

THE MANUFACTURER AND HONEST MERCHANDISING
CONDITIONS.*

BY J. W. SLOCUM.

In a recent address before a graduating class of a mid-western college the speaker departed from the usual custom; instead of painting a rosy picture of the immediate future, he informed them in no uncertain words that they were facing greater economic problems than any former class in the fifty or more years of the history of that institution.

They were informed that six million was the approximate number of the unemployed—that 95% of the wealth of our country was controlled by 5% of the people—and concluded that there was something seriously wrong with a system that produced such results. It has always been an easy thing to ask a question or propound a problem, but an entirely different matter to offer a successful solution. No solution of this problem has yet been submitted by any citizen which by any stretch of the imagination could be considered as a specific. Socialistic ideas are not accepted by thinking men as having any bearing upon the ultimate solution of our economic problem.

If the wealth of our country were divided and distributed equally *per capita* it would only be a short time until millions would have nothing, and the few, several times their allotment. In a few years we would again approach a condition, almost a duplicate of that of the present day.

It has been said that all men are created equal, but they are not created so in ability as much as responsibility. By no process of reasoning can we conclude that men are all given the same ability to acquire. Through the two thousand years of modern history there have always been various divisions of society, and every civilized nation has pondered over this problem, but such divisions will doubtless continue to exist through all the years of human experience. Every nation desires economic conditions to be as favorable to its people as possible.

Much of the difficulty lies in the fact that individuals as well as corporations shrink from assuming their full responsibility toward their fellow men.

Selfishness has dominated the human race throughout the ages of the past and continues to be the paramount issue in the struggle to right the wrongs of society. The sage adage "Every man for himself and the devil take the hindmost" was not nor never has been a true principle of living. We believe in coöperation in business and it is being practiced more to-day than in any period of human history. If we believe in coöperation in business, why should we not believe in the spirit of helpfulness in our relations with our fellow man. You will agree, I am sure, with the poet who expressed it thus:

I don't pretend to be a judge of right or wrong in men;
I've lost the way sometimes myself and may get lost again;
But when I see a chap who looks as though he'd gone astray
I want to place my hand in his and help him find the way.

We cannot escape our individual responsibilities, whatever they may be.

We believe the time has come when manufacturers must realize that their responsibilities do not cease when they place a product on the market and stipulate

* Section on Commercial Interests, A. P. H. A., Miami meeting, 1931.

a wholesale price for the retailer. He recognizes the self-evident fact that this product must have merit, and that he must maintain that high standard of quality, if his product is to continue in favor with the ultimate consumer. The success of his business depends upon a prompt recognition of this fact and, naturally, he bends every energy to accomplish that end. In too many instances, however, the manufacturer, in his plans for distribution, overlooks the interests of his most important ally, the retailer.

The retailer is convinced that the responsibility of the manufacturer does not cease when he names a wholesale price for his product and assumes that the retailer will sell it for a price which will yield a legitimate profit. Ordinarily this assumption would seem consistent, but when present-day unscrupulous methods of merchandising, destroys the possibility of a legitimate profit on his product, the manufacturer should have the right to protect his own and the retailer's interest.

The average individual or retailer, in the final analysis, will admit that a dealer may have a legal right to make a cut price on a well-known item of merchandise, as long as it may be construed to be an honest attempt to increase his sales and profits on that product, but all of us know that the really vicious phase of the price-cutting evil is the exploiting of an honest piece of merchandise at a price less than the wholesale price, using it as bait to decoy customers and to give the impression that everything is being sold cheap.

This is a contemptible practice. The manufacturer's interests in such an instance are jeopardized and his own efforts to popularize his products have worked to his disadvantage. The craze of sacrificing profits to secure volume is never justified as a part of any merchandising policy.

Quantity buying for the most part has been detrimental to the best interests of large numbers of independent retailers. One of our leading experts states emphatically that no retailer is justified in making a quantity purchase, regardless of the discounts and free goods, which cannot be disposed of in a period of 90 days.

If a yearly net profit, which should be the goal of every retailer, is to be obtained, a turnover of three to four times must be achieved. Too many druggists have double the stocks at inventory time, which is justified by the volume of business actually done.

