

# 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.

### HOW TO REDUCE SALARY COSTS.

BY PAUL C. OLSEN.

By far the largest single item of operating costs in a retail drug store is salary costs. Salary costs range from 10 to 20 per cent of sales, depending upon the type of store. They are lowest proportionately in the largest stores, particularly, if these stores do not have an important amount of professional business. The reason is that in a large store it is possible to employ salespeople in the non-professional parts of the store who do not command as high salaries as professional pharmacists. The cigar counter and the soda fountain are examples of such departments.

In a drug store doing only enough business to justify the employment of one or two salespeople for the entire store, it is evident that one or both of the salespeople will have to be pharmacists, with corresponding salaries, in order that a pharmacist be on duty all the 14 or 16 hours daily that the store is open. Thus all the saleswork in such stores has to be done by pharmacists with a corresponding increase in the proportionate amount of the receipts paid for salaries. There probably are in the United States more stores of this latter type than there are of any other size and type.

Thus the problem of reducing salary costs is sure to be of interest to all druggists because it is the largest single item of their operating costs and of greatest interest to the proprietors of stores employing only one or two people, the type of drug store which is now most numerous in the United States.

When the reduction of salary costs is suggested, a first impression is likely to be that the only way to do it is to pay lower wages to the salespeople. This is the least important of the possible ways to reduce salary costs. In fact, a reduction in wages is apt to have just the opposite to the intended effect. A man capable of earning \$60 a week is likely to be able to do three times the work of a person who can command a salary of only \$30 a week, and do it better. The person most competent to use his time efficiently in a drug store is the person who naturally commands a salary above average.

One of the most effective ways to reduce salary costs in a drug store is to increase the amount of the average sale. The average sale in a drug store ranges from 20 cents to 80 cents and more. It is a perfectly obvious fact that an 80-cent sale is

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