

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.

HORACE HAMPTON POINTS THE WAY TO PRESCRIPTION PROFITS.

Horace Hampton, progressive Centertown druggist, was entertaining his classmate, Lloyd Hamel, of Cleartown. Although Cleartown was only 30 miles from Centertown, Mr. Hampton rarely saw his college friend. Mr. Hamel's store hadn't grown to any size—he employed only a qualified assistant in addition to himself—and the full holidays he took were rare indeed.

That was why Mr. Hampton was especially surprised to see him come walking into the store one warm morning in September.

"Well, stranger, this is a real surprise. What brings you out so early? Come on back and sit down."

Seated in the corner of the prescription room which Horace Hampton called his "office," it soon developed that the object of Mr. Hamel's visit was more than a purely social call. Lloyd Hamel had come at last to recognize that much about the conduct of a successful drug store could be learned from outside observation. His years of close confinement to the store, he finally realized, had narrowed his vision. He needed to renew his hopes and courage with a fresh viewpoint. What was more natural than that on the first day of what he called his "business vacation" he should call upon his old friend and college chum, Horace Hampton, proprietor of two large and successful stores in Centertown? Surely, Horace Hampton with his long and profitable experience in the conduct of drug stores could and would give him some ideas which he could make use of to put his own store on a more prosperous basis.

Of course Horace Hampton could and would. One characteristic of successful business men is that they are prodigal almost to a fault in their willingness to give others the benefit of their ideas and successful experience.

"What put my first store on its feet," began Horace Hampton, "was its prescription business. After all, the one thing that distinguishes a drug store from all other retail stores is this professional service which it and it alone is equipped for and capable of rendering.

"However, there isn't much comfort in prescriptions or any other kind of business if it can't be handled at a profit. Of course there are lots of public services that a drug store has to and is glad to render for its patrons and prospective patrons

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but, after all, the thing that determines whether or not a store is going to remain long in business is the amount of profitable business it can do.

"The first thing I had to do, therefore, was to determine whether or not such a business, if I did obtain it, would be profitable."

"How many prescriptions do you suppose you average a day, Lloyd?"

"I'm ashamed to tell you, Horace. I doubt if I average more than two a day. When I have filled four in a day that has been a big day with me."

"Think what that means, Lloyd. You and your assistant are working there in the store day in and day out for what? To fill two to four prescriptions."

"We sell lots of other merchandise. Of course I wouldn't have lasted three months if I had had to depend all these years on prescriptions alone."

"True enough. I don't know what you are drawing from the store as salary but I presume you pay your assistant the going rate of wages. I don't need to tell you that those salaries are considerably above those which salespeople in other retail stores receive. Why are they higher; why should they be higher? Simply because you and your assistant are equipped and ready to render a professional service which, under conditions as they are now, you are called upon to use only in the compounding of two to four prescriptions a day! Instead, what you and your assistant are doing is selling tooth paste, soap, hair nets, soda-fountain drinks and so on. This is perfectly legitimate, to be sure, but your professional training certainly isn't necessary to make such sales.

"Across the street in the five and ten they take green country girls and pay them \$8 to \$12 a week to sell just the things that you sell mostly—tooth paste, soap, hair nets, soda fountain drinks and so on. Is it any wonder that the average five and ten is far more prosperous than your drug store?"

"People would rather buy such things in a drug store, Horace," objected Hamel.

"Of course they would. Everybody likes the personal attention of the manager. But you aren't going to be able to give it to them very long if you go bankrupt from a lack of profitable business."

"Granting that all you say is true, Horace, how is a larger prescription business going to help things?"

"You and your assistant I suppose keep the store open 15 or 16 hours a day?"

"That's right."

"Now, doing the volume of business that you do, it's true, isn't it, that you and your assistant aren't on your feet waiting on customers every minute of those 15 or 16 hours?"

"No, indeed, there's an hour in the late afternoon and another in the early evening when we are rather busy but the rest of the time things are pretty quiet. We have a couple of comfortable chairs in the prescription room and, needless to say, we both are able to give pretty close attention to the morning and evening papers."

"In other words, at practically any hour of the day you both have plenty of time available in which to take care of prescriptions. That is to say, you could fill every day ten or fifteen times as many prescriptions as you do now with no increase whatsoever in your operating expenses. You and your man have to be there; you have the training and experience to fill prescriptions. The only additional cost would be the cost of the supplies and materials that you would use.

"You know and I know that the cost of materials and supplies used in the average prescription will run from 10 to 50 per cent of the price you receive for the prescription. If there is no extra expense in compounding it, that gross margin on these additional prescriptions is just so much additional velvet for you."

"I'm not so sure about that last figuring of yours, Horace. I read somewhere about a druggist who sold cigars at cost because he had to carry them anyway and therefore they didn't add anything to his overhead. Then he started selling bulk ice cream the same way for the same reason. If you start that way where are you going to stop? Something has got to carry the overhead."

"All right, we'll figure it your way, if you want to. I simply was trying to show you that you and your assistant were in the store with idle time which, if the prescriptions were obtained, could be turned into highly profitable work."

"Suppose we do charge the proportionate share of the overhead to these additional prescriptions. Prescriptions naturally carry a larger gross margin on account of the professional services involved. What is going to be the effect on the average gross margin of your whole business if you bring in a large volume of this high margin prescription business. Your operating expenses, as I explained, don't increase so your net profits are bound to go up."

"That's a pretty rosy picture you paint, Horace."

"Don't go too fast. I've told you, so far, only a third of the story. Up to now I've tried to show you how profitable a worthwhile volume of prescriptions can be in a small store. The next step is to determine how much prescription business there is to be had in Cleartown, and then last, how to go about getting this business."

"Let's step out and get a bite to eat now and then after lunch we'll go into the last two matters."

(To be continued)

PHARMACISTS IN THE NAVY.

January 1929, number of the *Hospital Corps Quarterly*, published for the information of the Hospital Corps of the U. S. Navy contains a number of interesting articles by pharmacists. The first one is on "Naval Hygienic and Sanitary Questions," by W. H. McWilliams, Chief Pharmacist of the U. S. Navy. Another is by R. W. Gray, Pharmacist's Mate, First Class, U. S. Navy, on "Dark-Field Examination for *Treponema Pallidum*;" and a comprehensive contribution dealing with Notes on Photography is by H. F. A. Long Pharmacist's Mate, Second Class, U. S. Navy. Another article deals with Practical Suggestions, by

Henry Scheidegger, Chief Pharmacist's Mate, U. S. Navy.

On November 1, 1928, sixty names of pharmacists' mates, first-class, were on the waiting list for Chief Pharmacist's Mate, and the following promotions to Chief Pharmacist's Mate acting appointment have been made: E. C. Beaulac, T. A. Boardman, D. H. Diamond, S. R. Giles, J. T. Havlicheck, I. L. Haim, R. J. Lyons, F. H. McGuire, F. O. Tibbetts, Q. C. Tucker, O. L. Youngblood. Promotions to Pharmacist's Mate, First Class, list the following: R. L. Bodiford, Joe Gavin, M. H. Harford, D. W. Lacy, Benjamin Osti.