

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 will also 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 AND SELLING PROBLEMS OF DRUG STORES.

Store Layout and Arrangement.

BY PAUL C. OLSEN.

The cellar steps of the Upham drug store are dark, steep and rickety. No one needs to recite this fact to Stephen Upham, the proprietor, or Tinius McFarland, his hard-working, unsmiling assistant. They are up and down them dozens—or is it hundreds of times a day.

Half way down the stairs there is low head room where a first floor joist projects far out into the passageway. Tinius is a dreamy sort of a soul and once a week or so he forgets to duck his head for this over-hanging joist, with the result that he nurses more than ever a grudge against those dark, steep, rickety cellar stairs which he has to traverse so many times a day.

Once, while in the cellar industriously arranging to siphon a soda-fountain syrup from a five-gallon barrel to a one-gallon jar, he had heard a customer nervously tapping the thin floor overhead. Hastily he started the siphon and rushed up the creaking stairs to greet the customer. Hardly had he finished service to this cantankerous customer than another and yet another customer were standing there waiting to be served. Before Tinius knew it, Stephen Upham was back in the store to relieve him for lunch. It was more than an hour later before the request of a customer for some odd bit of merchandise caused Stephen Upham to begin a grumbling, uncertain search in the dark, disordered cellar.

Even the murky glow cast by the two 25-watt cellar lamps which were snapped on and off many dozens of times every day revealed to Stephen Upham's horrified gaze the sticky viscous brown pool of the soda-fountain syrup which was spreading in an ever-widening spot around the overflowing gallon jar.

The lecture which Tinius McFarland received was a classic. Into it was poured all the fervor and anguish of Stephen Upham's loss of several days' soda fountain profits liberally interspersed with profane references which were relics of his youthful adventuring days in Alaska, California and the Far East. Through it all ran the symphony that drug store profits only come as a result of constant and successful watchfulness over many hundreds of different and seemingly unimportant activities.

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Drug store layout and arrangement is only one of several groups of important problems which a druggist, in order to make the most profit out of this store, has to meet constantly and successfully.

If Stephen Upham only could have heard and heeded the significant though petulant comments of many of his customers, what a vista of increased profit opportunities would have been unfolded before him. All were related to efficient store layout and arrangement.

"Yes, you might as well go to Upham's. I haven't time to drive down town and it's so much trouble to park there anyway. I do hope Upham's have it but if they do, it'll take them forever to find it. Remember the time we wanted ivy poison lotion the day we started on our trip. Old man Upham was positive he had it. Even offered to make up some while we waited. Then that young man he has there came in and he found a dozen bottles of it all ready put up and practically under Mr. Upham's nose.

"I do think it would have been a good thing if Mr. Upham had married. Maybe his wife would have made him a better housekeeper in his store. He's thoroughly dependable and reliable and you couldn't find a more obliging man, but that store of his is certainly the most disordered place you'd ever want to see."

What a lot of useless wasted steps were taken every day in this store. If the splendid stock of merchandise he really had there were only put in an order which would permit the customers and the store staff to know just what was for sale there, what pleasant things would have happened to Stephen Upham's profits!

Then young Tinius McFarland could have had a much needed increase in his salary, affording him the means and opportunity to attend a college of pharmacy and become, later, a registered pharmacist instead of merely holding an assistant pharmacist's certificate, won after years of hard and none too understanding labor.

An orderly arrangement of the merchandise stock in that store would have enabled Stephen Upham and his assistant to take care of an increased volume of sales in half the time that was now spent on waiting on customers. Customers would have been served far more promptly and pleasantly.

It's hard for a customer to be content who has to wait while you go clear to the shed in the rear of the store to draw a pint of turpentine from a slippery dirty tin and then, when that is all wrapped, to find that the customer also wants some nursing bottles, the reserve stock of which is located way up in the front end of the cellar under the soda fountain, where you always have to remember to duck your head to avoid banging it against the pipes. It's also hard for the sales person to keep the smiling interested countenance he is supposed to have when he has to do all these things and all the while the customer becoming more irritated with his doing them.

