

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.

ADVERTISING PROBLEMS OF INDIVIDUAL DRUG STORES.

BY PAUL C. OLSEN.

Individual retail druggists who do advertise usually spend for this purpose 1 to 2 per cent of their receipts. The facts are, however, that an astonishingly small proportion of the retail druggists of the United States do any advertising at all. And this is true of thousands of druggists who are thoroughly well aware of the power and productiveness of effective advertising.

Druggists are certainly not in the position of operators of variety stores with respect to advertising. Variety stores are visited daily by crowds of shoppers who come in merely to see what is on display; therefore many operators of these stores do not consider it necessary to use newspaper and other formal advertising to draw customers to them. Drug stores enjoy no such advantage. Practically every person who comes in has entered for the purpose of making some specific purchase which he had in mind before entering.

Theoretically, it should be possible, practical and profitable to use advertising and other promotion methods to increase the number of people who do come in drug stores. Window displays are effective and economical, but they can reach, of course, only the people who actually pass the store.

The real reason that more druggists don't use advertising to attract people to their stores is the difficulty of getting profitable results from this advertising. This difficulty arises, in turn, from the comparatively small volume of sales in the usual individual drug store. In a drug store with sales of \$20,000 a year, for instance, the total amount that can be spent profitably for advertising for a whole year is from \$200 up to not more than \$400. This is a total expenditure of \$15 to \$35 a month. Even in a drug store doing \$100,000 a year—and this is a drug store of extraordinary size—the total appropriation that can be made profitably for advertising is only \$1000 to \$2000 a year.

In contrast, a department store, with annual sales of \$2,000,000, quite a moderate sales figure for a department store, and spending no larger proportion of its receipts than a drug store for advertising, has available \$20,000 to \$40,000 a year for this purpose. It is obvious that this is a sum large enough to permit the full-time services of an advertising expert to plan and supervise the store's

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advertising. Advertising is a technical subject in which comparatively few people are either versed or naturally talented.

The savings from quantity production also operate adversely for the retail druggist who wants to advertise. Suppose blotters are to be distributed to customers and prospective customers within easy access of the store. Five hundred is the maximum quantity which can be distributed effectively (by many thousands of drug stores). The cost of producing and distributing 5000 blotters is not 10 times that for 500 blotters. The retail store which is in a position to use effectively 5000 blotters thus can advertise at a proportionately lower cost than the small store.

Chain drug stores have been quick to capitalize the advertising advantage they have over their individual competitors. Fifteen stores under a single ownership and management and each doing \$100,000 a year are in a position to spend profitably for advertising \$15,000 to \$30,000 a year and get better results at a lower cost than an individual competitor with sales also of \$100,000 and spending the same proportionate amount of his receipts. This is inevitable with the professional direction of the larger sum, the savings from quantity production and the accumulative effects from extensive and continuous advertising. If all of the stores of a drug chain are located in the same trading area, it may be possible to use daily newspapers—one of the most effective and economical means of retail store advertising. A single store serving only a part of the city or trading area would be likely to find newspaper advertising, in spite of its well-known advantages, hopelessly unprofitable.

The individual drug stores which suffer least from their inability to use advertising outside the stores to bring people to them are those which are closest to their customers. Large numbers of customers pass in the course of their regular affairs. City neighborhood drug stores are in this class. In areas which are not thickly populated, people may have to travel many miles to reach any drug store. Some means of reaching them is therefore of great importance to druggists who are trying to increase their volume of business. Fortunately, it is often possible for these druggists to use local daily and weekly newspapers on account of their concentrated circulations and low advertising rates. There still remains for these druggists, however, the technical problem of effective advertising.

What is true of advertising in daily and weekly newspapers in small cities is true also of the other external means which a druggist may consider to attract people to his store. They include:

1. Neighborhood newspapers (in large cities)
2. Store papers (house organs)
3. Theatre programs and theatre slides
4. Street car cards
5. Billboards
6. Electric signs
7. Novelties—*a.* Fans, *b.* Matches, *c.* Calendars
8. Samples
9. Directories
10. Counter slips (package inserts)
11. Booklets
12. Mailing cards and letters

Coöperative or syndicate advertising has been suggested frequently as a means of overcoming the inherent disadvantages in advertising small individual drug stores. There are companies offering advertising service of this kind. A large chain drug company sells its auxiliary agents a sales promotion service for \$5 a month, which also includes, window and counter display helps.

The weakness which most druggists have observed in syndicate advertising services is their lack of individuality. This is no criticism of the firms offering these services; it is obvious that when a druggist can afford to pay, at the most, \$15 or \$20 a month for all of his advertising expenditures, the amount of attention that can be given to his individual problems by a syndicate is bound to be small. Yet the strength and salvation of the individual retail druggist is his individuality and his personal service. On the other hand, there are undoubtedly, numerous instances of druggists making far greater sales and profits from the use of syndicated advertising and sales promotion services than they would have made if no special promotion efforts at all had been made.

HOW CAN A STATE SECRETARY BEST SERVE THE MEMBERS OF HIS ORGANIZATION?*

BY WALTER D. ADAMS.¹

Before a state secretary can efficiently serve there must first be builded an organization through which his energies may be directed.

He must have a means of contact whereby he can efficiently and intelligently serve each associated unit and, in a like manner, the individual member.

The constitution of an association is the foundation upon which the organization must be constructed. However, any foundation within itself is useless until something is built upon it.

The determining factor of success or failure in building an association depends largely upon the wisdom, simplicity and flexibility of its constitution.

After all, an association is but a great business institution, a mutual banding together of individual members in a co-partnership, organized for the purpose of assisting each other. It is the means through which personal endeavor reaches its maximum of power and influence as the result of intelligent massed effort.

In governmental and business undertakings it has been demonstrated that large bodies cannot function promptly and efficiently. This same rule applies to associations; therefore it has been found preferable and advantageous that the power of the whole body be delegated to a smaller group, chosen wisely from the membership and charged, under the constitution, with the duty of directing the activities of the association, and having the authority to grapple with unexpected conditions and qualified to solve perplexing problems as they arise.

The ideal organization can be likened to a great electrical power plant. The plant, as a complete and correlated whole, functions with efficiency and precision, yet there must be somewhere that first unit of outstanding magnitude which energizes and motivates every contiguous unit.

* Section on Commercial Interests A. PH. A., Baltimore meeting, 1930.—No discussion.

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