

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.

ERNEST HAMPTON SAVES \$1200 IN BUYING A SODA FOUNTAIN.

In these days of the purchase on the installment plan of everything from suits of clothes to 30-room mansions, the man who buys for cash anything which runs into any money at all is the object of much curiosity. At least, that is the way it seemed to Ernest Hampton, progressive druggist.

His new store had been open now for more than two months. Every day he received from his customers and friends in the trade enthusiastic congratulations upon the appearance of his new store and the volume of business that it was quite evident he was doing.

"You mean you paid cash for that fountain," exclaimed Ed Garrity, genial wholesaler's salesman, in incredulous amazement to Mr. Hampton. "I'll bet that soda fountain salesman had the thrill of his life!"

"Well, he did say this was the first fountain he had ever sold for cash in his twenty years in the business," admitted Mr. Hampton.

"I thought so. Pretty soft for you, Ernest. Fountain and fixtures all paid for, a growing business and nothing but the ordinary running expenses to be met out of the day's receipts.

"You know what breaks a lot of these fellows in starting a new business is not that they don't buy right or do enough business. Their stores are perfectly able to meet ordinary running expenses and leave them at least a small profit. The trouble is that they start with so little cash capital that they have to buy most of their necessary equipment on the installment plan. This means that during those first few trying years in business they are loaded down with a series of monthly payments which, in the aggregate, amount to quite a sum.

"There is only one place from which the money can come to meet these payments. That is from the money the business earns after ordinary running expenses and merchandise bills are paid. If the business doesn't earn enough profits to meet these payments—and it often doesn't when it is first starting—it is easy to see that that proprietor is headed for trouble and mighty serious trouble it is.

"I guess you thank your lucky stars, Ernest, that you don't have to worry about monthly payments on equipment while you are getting this business on its feet."

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"But I do have my monthly payments to meet," calmly replied Mr. Hampton.

"You—what? I thought you told me you were the only man to whom that salesman ever sold a soda fountain for cash."

"That's right, but where do you suppose I got the money to pay cash for this fountain and where do you suppose I am going to get the cash to pay for another fountain when this one is worn out?"

"Let me show you something. I figure that a new fountain should last me twelve years. It is iceless throughout and maybe I am underestimating its life, but I'd rather underestimate than overestimate.

"It cost me with all equipment just \$3600. In twelve years I'll need to replace it. If I don't have \$3600 in cash, then the only way I can make this necessary replacement is to buy a new fountain on the installment plan, and let it pay for itself out of its earnings.

"Now here is my plan to have this \$3600 in cash in twelve years. To save that \$3600 over a period of twelve years looks as if it required a yearly saving of \$300, or \$25 a month. Twenty-five dollars a month, however, is much more than it is necessary to save to produce the required \$3600 in twelve years. The magic of compound interest does the trick. It makes the money I save now earn me more money. I went to Mr. Bramble at the savings bank and his tables showed that if I deposited \$19.50 a month, in my savings account with them, it, with the 4 per cent interest which they compound monthly, would amount to just \$3600 in twelve years. Now figure out what I save.

"Payments of \$19.50 a month for twelve years make a total of \$2808. That is to say, by saving \$2808 at the rate of \$19.50 a month, I'll accumulate enough at the end of twelve years to buy for cash a new soda fountain which costs \$3600. There is a saving right there of nearly \$800, leaving aside any question of the cash discount I might receive when I do buy a new fountain. That isn't the whole story, however. Suppose I don't save this \$19.50 a month. I am going to need a new fountain regardless of whether or not I save, in advance, the money to pay for it. What will it cost me if I don't save in advance?"

First, a down payment of, say 10%.....	\$ 360.00
Second, monthly installments of \$67.50 on the balance, spread over a period of 4 years.....	3240.00
Third, interest at 6% on the unpaid amount of monthly installments, a total of.....	388.80
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	\$3988.80

"Now don't misunderstand me, Ed. Far be it from me to criticize the installment plan. It is the salvation of many people. It enables people to possess merchandise long before they otherwise would be able to obtain it. It forces people to save who, if it weren't for the compelling necessity to meet installment payments on merchandise already in use, probably never would be able to save a cent. In other words the effect of the installment plan is to greatly increase the consumption and therefore the sales of much useful and valuable merchandise.

"My figuring has to do only with the conduct of a retail drug store. I say simply it is inevitable that after a period of years the equipment used in the conduct of a drug store will have to be replaced. Any experienced druggist can estimate

with fair accuracy for each item of equipment what that period of years is going to be.

"As long as this replacement is inevitable, it seemed to me the only sensible thing to do would be to try to figure how it could be replaced at the least expense. You see the result. The fountain which some day will have to replace this one is going to cost me in actual cash layout only \$2808. If I waited until I had it in the store before I commenced to pay for it, it would cost me, according to my figures, \$3988.80, almost \$1200 more. In order to make this saving of nearly \$1200 all I have to do is to set aside \$19.50 a month of money that eventually I'd have to spend anyway. That certainly is little enough, don't you think, considering the saving it makes possible?"

GRADUATE EDUCATION IN PHARMACY.*

BY G. L. JENKINS.¹

Educational standards in pharmacy have advanced rapidly during the past five years when compared with previous periods, but this advancement has not been rapid if compared with the extension of such standards in other professions. The expansion of graduate pharmaceutical education, although marked, has especially failed to keep pace with that in other allied sciences. The reason for this condition is probably due in part to the assumption that the training of retail clerks and pharmacists is the primary and, frequently, the only function of our colleges. It is also caused in part by the fact that the majority of our schools, as well as the men who guide pharmaceutical education, have not been in a position to give more than the usual elementary stages of academic work designed to prepare retail pharmacists.

Until a century ago pharmacists were pioneers in research not only in their profession but oftentimes in that of the allied sciences. With the growth of other sciences—some of which were foster children of pharmacy, although they do not admit it to-day—pharmacy has receded into the background. Consequently, when we look for the achievements of pharmacists among the recent notable researches in the synthesis of new medicinal agents, in the development of biologicals, in the systematic analysis of drugs, in the study of vitamins, or in the knowledge of glandular products, we find that this work has mostly been accomplished by members of other professions that expanded into these fields which properly belong to pharmacy, and not by pharmacists. Much of this work has been done in pharmaceutical establishments but, usually, by others than pharmacists.

It is usually granted that much of the work requiring precise technical education and experience has disappeared from even the most professional of our modern dispensing pharmacies and has found its way into manufacturing plants. As a result, the technical educational requirement necessary for the retail pharmacist has decreased while that of the manufacturer has increased. Little cognizance has been given on the part of our schools to the need of preparing men to take their place in and make such plants truly pharmaceutical. Many manufacturers have few pharmacists on their scientific staff, while chemists, medical men and pharma-

* Section on Education and Legislation, A. Ph. A., Portland meeting, 1928.

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