"Well," says old Stephen Upham, "what would I do with all the time I save by a more efficient layout of my stock and store. I suppose I would have time to read the New York papers in addition to that miserable 8-page morning sheet they publish here. but I can't say that is a prospect which excites me greatly. I like to be busy. It makes the time pass more quickly. Goodness knows we put in long enough hours here. We want to make them seem as short as possible."

Poor Stephen Upham! Too busy, he says, to change his window display more than once every six weeks or so. Right now, though the air outside is fragrant with

the odor of leaves being burned in piles gathered by industrious householders, Stephen Upham's side window invites passers-by still to stock up on "Vacation Needs" at his store.

Too busy, he says he is to write an advertisement every week for the space he contracted in a moment of optimism to use for a year in the much maligned *Morning Clarion*. The energetic advertising solicitor of the *Morning Clarion* had written the first four of Stephen Upham's newspaper advertisements, but despairing of getting further interest and coöperation in the way of information and ideas, he had given up with the result that the fourth advertisement, which first appeared in early June, saying that fountain pens and stationery were appropriate graduation gifts, still was making its weekly appearance in the *Morning Clarion*.

Two teething rings hung dejectedly from a display card fastened with a rubber band crookedly to the cash register. "They sell on sight," the teething ring salesman had said enthusiastically.

And they did, except the last two rings. There were little torn places on the card where the nervous fingers of Stephen Upham had removed a ring to sell to a hopeful mother. And there were little splotches of glue where mothers—or perhaps it was grandmothers or suffering neighbors—had taken the rings from the card with a brief, "I'll take this, too, Mr. Upham."

Unhappily though in those last two teething rings, alone now in the vast blank spaces of the 8-by 10-inch display card, were tied up whatever profits were to be made from the sale of the entire dozen.

Stephen Upham knew from long years of experience that those last two teething rings would be hard to sell in their present state of display. Tucked away in corners of the dirty, damp cellar were dozens of other forgotten display cards with the last one, two or three on the card unsold.

He had little time to think about these things—he and his assistant were so busy looking for merchandise his customers had asked for that there was practically no time to give thought to ways to increase his sales and profits by selling this left-over merchandise in which much of his profits were locked up.

Several things might have been done to correct the situation. They could have been done if he hadn't been so busy endlessly searching from one end of the store to the other for the merchandise which his customers wanted to buy. He could have ordered another card of teething rings. (The place to buy them was plainly printed on the back of the card.) He could have done this knowing that while many items of merchandise will sell readily if displayed in sufficient quantity, they will sell very slowly or not at all when not so shown. If he didn't want to buy any more of the teething rings, he could have combined the display of them with the left overs from other display cards and made an interesting sales compelling display from the combination.

These are things though that could have been done only if he and his assistant had had the time and energy.

Up near the front of the store, in the right-hand corner, stands the soda fountain—a six-foot affair, which Stephen Upham and his assistant, taking his cue from the proprietor, regard as a grim and unpleasant necessity in the modern drug store.

Dr. Oliver Hardy Reed was a good friend of both Upham and his assistant. In fact he and Upham had served together in one of the medical detachments in the

American war. Some of Dr. Reed's prescriptions did find their way into Upham's drug store. We wonder, though, if Dr. Reed was altogether happy at this occurrence.

Dr. Reed is human like the rest of us. On warm days he stopped his shiny blue coupé in front of the store and came in for root beer. Root beer in Upham's drug store was served not in the traditional stein but in the familiar six-ounce thin glass. Familiar, indeed, were these glasses. Usually the three glasses still remaining from the dozen Stephen Upham had grudgingly bought were standing in little moist pools on the fountain, with the dregs of previous drinks still in them.

