

SHALL THE INDEPENDENT DRUGGIST SINK OR SWIM? IT DEPENDS UPON HIS INITIATIVE AND EFFORT!*

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The chain store is an established fact. Whether it is a desirable fact or an undesirable one, no good can be accomplished by calling it names. Like every other commercial venture it will flourish or decline in proportion as it serves or fails to serve public needs more efficiently and economically than competing agencies. So let us face it squarely, without bias, and try to see what it really is.

In 1928 there were 3893 chain organizations operating 101,536 stores. It is also estimated that there are about one and one-half million retail stores in this country. The proportion of chain store units to independent units is therefore very small. But chain stores distribute a larger proportion of merchandise than their numbers indicate.

Last year the public spent \$40,000,000,000 as follows: 12% to chain stores; 4% to mail order houses; 1% to canvassers; $\frac{1}{4}$ of 1% to consumers' coöperative associations; 16% to department stores; $6\frac{3}{4}$ % to independent unit stores. In other words 80% of the retail business went to independent unit and department stores, against 12% to chain stores. This 12% represented the aggregate volume of chain stores of all kinds. In some fields they have a much larger share than this. For instance in the grocery business they get about $33\frac{1}{3}$ %, in the drug business 20%.

The chain store can be called a menace to the independent retailer only in so far as it provides a type of competition which he is unable to meet, and which consequently threatens to drive him out of business. But according to Bradstreet's analysis, 35% of all business failures are due to incompetence, 35% to lack of capital which may be styled as a form of incompetence, 17% to specific conditions, 5% to inexperience, 4% to fraud and only 1.8% to competition. On the face of these figures it is obvious that competition of any kind is much less a menace to the independent retailer than to his own inefficiency. The foregoing figures relate only to the present. What of the future?

The chain store system is a relatively new development. It is growing rapidly, much more rapidly than any other method of retail distribution. Its growth must necessarily be at the expense of the independent merchant. Will it keep displacing the independent merchant until it eliminates him altogether?

Storekeeping in recent years has undergone many changes. In the beginning, we may recall, trade was merely an exchange of products, then came the merchants and so on. Change is essential to progress and that progress involves the elimination of institutions which will not or cannot adapt themselves to it.

We are concerned with two practices which have come about during recent years. One of these is the idea of gathering under a single roof wide assortments of merchandise appealing to a great variety of tastes and pocketbooks, or expressed in more familiar terms, a store that sells anything from a needle to a white elephant,

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or, if Dean Jordan of our school will permit me to use his term: "A store that sells everything from mouse traps to automobile tires."

The other practice of storekeeping is the idea of concentrating on a limited variety of standardized articles which are in wide and constant popular demand. The latter is the chain store idea. The first and most successful chains started with single stores operated by single merchants and were successful because of their policy and because of the brains behind them.

The question we have to face now is whether this system is in every respect superior to the system followed by the independent druggist. In other words, can the chain store render every service performed by the independent merchant and render it more efficiently and economically than he can? If it can, then it will eventually displace the independent merchant altogether. None of us anticipate such a change, and it will not happen, because there are limitations.

The success of the chain store is not due altogether to the fact that it is a chain store, nor its mere size and purchasing power, but I believe it owes much if not most of its success to the intelligence with which it is operated. The same principles that governed the success of the first store govern all stores. Success in operating so many stores does not lie in the great number itself but in the definite and practical knowledge of how to operate a single store in a single community. The success of the chain store, then, is primarily the outcome of superior merchandising brains applied to the business of retailing which have developed methods that are more or less applicable to every store, because they are founded on principles that are the same for chain stores and single stores.

You have heard it remarked that chain stores will not locate in towns where there is really live, independent competition. You will agree that if the independent merchant would wake up and adopt modern business methods before the chain stores came to his town instead of waiting until they arrived and got the jump on him, he would not have so much to worry about.

A good example of delayed awakening, which after all proved to be a change worth while, was recently demonstrated in one of our Indiana towns. When the druggists in this town heard of the advent of the chain, they immediately proceeded to clean up their stores, to advertise and rearrange their displays. In fact the change was so pronounced, it caused much comment over the state. Why did they not do this before?

It has also been demonstrated that many merchants who are surrounded by chain store competition are actually doing a better business than they were before the chain store came to their city. This leads to the conclusion that "the man behind the gun," is, after all, the man who does the shooting. The success of any business depends primarily on the ability and energy and character of the man by whom it is operated, and with these qualifications he can meet successfully any form of competition. The field is open, and in an open field the best man wins. People will go where they can get the best service and the best value.

The independent druggist, if he is to succeed under modern conditions, must have knowledge and apply it to his business. He has or ought to have the advantage of being closer to the heart of his community and is better able to judge its wants than the chain store. He should have the knowledge of how to control

his buying and his stock effectively, for this is necessary to maintain a proper turnover, and it is around this pivot which profitable merchandising revolves.

Ability to judge and meet demand is the first requirement to success in retailing. The next is effective promotion. A merchant may have the most desirable merchandise and the best values in town, but it will not profit him much if he does not have an attractive, clean, well-lighted store and if he does not draw attention to his merchandise and his values by proper display and advertising. At least it will not profit him much if he has a competitor down the street who uses these means to attract customers.

Efficient service is an essential part of successful sales promotion. Greatest success in retailing is achieved by serving the public in the most efficient manner; but it must be done as economically as possible. If we have two competing merchants who render identically the same service in every respect, the one who renders it at the lower cost is the one who will get the business. So it is necessary to keep down costs, and the best way to keep down costs is to buy right and sell right, for nothing runs up expense like slow turnover and frequent mark-downs. It is also necessary to control operating expense, and it is impossible to control this if careful record is not kept of every item entering into it. The Druggists' Research Bureau in conducting its surveys and case studies is gathering facts and figures as they really exist. The work of this bureau is in the interest of the independent retail druggist, concerns his problems and deserves his loyal support.

Efficient buying, efficient selling, efficient training and direction of personnel, efficient control of operating expense—these are the main reasons for chain store success, and all of them are within the power of the independent druggist. When it comes to the economies of quantity buying, the independent merchant seems to be at a disadvantage, but there are various ways in which this disadvantage may be overcome.

The greatest asset the independent retailer has is his individuality and he should feature this and do some of the things the chain stores cannot or will not do, and at the same time not neglect to practice sound business methods.

Some months ago a merchant in our town who was enjoying a very nice business decided to cut out credit and deliveries in order to meet chain store competition and proceeded to open branch stores in which this new principle was applied. There was a demand for credits and deliveries in this town and by deciding that he would no longer cater to this demand he lost a tremendous amount of business. His loss was so great that within a very few weeks he was forced to close all branch stores and go back to his former method of doing business and is now getting back on his feet again. In this case they were trying to beat the chain stores at their own game, and here it was a fatal mistake, because the people wanted credit and delivery service and were willing to pay for it.

The big opportunity for the independent merchant is to be as different as can be from his chain store competitor, feature service they do not give, to be distinctive, and last but not least to remember that he is operating a "drug store" and to feature the professional side of pharmacy, which after all, is his excuse for being in business. If he will do this and at the same time operate on the same sound business principles that govern the chain stores, he will have no reason to fear this or any other competition.