Conditions throughout the retail trade have been in a state of upheaval during the past two years. There seems to have been two distinct classes of retailers in the field of retail distribution. One group is interested in putting forth a merchandising effort in the interest of their own profits and volume, by performing a merchandising service for the manufacturer.

The second group is not interested in merchandising a manufacturer's line but, primarily, interested in supplying demand on call. The first group deserves every consideration from the manufacturer as a part of an ideal plan to perpetuate the best interests of all concerned. It would, therefore, seem inconsistent for the manufacturer to put all retailers into the same class. In other words, is a manufacturer fair who fails to recognize that certain dealers are performing a real merchandising service of definite value to him, and should he not lend encouragement to the retail dealer for these extra merchandising and advertising services?

Despite the growth of large distributing corporations, the manufacturer should know that a large part of his output must be through small dealers. The small dealer should, therefore, receive the primary consideration in formulating plans for marketing merchandise.

Price appeal occupies entirely too large a place in the present scheme of things and quality is being overlooked. In an address last September, in Boston, Mrs. Christine Frederick spoke the truth when she said—"What we want is better merchandising and more intelligent human understanding of our psychology and problems. Retailing has degenerated from intelligent merchandising into automatic bundle wrapping."

It is a fact worthy of note that druggists, as a class, are considered by manufacturers as the best merchandisers and distributors of all independent retailers, but unfair trade practices permitted by producers have nullified much of their prestige.

The question of price maintenance has been one of paramount importance for many years and bids fair to remain so for some time to come. Out of this great controversy eventually will come some sane legislation that will revive business conditions. The enemies of Fair Trade legislation viciously call it "price fixing" in order to prejudice the minds of those who do not analyze the situation; but to the thinking individual there is a vast distinction between price fixing for greed and price stabilization from necessity, which keeps open the other important elements of competition, quality, service and cost reduction.

The American people as a people, are against discrimination; fair play has always been the slogan and the underdog generally has his full share of sympathy; and in this price-maintenance controversy, it is very evident, fair play has not always been granted. We believe it is only just to grant manufacturers of trade-marked articles in fair and open competition, the same right to do what several gigantic corporations are doing to-day—namely, to fix and maintain the resale price of their products.

If these corporations—who have the necessary capital to distribute their products—through agents or by consignment, fix and maintain the resale price of their products, there is no legitimate argument against extending the same rights to the small producers. Certainly, if such a system of price maintenance is not against the public interest when practiced by large aggregations of capital, it should not be against the public welfare when practiced by independent manufacturers in fair and open competition.

In the two years of so-called "Profitless Prosperity," 1928 and 1929, it is stated by eminent authority that from three to five billion dollars worth of goods were sold at less than the cost of production, in a wild jungle war of retail merchandising with the ultimate purpose, in certain sections, of destroying competitors. The inconsistency of certain corporations in their opposition to price maintenance is apparent, when it is pointed out that customs agents under the direction of the Secretary of the Treasury made purchases of 17 items of imported merchandise from a large corporation on which the retail prices ranged from 136% to 1012% above actual cost. This same corporation was engaged in selling American-made trade-marked merchandise for less than the wholesale price. It is this deception of the public to which the independent merchant rightfully objects.

Mr. Coolidge once said that—"Prosperity does not come from cheap goods but from fair prices," and prosperity is liable to linger around the corner until the principles of that quotation are reestablished.

The independent merchants who still handle 60% of the retail business of this country cherish the principle of equal opportunity upon which our country was founded, and recall with gratification the course of its growth and plead for a fair chance to continue the business in which they are engaged.

Representative Kelly says that practically every civilized country in the world accepts the principle of price maintenance as a matter of course. England, France, Germany, Holland, Spain, Denmark, Sweden, Norway and others have never questioned the fact that the maker of an identified product should not be interested, especially, in the price at which it should be sold to the consumer.

A prevalent condition that has driven 800,000 independent merchants out of business in recent years certainly merits the attention of our National Congress. The contention that the entire responsibility for the present mania for cutting prices rests entirely with the manufacturer is somewhat difficult to maintain. We do believe that there are several things manufacturers could do, that they are not doing, which would relieve the situation to some extent; but, until legislation is enacted permitting contracts of agreement to maintain prices, it will be difficult to formulate and carry out a plan which will be free from entanglement with the Federal Trade Commission.

