

# DEPARTMENT OF BUSINESS MANAGEMENT

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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.

## PRICE CUTTING—WHERE IS IT HEADING?

Price-cutting has been a factor in the drug trade for many years. Undoubtedly, it is true also that price cutting on standard identified merchandise has been on the increase in the United States in recent years.

Even if price cutting had not increased in this country, purchasers of drug merchandise in retail stores inevitably would have regarded price as of increasing importance. This is the certain accumulative effect of any long-continued selling effort based upon a single appeal.

But, as a matter of fact, cut prices have not only continued to be featured but have been featured in increasing degrees. This increase has resulted, in part, from the increased number of stores using cut prices on standard identified merchandise and, in part, from the increased number of items on which cut prices have been used.

Some of the present and future effects of this situation are, properly, to be regarded with alarm.

While price is, of course, a vital factor in the sale of many items in the drug trade, it is not the only one. The effect of continued promotion on a price basis is, however, to make price more and more the dominant factor and, correspondingly, relegate to an unimportant position, or disregard entirely, other factors of as great or greater importance than price.

Effects which already are apparent, and others which will be apparent, while the present trend continues, are interesting to note.

I have mentioned several times in these articles that one of the basic reasons for the existence of cut prices on popular identified merchandise is that the so-called full prices on this merchandise produce such extraordinarily high net profits that price cutting inevitably is tempted by merchants anxious to attract business to their stores.

One effect, therefore, of the continued emphasis upon the price of popular identified merchandise is likely to be the sale of this merchandise in all or practically all drug stores at prices which are lower than those now in effect in most of these stores. This tendency is already evidenced by the great number of popular 50-cent and \$1.00 items which are sold at 45 and 90 cents in the large number of drug stores which do not feature cut prices.

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A second development which follows inevitably from this is the increased effort of retailers and wholesalers to promote brands which they control. When a feeling exists that price competition on popular identified brands is forcing prices to a level which is unprofitable, it is quite likely that the more aggressive retailers and wholesalers will make use of the technical knowledge and experience they have in manufacturing pharmacy to produce competitive articles on which they can control the price.

This is a condition which is especially likely to occur in the drug trade. In order to be a successful retailer or wholesaler it is necessary, as everyone knows, for the retail or wholesale merchant to have technical training and experience in manufacturing many of the classes of merchandise which he sells.

Another effect of this in the medicinal field may be the increased promotion not only of proprietary items controlled by individual wholesalers and retailers but also a more determined effort to increase the use of staple drugs and chemicals in place of price-cut proprietaries designed for the same need.

A third effect which follows inevitably as a result of this increased interest by aggressive wholesalers and retailers in the promotion of their own merchandise is a corresponding increased effort by the manufacturers of price cut popular identified merchandise to produce more and more consumer demand for their products. This means more advertising and more powerful advertising of these nationally known items.

The effects of this plan are well known. No matter how low his profit, or how keen the price competition, no druggist dares not have in his stock merchandise which his customers want to buy. Manufacturers of popular identified merchandise, whose products are used in price wars, turn to consumer advertising as a means of protecting and increasing the demand for these products in spite of the lack of interest in them by wholesalers and retailers. As is well known, under present legal restrictions, many manufacturers of popular merchandise cannot specify the prices at which merchandise they sell at wholesale and at retail shall be resold. They thus are virtually powerless to prevent the continued sale of their products at ruinously low prices.

This condition has resulted in long continued demands for legislative and governmental relief from unfair price competition. The greatest justification for the passage of the Capper-Kelly Bill is the hope that it will eliminate or greatly reduce unfair price competition. Unfair price competition usually means price cutting to a point below the cost of the goods sold, thus falsely creating the impression that the price cutter can buy this merchandise and, presumably, other merchandise, at prices lower than his competitors.

As suggested before, customers are not unconscious of this increased emphasis upon price in the sale, in the drug trade, of popular identified merchandise. Salespeople in stores which aim to be leaders in price-cutting have story after story to tell of people who shop from one store to another before making a purchase at the lowest possible price. Of course, these customers are the exception because of the comparatively small amounts involved in individual sales in drug stores. But a fifth effect of continued emphasis upon price in the drug trade has been, undoubtedly, to increase the number of bargain-hunters—the number of people who place price above all the other merits which merchandise can have.

Another type of customer, who is still in the minority, but who is increasing in numbers, is the person who plays upon the greed and gullibility of retail druggists overly price-conscious.

For instance, a woman customer in a drug store featuring low prices says, "How much is Zu Zu tooth paste?"

"Thirty-three cents, 3 for 89 cents," the salesman chirps brightly.

"But," says the sharp-eyed woman bargain hunter, "I can get it across the street for 29 cents, 3 tubes for 81 cents."

"You what!" shouts the salesman in great excitement, "Well, I'll be —. If they can sell it for 81 cents we can too, lady. We'll never be undersold. Here's your Zu Zu tooth paste, 3 for 81 cents."

In the rush of the day's business the incident is forgotten except to mark down Zu Zu to 29 cents, 3 for 81 cents. On his weary way homeward that night, however, the salesman may pass the blatant windows of his aggressive competitor. Imagine his surprise to find Zu Zu tooth paste in the window there, but priced at 33 cents, 3 for 89 cents.

What this druggist didn't know was, that this same woman had been in his competitor's store and had used there the same sharp device to obtain a well-known cold cream at 4 cents under this store's much reduced price.

This typical instance, while it is only representative of a small but growing number of retail druggists' customers, clearly shows that over-emphasis on price, in an effort to attract business, is fraught with complexities and dangers, some of them unanticipated.

Indeed, the great disadvantage of dependence upon price alone as a means of attracting business is the ease with which this method can be imitated and carried to greater lengths by competitors.

Thus, once again is demonstrated from economic facts the desirability for retail druggists to concentrate upon those aspects of pharmacy in which price competition is not a principal feature. The professional services of pharmacy are certainly in this class.

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#### A SUMMARY OF THE RECORDS OF RECOVERIES FROM LEPROSY.

A report recently issued by the Public Health Service gives an interesting summary of the value of medical treatment for leprosy at the National Leprosarium which is conducted by the Public Health Service at Carville, La. More than 300 lepers, men, women and children, are under treatment there.

During the past ten years, 65 lepers have been discharged from this hospital as apparently recovered from leprosy and no longer a menace to the public health. The average period of hospital care varied from 5 to 9 years. The shortest period of treatment was 1½ years and the longest was 17 years. Fifty-five of these patients received crude chaulmoogra oil by mouth, and sixteen

of this group received no other medicine. Twelve received benzocaine-chaulmoogra oil by intramuscular injection, and four of these received no other medical treatment. Twenty-one received the ethyl esters of chaulmoogra oil by intramuscular injection, and eight of these received no other medicine.

The basic treatment of leprosy is similar to that for tuberculosis, and all lepers at the National Leprosarium, no matter what medicines are given, follow a sanatorium regimen of food, fresh air and rest; almost identical with that prevailing in a tuberculosis hospital.

In connection with this important work the name of our late fellow member, Dr. Frederick B. Power, should be remembered by pharmacists.