

DEPARTMENT OF BUSINESS MANAGEMENT

Conducted by Paul C. Olsen.*

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.

WHERE DOES A DRUG STORE GET ITS BUSINESS?

Critics of the drug store, as it is conducted to-day, have compared it repeatedly with the small department store and the variety or racket store. Needless to say, these criticisms have been made by persons who are not at all in sympathy with the business methods of the present-day drug store.

Until the recent census of distribution by the United States Bureau of the Census in coöperation with the United States Chamber of Commerce, there were no facts at all to prove or disprove the contention of the critics that the drug store has wandered far from its original purpose.

This census was made only in eleven cities, and, admittedly, the facts obtained are not as complete as it is hoped that later similar investigations will be. This census was made merely as a test in an effort to determine from the actual facts whether or not sufficiently valuable information would be obtained to justify a nation-wide census in 1930. The facts developed by this preliminary test have exceeded the expectations of the most enthusiastic advocates of a distribution census.

However, there are limitations upon even the accuracy of the facts so far obtained, and I desire to call particular attention to the reason for this. The fault lies not in the methods employed by the Bureau of the Census, but rather in the inadequacy of the records kept by small retail stores. It proved possible for these stores to estimate their total sales with considerable accuracy, but when efforts were made to classify these sales by commodity groups or departments, many hundreds of stores were unable to supply the desired information. In a drug store, for example, which had not departmentized its sales, all sales were reported under the classification—drugs, chemicals and prescriptions, although an undetermined part of them were in toilet goods, cigars and other side lines usually sold in drug stores.

The Bureau of the Census believes that the error resulting from this practice is a compensating one. The candy store, which also may sell cigars, and even toilet articles, may be reported, if its sales are not departmentized, entirely in the classification—candy, ice cream and soft drinks. Thus, the total sales, at least for the various commodity groups, are fairly indicative of retail sales in these lines.

So far the only available detailed study of sales of different commodities in different kinds of stores, is for the city of Chicago. Even with the limitations to

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which I have called attention in the preceding paragraph, it is interesting to note the total sales and the lines of goods which produce them for Chicago drug stores, and to compare these sales with the sales of these same lines of goods reported by other stores.

The Bureau of the Census found 1801 drug stores in Chicago and their total sales were slightly over \$70,000,000, an average of nearly \$40,000 for each store. This average is undoubtedly raised to this figure because of the presence in Chicago of a number of drug stores which do tremendous volumes of business.

Of this \$70,000,000 volume, \$57,600,000 was reported to be in drugs, chemicals and prescriptions. This figure undoubtedly is high, because for the reasons already mentioned, it undoubtedly includes sales of other commodities reported by undepartmentized stores.

The interesting fact about these drug, chemical and prescription sales is, that the total volume of business in this line reported by all stores of all kinds in Chicago was approximately \$59,500,000. Thus, the drug stores, according to this census, are obtaining the great bulk of the business in drugs, chemicals and prescriptions. The nearest type of store competing with the drug store was the Chicago department store. Thirteen department stores handling drugs, chemicals and prescriptions did a total volume of slightly more than one million dollars, and fifty-two five- and ten-cent stores reported a volume of nearly \$600,000.

Notice, however, that these thirteen department stores had an average volume of nearly \$80,000, each, which is about twice the total volume of business done by the average Chicago drug store. Thus, individually, the department store in Chicago is an important distributor of drugs, chemicals and prescriptions, but in the aggregate their total volume is but a fraction of that obtained by drug stores.

The second most important line of merchandise reported by Chicago drug stores was candy, ice cream and soft drinks, in which the total drug store volume reported by the 1036 stores, which carried this line, was approximately \$4,700,000. To this it seems logical to add a restaurant business reported of \$1,700,000 in drug stores, making a total for what is ordinarily called "fountain trade" of \$6,400,000. This, however, is only about one-sixth of the total fountain business reported by all Chicago stores. The total business reported was \$41,400,000 and of this business, \$26,400,000 was done by exclusive candy, ice cream and soft drink stores. Of course, this latter figure contains some errors, because in it are included all sales of undepartmentized candy, ice cream and soft drink stores.

The Chicago drug store ranks second, however, in sales in this line, followed by 133 five- and ten-cent stores, which reported total sales of \$3,500,000 in candy, ice cream and soft drinks. Here again it is interesting to note that the average sales of this line in five and ten stores was reported to be \$26,000, whereas, in drug stores it was only a little over \$4000 a year. Thus, the five and ten store, individually, proved itself to be of great importance as a vender in this line, although its aggregate sales are less than 10% of the total reported.

Of even greater importance, individually, in the sale of candy, ice cream and soft drinks, was the Chicago department store. Although Chicago department stores ranked fourth in total sales, with a volume of \$2,300,000, the average sale in each one of the fourteen department stores carrying this line was \$165,000.

Cigars, cigarettes and tobacco were third in sales importance in Chicago drug

stores, with a total of about \$3,400,000 from the 1150 drug stores which carry this line. As I have suggested before, this figure is apt to be low, because many stores do not departmentize their sales records even to the extent of separating cigar sales from the rest of the business. The total sales of cigars, cigarettes and tobacco reported by all stores was about \$32,000,000. Thus, the drug stores, according to these facts, are getting slightly more than 10% of the business. The most important retail distributor of cigars, cigarettes and tobacco proved to be the exclusive cigar store, with a total volume of about \$22,000,000, about two-thirds of the total business from all stores. This latter figure may be high on account of the inclusion of all sales from undepartmentized stores, but on the other hand, it is believed that it is fairly accurate because it includes sales of chain cigar stores. The average volume of these cigar stores is \$17,000, while the drug stores reported an average volume in cigars, cigarettes and tobacco of less than \$3000.