Just what did run through Dr. Reed's mind, as he made his cheery call, "Steve, Steve, how about some root beer?" Steve would then appear in shirt sleeves from the prescription room.

"How are you, Ollie? Root beer—sure, right away.

By this time one of the three glasses had been retrieved from the fountain top and given a quick rinse in cold water. In a few seconds it was back on the top of the fountain filled just a little too full now with Dr. Reed's favorite beverage.

Did Dr. Reed wonder whether or not similar careless housekeeping took place in the prescription room which he did not often visit? Were prescription bottles thoroughly washed before they were used? Were they, too, just given a quick rinse or were they washed at all? Were the mortars and graduates sparklingly clean or did they get the desultory treatment which seemed characteristic of the fountain equipment?

Though Stephan Upham was busy he did realize that three six-ounce thin glasses were too small an equipment even for a fountain which did as little business as his. He must order some more. He must put them in the want book—if he could only find out what that boy did with the want book. He must remember to ask him.

But here's Mrs. Green—what'll she be wanting to-day. So this and other needs of the store were forgotten in the constant hurly-burly of waiting on customers, interspersed with the perennial comment, "I know we have some of that, madam. If you'll just wait a minute, I am sure I'll find it."

Maybe he did find it and maybe he didn't. In any case time was wasted. The customer became impatient and, if the search was unsuccessful, the sale and profit opportunity were lost.

The point of all this discussion, which I am sure experienced druggists will recognize, is that a store layout which permits customers to be waited on quickly and satisfactorily, and with a minimum of confusion, not only creates sales and profits and pleases customers, but it also greatly reduces the time the proprietor and his assistants have to spend in this part of their store activities. The result inevitably is, therefore, that the proprietor has additional time and energy left with which to plan for more sales and profits, arrange window and store displays, keep the store clean and in order, maintain stock and increase his professional and business knowledge.

Just what are the principles of the store layout and arrangement which make possible this exceedingly desirable end will be discussed in the next article in this series.

THE NATIONAL DRUG STORE SURVEY.*

BY WROE ALDERSON, DIRECTOR, NATIONAL DRUG STORE SURVEY.

The purpose of the Survey is explained; the results to be derived and the deductions will improve service, thereby increasing sales volume.

The druggist, like other retail merchants, is in business for the purpose of performing definite services for the consuming public and to receive adequate compensation for those services. The two most important functions of management in this connection are to find the people who desire these services from the druggist and to keep the cost of performing these services down to the lowest figure possible. These two functions are usually referred to as sales promotion and cost control. The National Drug Store Survey, it is believed, will offer the retail druggists of the country definite and practical aid in the performance of both these business functions.

Cost control must be based directly on cost finding. Very few merchants in any line to-day have an adequate knowledge of the costs involved in handling the various products they sell. Information coming out of the National Drug Store Survey will indicate the operating cost on each of the thousands of items handled by the fourteen drug stores which are being intensively surveyed. A great many steps are involved in arriving at this result, but all of them simply represent extensions of the bookkeeping which each druggist is now doing to arrive at sales and expense figures applicable to each commodity handled. At the end of the twelve-month period ending April 1, 1932, the following facts will be available for each of the thousands of items handled by the drug stores being studied in St. Louis:

Number of packages sold	Gross profit
Cost price per unit	Operating expense
Sales price per unit	Net profit
Total volume of sales	

Operating expenses will be shown on each commodity not only by total, but by several expense classifications that will indicate to the druggist what is wrong with the handling of that particular product. Other related items of information will be the number of purchase sources used, the frequency of purchase, merchandise turnover and number of price changes during the year.

