

# 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.

## WHY THE CHAIN DRUG STORES DON'T GROW FASTER.

BY A WELL-KNOWN CHAIN STORE OPERATOR.

The casual reader or the store owner troubled with chain competition may think from the heading of this article that there is a catch in it somewhere. In their observation and experience the chains are growing and growing too fast to suit some people.

My own experience has been limited to the field of chain drug stores. At least so far as our own experience in this field goes, I can say that we would and could grow much faster than we already are growing, but for one factor. That one factor is a lack of qualified people capable of running stores for us. That is to say, we have the money available to start new stores, we have the locations picked out that we are sure would prove profitable, but we can't go ahead any faster than we are for lack of qualified people to operate any additional stores that we might establish.

The situation is made still more striking by the fact that the new stores we establish do not have prescription departments and therefore it is not necessary for us to employ registered pharmacists. It is easy to see how the expansion of this organization would be handicapped still further were we compelled to make our selections of store managers and numerous other employees exclusively from registered pharmacists.

Of the total operating expenses of a retail drug store 60 to 75 per cent are payments for salaries. Therefore the question of getting an adequate return for the salaries which are paid far overshadows in amount all other operating problems and of course determines in large measure the success or failure of a particular store.

If there are any unemployed people experienced in the retail drug business who read this article, I suppose their first impulse would be to write to us asking for work. Our problem is not, however, a lack of applicants but a lack of *qualified* applicants.

What makes a qualified applicant for the managership of a store which sells most of the lines ordinarily found in drug stores seems to be a combination of attributes which, in our experience at least, are exceedingly difficult to find in one person.

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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.

A few quotations of our experiences with different types of people will give an idea of some of the difficulties we meet with most frequently.

One of the most successful store managers we have ever had is a man who before he came to us had never worked a day in his life in a retail store. Long past middle life, he was suddenly let out of an office position which he had held in a manufacturing plant. A consolidation simply had made his services no longer necessary with them.

We hired him with some misgivings. In a few months, he had more than made good. We pay our salespeople a small salary and various commissions and bonuses which make their compensation decidedly worthwhile if they are sufficiently skilled to build up their volume of sales. The salary we pay is so small that no one would be content to remain long working for it alone. Therefore the unfit automatically eliminate themselves when they have failed to demonstrate their ability as salespeople.

There is nothing sensational about this man's methods. He has a tremendous capacity for making and holding friends and he simply has turned that ability to making friends for himself, his store and the merchandise he sells. This man seems to inspire confidence as well as good will. His age and his appearance help to create these impressions.

Add to this the fact that he came to us with absolutely no previous retail experience and, therefore, no preconceived notions on how a retail business should be conducted. He was willing to try with all his energy and skill to put into effect the plans and ideas which we had found productive. He had a serious interest in making good to the best of his ability because satisfactory new positions for a man his age are hard to find and this opportunity, if he succeeded, meant a good living for him as well as definite possibilities for advancement.

It is hard to beat this combination of a deadly earnest person who is enthusiastically anxious to succeed in his work and is willing to make use of and profit by the successful experience of others. Add to this a natural ability to make friends and inspire in them confidence and good will and there results a person who cannot help but succeed in our work.

I think that one of the reasons we have had failures among very young men is their unwillingness to take their work as seriously as it should be taken. They haven't yet had enough experience in business to see everlastingly that increases in their own income can only come from additional business and profits which they themselves create or help to create.

Then, too, anyone who has had any success in the development of a retail business knows that his development is a matter of years of painstaking effort and careful and efficient attention to endless detail. Anyone who is to participate in and obtain the rewards from the development of a successful retail business must be prepared, therefore, to stay with it for an indefinite and lengthy period.

Some young people whom we have employed don't seem to have this requisite patience and perseverance. If rewards don't come quickly and in large amount they are dissatisfied and soon are off into some other line of work, perhaps to repeat their performance there. Needless to say, this is unsatisfactory for us as well as, in the end, for them.

At first thought, it would appear that registered pharmacists would make excellent salespeople for us because of their technical knowledge of practically everything that we sell. After all, the first requisite of successful salesmanship is to know the merchandise and a man trained in pharmacy certainly ought to have that knowledge of what we sell.

It would be a mistake, of course, for me to condemn the sales ability of all pharmacists simply because of unfortunate experiences we have had with some. My point merely is that the fact that a man has had technical training in pharmacy is by no means an assurance that he will make a successful retail salesman of pharmaceutical products. Some of these men, from inclination and ability, seem best fitted for manufacturing and research laboratories. Others are qualified as detail men or traveling salesmen and still others are especially skillful in compounding prescriptions.

While the earnings of our store managers will run as a general rule higher than a pharmacist could earn in an ordinary drug store we find many of them are reluctant to accept positions with us because of our salary, commission and bonus method of compensation. That is to say, they lack faith in their ability as salesmen. They prefer the certainty of a smaller salary to the uncertainty of a larger compensation with us which they receive only if and as they earn it.

Because the salary expense is by far the largest single operating expense incident to the operation of all of our stores, we try to assure ourselves in every possible way that the expenditure we make will be profitable for us, for the persons employed and for our customers. Our success in a new location is therefore dependent to a very large extent upon the type of people whom we put in the store. In fact, so important do we consider this personal problem that, as I said in the beginning, we will not consider opening in a new location until we have available the people who we feel sure will operate that store with profit to all concerned.

We desire, of course, to expand our business, but we feel that any expansion which would be carried forward without the foundation of competent and qualified assistants would court disaster in the end. Those qualifications which we have found most useful in our salespeople in building up the business of our newly established stores are a sincere willingness to make friends and thus build confidence and good will for the salesperson, the store and its merchandise and a loyal, earnest and enthusiastic steadfastness of purpose which thrusts aside obstacles, sincere in the belief that whatever benefits the business will benefit in like measure those responsible for its success.

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#### INCREASING NET PROFITS BY INCREASING AVERAGE SALES.\*

BY W. BRUCE PHILIP.

Before taking up his subject the speaker ascertained that there were seven instructors in colleges of pharmacy and somewhat more than double that number of retailers present at this session of the Section on Commercial Interests. He stated that his talk had as a purpose to intensify and second the remark of the

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\* An address before Section on Commercial Interests, A. Ph. A., St. Louis meeting, 1927.