Yet in the face of the above statement, a manufacturer of my state has demonstrated how it is possible to maintain prices without the contract of agreement, with that outstanding principle as a foundation this manufacturer has builded a business that has withstood the attacks of the powers that be. The inherent right of any manufacturer to select his own customers and to refuse to sell to any customer for any reason whatsoever has been the Gibraltar which has wrecked the hopes of those who would destroy the principle upon which this business was founded. What this manufacturer has done any other manufacturer can do.

Few manufacturers have the stamina to refuse large orders of a quarter to a half-million dollars, when the acceptance of that order would mean the abrogation of a foundation plan. The respect, admiration and coöperation which this heroic stand has won for the company referred to, in the face of formidable obstacles, is worthy of commendation, especially at a time when the lack of consistent effort on behalf of the retailer is so conspicuous by its absence.

Many large concerns are not hampered by conscientious scruples; there are, perhaps, skeletons in the closet which must remain concealed.

Dr. Julius Klein, in one of his radio addresses, relates the incident of a sensitive lady who gave a genealogist \$1000.00 to investigate her family tree. To her amazement, he came back in a couple of days and asked for \$1000.00 to keep quiet about what he had found. Some relative, it seems, had wandered from the narrow path and had ended up by being electrocuted. The lady settled with the genealogist as best she could and then announced to her friends that one of her ancestors had "occupied the chair of applied electricity in a well-known institution."

As we see it, the first thing a manufacturer should consider, after making a meritorious product, is to provide for the welfare of his co-partner, the retailer,

and see that his share of the profits are secure. Until that is done there can be no amicable arrangement which will be mutually satisfactory.

It is hardly in accord with the eternal fitness of things to pronounce an operation successful if the patient dies. What business needs is a major operation from which recovery is certain. It is said that during the past 40 years there have been seven periods of depression. From these recovery has been made, although the period of convalescence has in some instances been more or less prolonged. That business will recover from the present slump—there is not the slightest doubt and, while there may be obstacles to overcome in the immediate future—sound business principles will prevail and we shall emerge victorious.

PHARMACY IN A DUTCH HOSPITAL.

BY T. POTJEWYD.*¹

In 1926, Miss Bertha Ott² and Miss Frances Greenwalt³ described in *THIS JOURNAL* the position of pharmacists in American hospitals; in connection with these papers I will endeavor to give an outline of the pharmacist's life in a Dutch hospital.

Unlike the situation in America, the hospital pharmacy in Holland differs very little from that of retail pharmacies. The reason is, that the dispensing pharmacists in Europe do not know about soda fountains, the selling of candies, cigars, etc. Most pharmacists in Holland have chiefly a dispensing department and in a small way they sell package medicines, toilet requisites and surgical appliances. Although the dissimilarity of Dutch pharmacies and those of the United States may not be great, the Dutch hospital pharmacy may present striking differences; one is that in the Dutch pharmacy not only pharmacists, but also pharmacist assistants, are employed—persons who have passed examinations far less exacting than those required of chemists. That is the reason assistants are not given the privilege to prepare medicines, except under the supervision of a pharmacist. Most hospitals employ only one or two pharmacists and four to ten assistants. Moreover, men servants are often employed who are trained in designated work (such as preparing, disinfecting and other solutions), and photographic developers; besides, they deliver the medicines to the clinical departments. To the profession of the pharmacist belongs first of all: the giving of instructions to his employees; secondly, the supervision of the preparation of medicines and, lastly, his watchfulness for a good supply of medicine to the hospital. He is also charged with buying the medicines and, therefore, he frequently finds an opportunity to make use of the commercial side of his career. Although the private pharmacist buys nearly everything from the wholesale dealers, the hospital pharmacist can order his ingredients direct from the producers and, as the annual consumption of many articles is almost constant by a large preemption, this results in a considerable saving of money and the purchase is simplified by it.

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¹ Secretary-General, International Pharmaceutical Federation.

² *JOUR. A. PH. A.*, May 1926, page 391.

³ *Ibid.*, page 394.