation and bring new and old customers to the store?

Within easy walking distance of his store are 1000 desirable customers.

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Some are trading with him now and others are not. Naturally none are buying the new iodine product from him because this is the first time he has stocked it. Therefore, information about the preparation is news to the entire 1000 people.

To mail to these 1000 people Government postal cards printed with a message about the new compound would cost \$10.00 for postage, \$5.00 for printing and \$4.00 more for addressing and mailing, a total of \$19.00. (I have assumed that Mr. Hobart has compiled his own mailing list.) What results must this \$19.00 expenditure produce to be profitable?

Howard Hobart does a little more figuring. His average sale is thirty-six cents, at a profit of three cents. However, 71,242 such sales were not made in 1926 to 71,242 different individuals. Many people bought more than once; in fact a check of charge customers' records showed the average of these people to be about 40 visits a year. That is to say, in a single year, he estimated the purchases of a regular customer amount to \$14.40 with a profit of about \$1.20 to him.

Thus if his \$19.00 expenditure for postal cards brings him sixteen customers who continue to buy from him for a year, his advertising expenditure has more than paid for itself. Add to this his direct and immediate profits from the sale of the iodine preparation.

When many druggists are approached with an advertising proposition of this kind, their most frequent reaction is "Oh, it's just a waste of money to send out postal cards of any kind of advertising by mail. I never read any of that kind of thing; I throw out a basketful of advertisements every day."

Curiously enough, the druggist is right! Most advertising matter does go straight to the waste basket with scarcely a passing glance. Notice that in the example I have just cited 984 of the 1000 postal cards Howard Hobart had printed, addressed and mailed so carefully are assumed to have gone straight to the waste basket without being looked at. But the sixteen—less than 2 per cent of the total—which escaped this fate were more than sufficient to make this advertising effort profitable. That is what happens in all advertising. Of necessity, a large part of it must fall on infertile ground, but the astonishingly small proportion which does take root and produce results is frequently more than sufficient to make the whole effort profitable.

That is the standard by which a retail druggist should measure his own efforts to promote his business! What results must this expenditure produce in order to be worth while and profitable to me?

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#### A MONTHLY CALENDAR WITH REAL SELLING VALUE.

Most calendars nowadays contain a beautiful and usually appropriate picture, a picture which excites admiration and appreciation when the recipient looks at it late in December or early in January. But with most people the longer they see an object the less conscious are they of it. Few can tell without looking the color of the ceiling in the office in which they may have worked for years, or how many steps there are in their own cellar-way. Exactly the same principle operates to make people less and less conscious of a calendar picture which has been on

view for a long time, no matter how attractive that picture was to them in the beginning.

Some druggists have met cleverly this disadvantage of yearly calendars by designing a calendar in which the calendar for the month, illustrations and text are all on one sheet. When February 1st comes the recipient of the calendar perforce must tear off the entire sheet, thus exposing not only a new monthly calendar but also new illustrations and text. It requires no particular imagination or effort for a druggist to work out ideas about merchandise and services which are appropriate for him to advertise each month through the year. By printing these messages and whatever illustrations may accompany them on the same page with the appropriate monthly calendar, the druggist automatically insures that the merchandise he advertises will be brought to the attention of the people to whom he gives his calendars at the most appropriate time of the year.

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SEASONABLE DISPLAYS FOR MAY AND JUNE.

House cleaning aids	Perfumes and toilet waters
Sponges and chamois	Fountain pens and mechanical pencils
Insecticides and germicides	Stationery
Moth balls, camphor, cedar flakes	Cameras and photographic supplies
Clothes bags	Vacuum bottles
Wedding and graduation gifts	Vacation needs

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POISONS AND POISONERS.

As a retrospect of fifty years ago, the *Chemist & Druggist* republishes an article printed in that publication 50 years ago; liberty is taken in reprinting it as an historical item.

"Among the special treatises on poisons the most interesting as it is also the most complete, is that attributed to Dioscorides, celebrated physician of Cilicia, who lived about the commencement of the Christian era. In this treatise, which forms the sixth, seventh and eighth books of his great work on *Materia Medica*, we meet with the first allusion to arsenic. This substance, which has only been properly studied in modern times, was then more commonly known as sandarac than as arsenic. It was generally obtained from Mysia, on the Hellespont, in the form of compact yellow pieces, heavy and scaly. It was orpiment, or the yellow sulphide. It is somewhat curious, however, that we do not find white or sublimated arsenic referred to more precisely, as we read in Pliny that the properties

of the orpiment are more developed if it is burned in a new earthenware vessel until it changes color. (*Torretur ut validius prosit in nova testa donec mutet colorem*, Bk. 34, ch. 18.) Discorides also remarks that when calcined with charcoal the sandarac changes its color. So that we may gather that under the name of arsenic the ancients understood sometimes the sulphide and sometimes the white arsenic. Clearly, the poison was known to them, and no doubt was employed. It was the prompt and terrible agent of those secret dramas of the imperial palace, the scandalous mysteries and odious machinations of which are related by Tacitus. The palace of the Caesars was as well furnished as the laboratory of Locusta. There, in a remote apartment, under the eyes of an attentive and suspicious master, with poor slaves for the victims, were made those *experientiae in anima vili* of some new compound destined to render a Claudius or a Britannicus prematurely immortal."