

Spermaceti	120.0 Gm.
White wax	146.0 Gm.
Liquid petrolatum	533.0 Gm.
Water	190.0 Gm.
Sodium borate, in fine powder	10.0 Gm.
Oil of rose	0.5 cc.

To distinguish it from the vegetable oil cold cream, name it "Unguentum Leniens Petrolati."

ASSESSING COSTS AGAINST THE PRESCRIPTION DEPARTMENT.*

BY WROE ALDERSON.¹

The research into the costs of distribution undertaken by the Department of Commerce is based on the principle that prices should be set to include costs and a normal profit on every product. Recent months have given many examples of the evils of price competition. These conditions have been as pronounced in the drug trade as in any other. Remedies have been sought in a number of directions and the retail drug trade has been in the forefront of the general movement for price stabilization. Whatever machinery a trade may adopt for banning destructive price policies the necessity for developing a scientific basis for prices will remain. In other words, cost research must always go hand in hand with any great action concerning unfair price practices.

The single purpose of the National Drug Store Survey is to determine how much it costs the retailer to handle each product he sells. Commodities behave differently in the retail store. Some move through the establishment very quickly releasing space and invested funds to be used again. Others lie on the shelves for months at a time and tie up capital investment. Some commodities sell almost automatically since the customer calls for them by name and accepts them without sales talk concerning their qualities or uses. Other commodities appearing upon the market for the first time, being presented to the customer without the benefit of a well-known name, or presenting a wide range of color, style or design for customer selection, require several minutes for each sale.

In the field work of the drug store survey all of these essential differences in the behavior of commodities were measured and the data will be used in arriving at operating costs for each product. These costs may be very readily calculated on all package commodities. The case is somewhat different when it comes to determining the cost of filling the several types of prescriptions filled by the pharmacist. A number of differences appear in this department which are happily absent from the consideration of the cost of merchandising packaged products. Pharmacists, however, have always been conscious of the pricing problem in the prescription department. There has never been a suggested resale price as a convenient guide for use in this department. The very fact that the pharmacist has been forced to do his own pricing in this field has made him do some thinking on the subject.

* Section on Commercial Interests, A. P. H. A., Toronto meeting, 1932.

¹ Director, National Drug Store Survey.

As a result, I think it may be said that prices are already on a more scientific basis in many prescription departments than they are in other departments of the drug store.

Several very sound working rules for determining prescription prices have been worked out by trade associations and others. The National Drug Store Survey will develop another formula of this type. The only special virtue of the survey formula will be that it will be placed on the same basis as price formulas for other departments. It will also have the advantage of actual time studies of prescription-filling operations and calculation of turnover rates for all ingredients used for a group of selected stores in St. Louis. The work of assigning cost to drug store products in each of these stores is now being carried on in the office of the Department of Commerce in Washington. The first step is to make a fair assignment of all the operating costs of the business to the three distinct types of operations carried on, namely, the filling of prescriptions, fountain service and the sale of packaged products. These three departments must be considered as if they were three different enterprises being carried on under the same roof. A fair assignment of space used must be made for these three parts of the store. The relative value of space in front and rear of the store must be taken into account. The degree to which the several departments make use of aisle space must also be considered. Rent and other elements of occupancy, such as light and heat, will be assigned on the basis of the final determination of space used.

The manager and the assistant pharmacist ordinarily divide their time between the prescription department and other phases of the store's business. Their activities have been studied to determine what part of their time is spent in the actual filling of prescriptions and what part in supervising activities "out front." By careful weighing of all of these considerations it is expected that the prescription department can be charged with a fair share of the total operating cost of the business.

The real task begins only after this is done. This task is the fair assignment of the operating costs for the department against various types of prescriptions filled. To begin with, prescriptions must be divided into significant types from the standpoint of the steps required in filling them. Some of the characteristics of prescriptions which determine the length of time required for filling include the number of ingredients, the solubility of ingredients and other technical problems involved in combining ingredients. Prescription-filling time is likely to vary as between powders and liquids, refills and new prescriptions, or prescriptions composed of official or proprietary ingredients. When these classes have been set up the problem of determining the cost of filling each class of prescription is fundamentally a problem of measuring time.

The length of time the pharmacist has had to carry the ingredients must be measured as well as the length of time required in the actual processes of preparation. The first kind of time involves investment and the use of capital facilities; the second kind of time involves the use of the skill and attention of the pharmacist. Investment time is ordinarily expressed in terms of turnover. Turnover in the prescription department is difficult to measure. The formula by which turnover is being measured in the National Drug Store Survey is rather involved. It is based on a very simple process, however. Turnover rates are first determined

for each of the ingredients entering a prescription. The turnover rate for the prescription is a properly weighted average of the turnover rates of the ingredients. By this means is determined a fair basis for assigning to types of prescriptions such cases as rent, light and heat.

The ordinary scheme of assigning these costs as a percentage of sales price is an undue penalty against products which sell rapidly. Costs such as labor will be assigned on the basis of actual measurement of time consumed in the filling of various types of prescriptions. The measures made in St. Louis are being supplemented by measures made elsewhere and also the estimates of experienced pharmacists as to the amount of filling time which various types of prescriptions will require. This will, of course, vary to some extent from one store to another since some pharmacists will develop a superior technique in the production of pills, for example, through filling more than the average number of such prescriptions. It will be possible, however, to establish definite rates for filling all of the commoner types of prescriptions.

After measuring the investment time and the process time on types of prescriptions and assigning costs on this basis, it will be possible to determine relative net profits on such prescriptions as are now being handled. This, of course, involves determining the ingredient cost for each prescription which must also come out of its selling price. It is confidently expected that in the application of these cost and profit figures it will be possible to wipe out inequities which now appear in prescription pricing.

PRACTICAL AND PROFITABLE PHASES OF THE ST. LOUIS DRUG STORE SURVEY.*

BY J. W. SLOCUM.¹

The success or failure of an investigation or survey is largely dependent upon the practical application of the results obtained.

Fact-finding is the essential element of any survey but unless the tabulated facts are of a positive character and can be applied in the way of remedies, the industry may not be profitably served.

The average business man cannot afford to establish fact-finding departments in the regular conduct of the business in which he is engaged. It is, therefore, important that an industry have some means of joining forces in order that the business may prosper, and all branches of the industry be enabled to secure profitable results.

It may be possible that the ordinary citizen might question the advisability of the Government taking any part in a survey of such an industry as ours but past experiments, similarly conducted have warranted such action.

The Department of Commerce has plenty of problems confronting it, in times such as these, and could find many intricate duties to occupy its attention, without collaboration with any particular industry.

However, a government for the people can only be of successful service by giving explicit attention to the various branches of industry as the occasion de-

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¹ Secretary of the Iowa Pharmaceutical Association.