

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.

BY PAUL C. OLSEN.

How to Determine the Value of a Location.

Five dollars a month would be an extravagant rental for a store in one of the deserted mining cities of Colorado or Alaska. Some corner locations in the city of New York would be bargains indeed if they could be obtained for rentals as low as \$100,000 a year.

All this goes to show is that the amount of rent which can be paid profitably for a drug store location depends upon the volume of drug store business which it has been or should be possible to do in that location.

What is more there is a decidedly important lower limit to potential drug store locations. (Alas, too often it is overlooked. Witness the thousands of competent pharmacists struggling to make a living in poorly picked locations—locations which simply won't permit them to make a living, because there aren't enough customers there from whom to obtain business.)

Even if one could obtain a location for a drug store rent free, that location would be a liability if it were possible to do in it a drug store business of only \$6000 a year.

What is this lower limit of profitableness of drug store locations? It's a matter of judgment, of course, but it is a very important thing upon which to make a careful and exact judgment for a man contemplating investing his life's savings in the purchase of a drug store.

If a drug store proprietor can do in a particular location \$40 to \$60 a day, that is a business only large enough to justify the employment, in addition to the proprietor, of a boy or an assistant pharmacist or, possibly, a registered pharmacist a day or two a week for relief. It means in turn that the proprietor of such a store is confined, and it literally is confinement, to that store virtually all the 14 or 15 hours daily that it is open.

A store doing \$75 to \$100 a day is large enough to justify the employment of a registered pharmacist in addition to the proprietor. The proprietor, therefore, does not need to spend all his days in the store waiting on customers and doing the other necessary duties there. He is free to get out and meet his fellow pharmacists and learn the successful solution of these problems from personal contact with those faced with similar problems.

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No more energy, no more ability is required to run a drug store doing \$75 to \$100 upward daily than is required in one doing a business of only \$50 a day. Even if the larger store earns no greater profits per dollar of sales, the total amount of profits is greater and the task of earning them is much more pleasant because it is less confining.

There are two ways to find locations in which it is possible to do a drug store business of \$75 to \$100 daily and upward. One is to purchase an established drug store already doing this volume of business. The fact that such a volume of business already is being obtained by a drug store in such a location is an indication that, with wise and prudent management, a similar volume of business can be expected in the future.

The second way to find such a location is obviously, to find a store building in which a drug store could be established which would be more accessible than any competing drug store to enough people to produce a volume of business of \$75 to \$100 daily and upward.

Or, if the customers in a given locality must be shared with competitors, will the share that the newly established drug store can expect to obtain be sufficient to assure a volume of business of \$75 to \$100 daily and upward?

The formula for such a calculation is to divide by 10 the number of families whose business can be expected and the resulting figure is the minimum average of daily business in dollars which can be expected in such a location.

This formula is also useful in establishing the future possibilities of an established drug store. It very well may indicate that the proprietor, through superior ability, may be obtaining considerably more than his share of the business which is to be had. The purchaser, therefore, must consider whether or not he can continue to expect to draw to the store this larger than average share of the business. One of the purposes of this series of articles is to point out the practical means retail druggists can use to draw to their stores more than their normal share of the drug store business to be had in a particular location.

The purpose of this article is to warn against the tragic error of establishing a drug store or purchasing a drug store which has a trading area so small that no matter how effectively cultivated it will not produce an attractive volume of business.

The formula stated above is no arm chair theory. The volume of business believed to be done in drug stores is between \$1,200,000,000 and \$2,000,000,000 a year. With a population in excess of 120,000,000 in the United States the per capita average purchase in drug stores is thus \$10 to \$15 annually, and the purchases per family \$45 to \$65 annually.

Dividing these latter two figures by 365, the number of days in a year, is the daily average purchase per family of 12 cents upward. Allowing for the differences or purchasing power of different communities, 10 cents per family per day certainly appears to be a reasonable minimum volume of sales to expect daily per family in a drug store.

It is of the greatest importance to analyze the potentialities of a location, not only as they exist to-day, but as they seem to be going to exist in future years. A location, the population of which is increasing, is advantageous to be sure, but, all too many times this advantage does not last long. Someone else observes the increasing population and establishes a competing store.

Similarly, a locality in which the population is decreasing is a disadvantage. Strenuous efforts will have to be made to maintain business, let alone to increase it.

Localities with changing populations also offer problems. The handsome tree-shaded mansions which to-day house the city's best families, may be converted to apartments and rooming houses in a few years. Nimble judgment is required to keep the service and merchandise of a drug store serving a community in which the population is changing, attuned profitably to these changes.

The store building itself has plus and minus factors. That it must be accessible is obvious, and the more accessible to customers and possible customers, the greater the advantage. Most drug store purchases are small and casual ones. People won't go far out of their way to make them, if they can be served as well or nearly as well close at hand.

