

# 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.

## TOO MANY DRUG STORES?

BY PAUL C. OLSEN.

The answer to the question "Are there too many drug stores?" has been affirmative for many years in the United States as indeed it has been in many other parts of the world. There seem to me to be two basic reasons why limitation by restriction of drug stores in the United States is impracticable, if not impossible.

Nothing is further from my intention in the following paragraphs than to minimize the importance of professional pharmacy. I have maintained repeatedly—in these columns, and elsewhere—that the professional side of pharmacy is fundamental not only to professional but to business success.

My purpose here is merely to emphasize that many people in the United States would be denied the services of trained pharmacists if the practice of pharmacy were limited only to those stores in which the practice of pharmacy constituted the only, or virtually the only, activity.

I also have tried to emphasize in the following paragraphs the fact that success in the practice of the profession of pharmacy cannot be assured by legal restrictions. There are, to-day, in the United States many hundreds of prosperous and growing professional pharmacies which succeed because, in the population centers in which they are, there is a sufficient volume of professional business to be obtained with initiative, tact and professional skill to permit them to devote themselves exclusively to this class of business.

Of course, the protection of the public health requires that many preparations be dispensed only by professionally qualified persons but the real foundation of the pharmacist's successful professional service to his community is his professional integrity and standing, rather than legal restrictions.

I made the statement that "there seem to me to be two basic reasons why limitation of drug stores in the United States is impracticable, if not impossible," in spite of a knowledge of the situation in many cities in which druggists, after years of sacrifices, have developed a business which pays a fair living only to have it swept away in a single night by the opening of a competing store across the street, or close by, to share a trade which is not sufficient to support two drug stores.

The remedy for this situation, I feel, is education. The second store loses just as much and often more than the original store. In other words, there is nothing

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in such a situation for either store and, as these facts become apparent, it may lead to a greater common sense in establishing new stores. It is usually the case, too, that far more and better opportunities exist through the purchase of established businesses than with the establishment of new drug stores.

The two basic reasons which, in my judgment, make impracticable or even impossible the limitation of drug stores in the United States are as follows:

If any one disagrees with my premises or conclusions, I hope they won't hesitate to say so in plain and frank language.

The first reason is the distribution of the more than 120,000,000 people who live in the United States. Although a large proportion of these people live in the large cities, it is none the less true, at the other extreme, that close to 50 per cent of the people still live on farms and in towns of under 2500 population; limitation would mean a great inconvenience for those who live in the mountain states, and in other thinly populated sections.

The other basic reason that limitation of drug stores "is impracticable, if not impossible," is that it is a legal impossibility to establish selling restrictions only on a relatively small group of the items which are stocked to-day even in the professional drug stores, or pharmacies, and there is and can be no restriction upon the sale of many other items which are commonly accepted to-day as drug store items.

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### "PINE BOARD" COMPETITION.

BY PAUL C. OLSEN.

One of the newest of the directions from which competition is felt in the retail drug business is the so-called "Pine Board" stores. This competition takes its name from the nature of the fixtures in these stores: plain shelving, few or no show-cases and none of the other expensive accompaniments of the modern drug store to-day. Usually, also, there is no prescription department corresponding with legal requirements and the necessity of employing registered pharmacists at salaries considerably above those at which ordinary retail sales people can be obtained.

Competition of this kind has so far developed to the greatest extent in several California cities. The reason the competition is felt so keenly by established retail druggists is the policy of these "pine board stores" to limit their stocks to the relatively small number of items which are well known and readily salable and on which price competition is keen. It is the policy, also, of these stores to pick up job lots of distress merchandise and, also, to obtain standard merchandise at sacrifice sales and auctions of drug stores in trouble.

The result is that this popular merchandise frequently is offered at prices astonishingly low and in many cases below wholesale cost.

There is no denying that competition of this kind where it exists (and it may spread) is keen and calls, therefore, for alert thinking and aggressive action.

One druggist, situated two doors from such competition, found that after the early novelty of his "pine board" competitor had waned, his regular customers and new ones, too, gradually returned to him.