

DEPARTMENT OF BUSINESS MANAGEMENT

Conducted by Paul C. Olsen.*

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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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not likely to be four times as costly to make as a 20-cent sale. As a matter of fact, on the same kinds of merchandise, the costs are likely to be almost the same. But if salaries have to be paid from the receipts from 20-cent sales instead of from 80-cent sales, it is evident that a greater part of the receipts of the store will go for salary costs.

When an increase in the size of the average sale in a drug store is proposed, the first and most suggestive way considered is the familiar "companion sale." To the person who asks for razor blades, sell also shaving cream and perhaps also an after-shaving lotion.

Another plan often suggested is the substitution or "forcing" of items, in the sale of which the store is especially interested. Substitution or "forcing" takes the form of more or less clumsy attempts to persuade the customer to accept a brand or style different from the one for which he asked.

There are two basic weaknesses in companion selling and in substitution. One is the cost of such efforts. The amount of time, effort and skill required of a salesperson to make an extra sale of 25 or 50 cents is out of all proportion to the extra profits received from these additional sales.

Of even greater importance is the danger of offending good customers with persistent and indiscriminate sales efforts of this kind. The reaction produced all too often upon customers is expressed by the remark, "Don't go in there—they're always trying to sell you something."

If companion sales and substitutions aren't the way to increase the amount of the average sale and thus reduce salary costs, what is the most profitable and practical way?

The answer is contained in the one word, display. Druggists who have tried this latter method have proved time and again that the economical and profitable way to increase the amount of the average sale is to display in the windows and on the counters the merchandise they want to sell. This method both promotes companion sales and increases the amount of individual sales, at low cost and without running the risk of offending customers.

For instance, the biggest seller in one druggist's line of hot water bottles was an 89-cent number. By displaying constantly the \$3.00 hot water bottle at the appropriate seasons, he made this one the leader. Another druggist changed, by the same method, the leading seller of three sizes of a well-known tooth paste from the 25-cent to the 45-cent size. Incidentally, they were doing their customers a favor, because the more costly items were better values.

There is nothing mysterious, difficult or costly about this method of increasing the average sale by window and counter displays. Any druggist can prove its own profitableness to his own satisfaction with merchandise from his own stock. Counter display alone is sufficient for some items.

The second profitable way to reduce salary costs depends for its success upon an analysis of the layout and arrangement of the store. In thousands of drug stores countless needless steps are taken every day which could be saved with a more efficient layout and arrangement of the store and its stock. Cash registers are often so placed as to necessitate sales people taking extra time to wait on customers. In some cases there are not enough cash registers. More often, merchandise, which is bought together by customers is not placed together

or even nearby on the shelves and in the cases. The wrapping counter may be awkwardly placed or poorly laid out.

The ideal toward which the store layout and stock arrangement should be pointed is to serve the greatest possible number of customers in the shortest space of time with the smallest possible number of salespeople.

A third and somewhat related way to reduce salary costs can be used often in many stores, especially those which have sudden rushes of business at particular times of the day, week or month. Again the ideal is to schedule the sales force so that a sufficient number of salespeople will be on duty to take care of the customers at the busiest times and at other times to have on duty only enough to take care of anticipated business.

The procedure also can be reversed. A business-building campaign may be undertaken with the idea of distributing the store's sales more evenly through the day, and through the days of the week, month and year. The hot drink idea at soda fountains is a well-known example.

Naturally such an ideal is difficult to reach or even approach, but any experienced druggist can see that the closer he comes to it, the more favorable will be the effect on his salary costs.

The fourth way to reduce salary costs in a drug store is already suggested, in part, above. Most druggists are so situated that they could do more business without a corresponding increase in salary and other operating costs. Thus all the gross margin on the increased business is net profit. That is why profits in a store, the business of which is increasing, are apt to increase at even a faster rate. That is why the introduction and constant use of business-building plans are so important to the greatest success of a drug store.

In a drug store doing \$30.00 a day, almost as much of a sales force is required as in one doing \$50.00 or even \$60.00 a day. The druggist who is doing only \$30.00 a day will have, obviously, more unavoidable idle time on his hands during the day than the druggist in the larger store. Even if the business cannot be increased in volume, profitably, there still is an opportunity to increase its profits in another way. Some druggists do it by using this unavoidable idle time for manufacturing many of the preparations which in most stores to-day are bought ready made. As a practical matter, the only cash cost of such manufacturing in the store is the cost of the materials and supplies used. The druggist has to be there anyway to take care of any customers who may come in.

REPORT ON MEDICINAL TABLETS AND AMPULS.

Suggested tolerances on medicinal tablets and ampuls, with methods of analysis, have been put in printed form by the U. S. Department of Agriculture. The sixth and seventh reports of the committee representing the American Drug Manufacturers Association and The American Pharmaceutical Manufacturers Association, contains these proposed tolerances, for the information and considera-

tion of the Department of Agriculture and the drug trade.

The medicinal tablets involved are: Caffeine citrated, bismuth subcarbonate, bismuth subgallate, bismuth subnitrate and mercuric iodide; the ampuls are of: Caffeine sodium benzoate, camphor in oil, pituitary extract surgical, silver nitrate, sodium cacodylate, sodium iodide and sodium salicylate. Amendments to previous reports on calomel tablets and calomel and soda tablets are given in the report.