The character of the traffic which passes a store has a great influence upon the present and possible value of that location. The traffic which is most valuable is that which is shopping traffic—people obviously looking for things to buy.

Automobile traffic is of the greatest value when it is composed of motorists who tend to stop and shop in the vicinity of the store. Those motorists who are moving merely through locality as fast as they can, not only are of little value as potential customers, but also may create such traffic congestion that motorists who would be good customers are discouraged from coming.

Foot traffic has similar characteristics. People hurrying to and from a large factory aren't especially valuable to the drug stores which they pass on their way to work. When they pass such drug stores, these people are in too much of a hurry to think of buying much and at night they are likewise in a hurry to get home. Sometimes such drug stores profit at their fountains from a rush of noon-time and even breakfast business, but this sudden and short-lived rush is difficult to serve satisfactorily, requires special help and actually may so congest the store that regular business is interfered with.

The variations in the amount of traffic on either side of the same street are amazing. These differences can be determined most accurately for a particular location by a count of the people passing during the hours and days on which it is reasonable to expect an important amount of drug store business is to be obtained. Generally the south and west sides of the streets are the favorite sides. These are the shady sides during the busiest shopping hours and, consequently, are coolest in summer and driest in winter.

Corner locations have greater value than inside locations in situations in which there is an important amount of cross-traffic. In small communities where the bulk of the traffic generally moves in a single flow without these cross-flows in large amounts, the advantage of a corner location is not nearly as important.

Of course, in both situations, the corner has an advantage in the added window display space but window display space is of little value unless it is seen by customers and prospective customers. Hence, the basic importance of shopping traffic.

The surroundings of the store are of the greatest importance. They may hinder the success of the store or they may greatly enhance its opportunities for success. On the affirmative side, locations close to other stores which draw the same class of customers as drug stores are of special value.

This is even true when the other stores include drug stores. Two competing drug stores, close to each other, will draw to that location more than twice the business each one would singly. On the other hand, this advantage is of no importance if the combined drawing power of the two is not sufficient to create a worthwhile volume of business for both stores.

Most of the customers of drug stores are women and children. Surroundings which are offensive to women and children are, therefore, a handicap to a drug store in such location. Pool rooms, garages and the old-time smoke shops are in this class.

Locations next to banks and churches necessarily reduce the flow of traffic passing the drug store because people only visit these institutions on comparatively infrequent occasions, and when they do, they usually are not in a shopping frame of mind.

There are physical conditions about a proposed location which may add to or detract from its value. Naturally a building which is in bad condition is a handicap and may cost real money in order to put it in the proper condition. Also if the building has steps up or, worse, steps down at the main entrance, that is a handicap.

Similar disadvantages are poorly arranged show windows and poor lighting and other physical conditions inside. Of course, it may be possible to overcome these by alterations, but naturally a store which already has these things has an advantage, other things being equal, over a store which needs extensive alterations before it is in a suitable condition to be occupied as a drug store.

WE DO NOT SUBSTITUTE—OR DO WE?*

In summing up the character of Brutus, it was said that "the elements were so mixed in him that all the world might stand up and say 'this is a man.'" Of the druggist it may be conceded that the elements in his personality are mixed, but it can hardly be asserted that the results are uniformly those ascribed to Brutus.

Students in prescription practice are repeatedly reminded that at the prescription desk, knowledge and educational equipment are subject to instant and constant requisition and more than all is moral character put to the test, for where so much as at the desk do such subtle suggestions of profits based on illicit practices with apparent immunity to consequences come with such specious appeal? Of all the delinquencies to which the druggist is subject, that of substitution is the one toward which attention is most generally directed. The grossest form—that of deliberately and knowingly supplying a different article than the one the customer supposes he is receiving and paying for, need not be discussed. One practicing this form of substitution is not the victim of any delusion—the distinguishing elements of his acts he holds in common with the pickpocket—his character is not sensitive to moral appeal—a jail sentence solely in the interest of public health is the most fitting solution.

A second and more insidious form of substitution is that resulting from buying outside the regular and legitimate channels of trade—a practice often done in good faith and from economic necessity. In his efforts to buy right, the pharma-

* Section on Practical Pharmacy and Dispensing, A. PH. A., Baltimore meeting, 1930.

cist errs in ignoring the fact that a bootlegger is without honor and an outlaw and whether he be a wholesaler, reselling allegedly genuine goods at a sacrifice in order fraudulently to swell his volume of business so as to satisfy the requirements necessary to cover his liquor output, or whether he be an individual engaged in smuggling or distributing spurious goods, his ideals have no higher stimulus than to get the money. Whether the merchandise be bought for home consumption or resale, the hazard is the same except that in the latter event it is borne by the customer without his consent or benefit. The foundation of a pharmacist's business rests upon the confidence of his client, and the positive hazard to the latter involved in buying outside of regular channels will not be incurred by any one with either a conscience or sound business sense.