To illustrate more concretely the type of information that will be produced, we may imagine the ratios that will be obtained on several hypothetical commodities. Suppose that one of the retail druggists studied obtains an average gross margin of 25% on sales for all merchandise handled. If we assume an operating cost of 24% on sales, this druggist would be making a net profit of 1% on his total sales volume. With nothing more than ratios for the business as a whole to guide him, the druggist might assume that these ratios applied to all classes of merchandise handled. As a matter of fact, we know in advance from previous studies in other retail lines that such will not be the case. We can predict right now that we will find some very favorable product which we may call Commodity A, on which operating cost will be much below the average for the business as a whole. Very possibly the merchant will have an unfriendly feeling toward this commodity because he is able to secure

* An address before Section on Commercial Interests, A. PH. A., Miami meeting, 1931.

only 15% gross profit. This commodity, however, because of rapid turnover and other favorable merchandising qualities, costs only 12% on sales to handle. On Commodity A, therefore, the druggist is making a profit of 3% net on sales, as against 1% net on sales for his business as a whole. We can also predict in advance that we will find another product which we may call Commodity B on which the reverse situation will obtain. The druggist may feel very well disposed toward this commodity because he secures from it a gross profit of 40% on sales. On this commodity, however, because of slow turnover and other unfavorable merchandising qualities, operating expenses are twice as high as on the average commodity, just as they were only half as great on Commodity A. With an operating cost of 42% on sales, this commodity would obviously be accruing a net loss of 2%. This type of result which often comes about through cost analysis, seems somewhat bewildering to the retail merchant when first presented. In the instance just stated, many retail merchants would maintain that a profit of 16% was made on Commodity B and that a loss of 9% was accrued on Commodity A. This faulty calculation comes about from applying average operating costs to all commodities, regardless of the variation in cost characteristics. Such calculations do not provide any means for management to take hold of merchandising problems, which calculations of the more scientific type which have been illustrated by the two examples, have been proved time after time to be directly effective in bringing about lower costs and higher net return for the business as a whole.

We expect to be able to make our cost findings available in a form that will apply to retail drug stores throughout the country. At the end of the Survey we will present to the retail druggists of the country a simple set of tables from which they can readily derive the cost of handling any type of product in their stores. In other words, we hope to do more than merely present to the retail druggist the picture of what happened to commodities in the fourteen stores studied in St. Louis. The tables of standard costs referred to will take account of differences in turnover, general level of operating costs and other factors which will vary between stores and between sections of the country.

The application of these cost figures to his own store is a good start for any druggist to make, but it is only a start. When he knows what it is costing him to handle commodities, he must next consider how he may reduce this cost where it is excessive. Various policies have been pursued by retail merchants in this regard. Some of them have been able to eliminate from stock items which do not return a satisfactory profit. Others have been able to bring the commodity into the profit-making group by improving its turnover, setting a price scale to encourage quantity purchase or by otherwise changing the way in which the commodity is handled. There are, of course, in every trade some products on which price competition has proceeded so far that it is almost impossible for the retailer to obtain an adequate margin. It is important in any case for him to know how much he is losing on such commodities so that the trade as a whole may cooperate toward the end that every commodity be eventually compelled to pay its own way in retail distribution.

This program of cost finding has for its ultimate purpose the elimination of the concept of general overhead and the allocation of all operating expenses to the functions and commodities which bring them about, the advantages of considering overhead in its subdivisions instead of as a single figure, can be readily illustrated in

the retail drug business. In the retail drug store, at least three kinds of overhead should be distinguished because the druggist is doing at least three distinct kinds of business. These three kinds of overhead have to do with his prescription business, the soda fountain and to general merchandising. The prescription department of many retail drug stores to-day presents a striking picture of over-capacity. Many stores are filling as few as 10 or 12 prescriptions a day, while one store has a minimum capacity of 40 prescriptions per day for each pharmacist employed. The prescription department has large requirements in space occupied and in inventory investment in relation to sales. A similar situation exists with regard to the soda fountain, although here it is complicated by the problem of slack seasons. Most druggists permit their fountain business to slump off sharply in the winter months and hence have an extra burden of overhead which must be carried by peak fountain sales during the summer. It is doubtful whether this is a necessary condition since druggists who have been willing to put aggressive merchandising effort behind their fountains have frequently discovered that the volume of winter business available is much greater than they had imagined. The most important fact, however, about the retail druggist's problem of divided overhead is that the three types of capacity are not interchangeable. It is also doubtful whether any of the three departments does very much to increase sales in the other departments. The drug store much more than some other types of retail establishments, is an institution in which each department must stand on its own feet and calls, therefore, for aggressive merchandising.