Restaurants ranked third in sales of cigars, cigarettes and tobacco, with a total volume of \$2,900,000 from 964 restaurants. Notice that the average volume of sales of cigars, cigarettes and tobacco in restaurants is likewise about \$3000.

Department stores are fourth with sales of approximately \$1,000,000 from ten stores carrying cigars, cigarettes and tobacco. This is an average sales volume from each store of about \$100,000, thus establishing the department store in this line also as of great sales importance individually.

The total volume of toilet goods business reported by all Chicago stores was \$12,500,000. As I said before, this figure is apt to be low, because comparatively few druggists take the trouble to departmentize and keep separate records of their toilet goods sales. (In this census these sales simply were recorded under the general heading of drugs, chemicals and prescriptions.)

However, the 26 department stores which in Chicago handle toilet goods reported sales of \$6,200,000, approximately one-half of the toilet goods business reported by all Chicago stores. The dominant position in the sale of toilet goods of the Chicago department stores is thus apparent. Ranking next to department stores in toilet goods sales were found to be 100 beauty parlors, with total sales of \$3,600,000. Drug stores came third with sales of \$1,800,000.

Summarizing these facts, it appears from the results of the distribution census in Chicago that the four principal lines sold by Chicago drug stores are as follows, listed in the order of their sales importance:

Drugs, chemicals and prescriptions.....	\$57,600,000.
Candy, ice cream and soft drinks.....	6,400,000.
Cigars, cigarettes and tobacco.....	3,400,000.
Toilet articles.....	1,800,000.

As mentioned already, the dominant position of drugs, chemicals and prescriptions is apt to be somewhat exaggerated by these figures because of the inclusion of total sales of all kinds of goods from undepartmentized drug stores. It is a common practice, however, for a drug store of any size at all, to separate soda sales and cigar sales so that these figures no doubt reflect conditions in these lines with a considerable degree of accuracy.

In only drugs, chemicals and prescriptions did the Chicago drug stores do an important share of the total business; in this line their sales were more than 98%

of the total from all stores. In cigars, drug stores did about one-tenth of the business, although they were the second most important outlet. In candy, ice cream and soft drinks, they did about one-sixth of the business and had as important competitors the five and ten stores and the department stores, as well as the exclusive candy and ice cream stores, which did the bulk (possibly two-thirds) of the business. In toilet articles, the most striking fact is the predominance of department stores and beauty parlors. Even if the drug store sales are underestimated, as they undoubtedly are, the outstanding leadership of these other types of stores over the drug store is quite evident.

DIRECTING MERCHANDISE TRAFFIC.

Preventive measures against overtime parking can be applied as profitably to goods on the average retailer's shelves as to traffic at his door, in the opinion of Dr. Julius Klein, Director of the Bureau of Foreign and Domestic Commerce. This conclusion he based on facts disclosed by studies the Commerce Department is making in connection with its campaign against waste in distribution.

The problem of dead and slow-moving stock, with the accumulation of charges involved, such as depreciation, taxes, interest, etc., can be solved in most cases, Dr. Klein is convinced, by the installation of an adequate stock control system. Such a system need involve practically no expense outside of the cost of physical equipment.

In a bulletin prepared in the Domestic Commerce division of the Department and which any merchant may obtain free upon request, a model stock-control system which has been employed successfully by a retail merchant is described. By means of this system the retailer in question was able to reduce his stock more than 30 per cent while at the same time increasing his volume of sales 20 per cent and his profits 50 per cent. The first year the system was working, his stock turnover was something less than four times, while the following year he was able to show a stock turn of six times.

Among other data which the stock control system brought to light was the fact that what the merchant had considered a "fair" stock in some items was really sufficient to last him a number of years. On the other hand he definitely ascertained what items were moving rapidly and was able to gage his purchases accordingly. Before the inauguration of the system the heavy investment in inventory would seldom permit experimenting with new lines of merchandise. The release of

capital resulting from the operation of the new method has enabled him to search out and stock new and untried merchandise which appears to have merit.

TOLERANCES FOR CERTAIN MEDICINAL TABLETS—FIFTH REPORT OF CONTACT COMMITTEE.

The Contact Committee of the American Drug Manufacturers' Association and the American Pharmaceutical Manufacturers' Association has submitted to the Food, Drug and Insecticide Administration, United States Department of Agriculture, a fifth report containing recommendations for tolerances on certain medicinal tablets. The degree of accuracy is indicated within which properly manufactured medicinal tablets can be made under present-day manufacturing methods.

This report covers recommendations on certain compressed tablets and includes recommended methods of analysis. The tolerances suggested by the combined Contact Committees for the compressed tablets mentioned are as follows:

Arsenic trioxide tablets.....	7 $\frac{1}{2}$ %
Amidopyrine tablets.....	7 $\frac{1}{2}$ %
Barbital tablets—	
More than 1 grain.....	7 $\frac{1}{2}$ %
1 grain or less.....	9%
Mercurous iodide tablets.....	9%

The proposed tolerance in the case of triple bromide tablets is based on the total bromine present which is specified as not less than 70% nor greater than 81% of the labeled amount of total bromides. A tolerance is suggested also for the content of ammonium bromide. In the case of bismuth subgallate, bismuth subnitrate and bismuth subcarbonate tablets the Committee has recommended a method of analysis, but has reserved its recommendation as to tolerance for a subsequent report.