A third and even more insidious form of substitution is that of substituting a chemical or pharmaceutical, alleged equivalent of a proprietary article, a piratical practice in which, strange to say, responsible manufacturers are often *parlicepts criminis*. Justification for this practice is taken on three grounds, *first*, that the substitute is identical, *second*, if identical its use is permissible, and *third*, the pharmacist has no obligation beyond that to his client.

The first presumption fails because the evidence is seldom sufficient to establish identity; it is such evidence as is accepted when, without injury to one's self, it supports the conclusion desired.

The second ground of justification can best be considered by comparison with a parallel case. Suppose manufacturer "X" discovers a valuable use to which a substance can be put and markets it under the label "yexine." He invests say \$1,000,000.00 for the purpose of providing the necessary publicity and producing a market. The distribution of the substance creates a large new business for the agency of distribution: The expense of advertising responsible for this business is no liability to the distributor because the sale price includes his profits as well as an amount to come back to the manufacturer to refund the advertising outlay. In the meantime the pharmacist is told, and he accepts the testimony, that the "yexine" is identical with "xambate of xambine" which he can buy from other sources much cheaper, charge his customer the same price, and keep the change which should be returned to manufacturer "X" to pay for the propaganda which produced the business for him. All the while manufacturer "X" holds the umbrella. As though coming to the brilliant conclusion that two cents is too much to pay for a stamp, he accepts the word of his printer that he (the printer) can supply stamps just as good, as far as paper, ink and artistic design is concerned, for \$2.00 per thousand thus enabling him (the druggist) after paying the printer his \$2.00 to keep for himself the \$18.00 which the Government expects to apply on the outlay necessary to provide for transportation and distribution of the letter bearing the stamps. Very simple indeed, but the Government is looking for people who reason like that and when it finds them it deprives them of liberty, relieves them of cash and destroys their reputation, sending them to jail, imposing a fine and branding them with disgrace. Nor can manufacturer "X" be expected to be or will he be more lenient when his individual interests are violated.

The third ground of justification involves a much larger and more fundamental consideration than either of the other two: Our social and business relations are built on faith. Anyone violating faith does a serious damage to

everybody else in business, himself most of all. It is not enough that one pays his grocery bills, he must pay his tailor bills also. The merchant who uses his credit to the limit—sells what he can and then goes bankrupt allowing his creditors to get what they can is an enemy of all business men; he has not even the respect of his customers no matter how fairly he may have treated them or how much he has contributed to charity. In other words a merchant has obligations no less to those he buys from than to those he sells to, or to speak to the point, the obligations of a pharmacist are not limited to his pharmaceutical obligations to his clients, but are equally binding in his relations with the source of his supplies.

It would be a tragic situation if producers lost faith in the agencies of distribution and ceased in their efforts to create new business. On that day if it ever comes, when the pharmacist shall open his door and look for faith in the world and find none, he may well call for the rocks and mountains to fall on him for the day of wrath will indeed have come and who shall be able to stand?

MAKING OUR OWN EFFORTS THE BASIS OF OUR DESTINIES.*

BY LEONARD A. SELTZER.

There are in every age those who desire to live by their wits, some of whom without actually exercising them, and the latter, from the inevitable results, make the deduction that doomsday is at hand. The fact is the professional man cannot be successful and fail to exercise his wits, *i. e.*, to be original, to anticipate and to meet the needs of those he wishes to serve. This applies to pharmacy as well as other professions. We continually hear the complaint of those who, because they cannot profitably, as their fathers did, collect roots and herbs, make pills, liquid preparations and simple chemicals, that therefore pharmacy is doomed. Forgetting that the very thing they complain of is a tremendously increased production which reflects a correspondingly increased demand, and, since the pharmacist is the point of contact between the producer and the consumer (generally speaking), it means a correspondingly increased business—if he can get it.

Objection is repeatedly made to the glib tongue of the detail man, who, as a matter of fact, is making and actually keeping alive our business without cost to us; for is it reasonable to suppose, that manufacturing firms, to whom we attribute at least a keen business insight, would pay three or four dollars for an interview with a physician if they had no message that in their opinion would be of value to the physician and if so, would reflect profit to them and if profit to them, then also profit to the distributor? Is it not a fact that this constant flood of well-advertised new things is the very life blood of our business, even though occasionally a part of a bottle or package be left on the shelf? And (parenthetically) as a practical prescriptionist, the writer wants to say that he considers this so-called dead stock one of the best assets of his business.

* Section on Practical Pharmacy and Dispensing, A. PH. A., Baltimore meeting, 1930.