The National Drug Store Survey is concerning itself with the other phase of the druggist's problems, namely, that of sales promotion in a number of ways. Some of the phases of sales promotion which will be treated during the course of the Survey are,

Store arrangement	Service policies
Window display	Handling of special sales
Selling methods	

Some of the material already obtained suggests that much information of value will be obtained on these points.

It is not likely that we will be able to set up a model drug store in St. Louis, as a model grocery store was set up in Louisville. Conditions affecting proper drug store arrangement vary too greatly. We will, however, present in our public report examples of good and bad arrangement illustrated by floor plans and photographs. A number of the questions now at issue with regard to store arrangement in the drug field will be treated. Among these are the proper location of the soda fountain, placing of telephone booths, the placing of departments with relation to each other, and the general question of open-display fixtures. We are also observing carefully the behavior of both customers and clerks within the drug store to determine how much this behavior is affected by the placement of fixtures.

On window display a similar background of facts is being collected on which to base any suggestions which may be made for modifying practice in this field. Very exhaustive traffic studies are being made for a full week in front of each of the stores in the study. The reaction of passers-by to the window is being carefully observed in each case. In addition, experiments will be conducted during the

Survey year in the changing of windows, as well as displays inside the store and observing the effect that these changes have on sales results.

There is little question that selling is not sufficiently aggressive in the average independent drug store. We are making thousands of observations of sales transactions in the stores under investigation. In these observations we are already able to detect many striking instances of good- and poor-selling effort. Many details which are likely to be overlooked seem to affect sales results. The character of sales suggestion used by the sales person and the manner in which the commodity is presented to the customer seem to be of great importance. In this field, as in that of window display, some experimental work will be undertaken, as well as merely recording current practice.

The service policies pursued by the stores studied is also being made a subject of investigation. Stores in the group vary from those which are of a strict cash and carry type, to those which do more than 50% of their volume on a credit and delivery basis. There are also stores in the Survey which perform many unusual services for their customers as a means of trade promotion.

Most of the stores in the Survey engage in special sales to some degree. The results obtained by this means vary greatly from store to store; some merchants list items for sale which are not in stock at the time of the sale. Others seem to have learned by experience just what items can profitably be exploited by this means in their neighborhoods. As a result of this phase of the work, it is hoped that some general facts may be presented as to just what items carried by drug stores are best adapted to sales promotion through the cut-price sales. These are only a few examples of the type of information on the sales promotion side of retail business which will come out of the Survey paralleling that other important body of information already referred to having to do with the problem of cost control.

THE STANDARDIZATION OF PHARMACIES FOR EXPERIENCE REQUIREMENTS UNDER STATE PHARMACY LAW.*

BY GEORGE C. SCHICKS.

The question of the standardization of pharmacies for experience requirements under state pharmacy law is one which has frequently come up for discussion. We are all probably in accord with the idea that there is a real need for adequate professional training of the pre-registered man. It would also be conceded that the student must in some way receive enough experience so that he is competent to safely compound and dispense prescriptions.

Just how this experience is to be gained is a problem which confronts both the colleges training future pharmacists and boards examining them. Any plan advanced must markedly improve apprentice experience conditions of to-day or there is no real reason for its existence. It must also be one that is workable and enforceable.

Boards of pharmacy contend that applicants appear before them for registration licenses lacking practical experience and skill in compounding prescriptions. Many drug store apprentices feel that their opportunities to gain professional ex-

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