

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.

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

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

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mands. When a necessary industry reaches such a magnitude as to serve 120 millions of people with its 57,700 units and do an annual volume of \$1,684,000,000 it has ceased to be a minor factor and has been deemed worthy of more than passing notice by the Department of Commerce.

The St. Louis Survey was not conceived by theorists with selfish motives, but was undertaken on the basis of coöperative action between the Department of Commerce and a national committee representing all branches of the drug trade. The coöperation and activity of the Government was assurance that no selfish interests were to be served but, as a neutral agency, would regard impartially the many and varied interests involved.

Naturally, in a survey such as this, it was necessary to secure much confidential data, which many business firms would be reluctant to place in the hands of personal investigators under other circumstances. It was essential, therefore, that the survey be conducted under the supervision of a government agency.

Never in the history of the drug industry has there been such a gathering of intensely earnest business men as was in session at St. Louis last April to hear the results of this fact-finding survey.

The reports gave us the impression that the practical phases of the survey were of paramount importance. Later, developments tended to show that they were so regarded, as one manufacturer asked for an advance quotation on more than 2000 copies for distribution to retailers in whom he was particularly interested.

The Survey, primarily, was for the purpose of bringing about better and more economical drug store operation. We believe it to be one of the most helpful and constructive movements ever attempted in the drug industry and should have the approval and support of all branches of the trade.

As to the practical value of such a survey, we need only to point to the results obtained in a similar survey made of the grocery business—known as the Louisville Survey. It may be enlightening at this juncture to note that where an application was made of the principles developed in the grocery survey, that bankruptcies of independent grocers have been reduced 70 to 75 per cent.

And so it is evident that this was considered a worth-while job, and many are of the opinion that the St. Louis Survey should have even more far-reaching possibilities. Julius Klein says "Our business recovery depends as much as anything else, on efficient merchandising and it is up to distributors to make it a *sell now* campaign, and not wait for their customers to get into a *buy now* frame of mind. The retailer has been obliged to depend on a trial and error method, to find out how he could best attract and hold the sort of clientele he wished to serve."

This is an expensive and wasteful process. The very fact that one important report of the survey deals with the causes of business failures among drug stores, is sufficient to warrant a careful scrutiny of various phases of the survey.

The failure of a drug store concerns far more interests than that of the unfortunate proprietor. Everybody in the community is more or less affected. If, therefore, this study gets down to specific cases and causes of failure, the application of these lessons will doubtless contribute materially toward reducing the vast number of bankruptcies, which has had staggering proportions in recent years.

We boast of a free country and yet we believe it an unfortunate condition,

when there are no restrictions governing the entrance of any one into a business such as ours, in which the requirements provide for professional service. As a result of this condition, incompetency is one of the major causes of business failures.

It follows, then, that a survey such as this would reveal many gross violations of the very fundamentals of successful merchandising. The failure to keep accurate records was an outstanding cause in the group of thirty drug store failures studied.

Too many times the owner of a drug store has a multiplicity of duties, and while in close touch with all the details of the business, he does not feel that accounting records are essential to profitable operation. In the cases under consideration only two ever attempted to prepare statements of profit and loss, or balance sheets from the records they kept. As a result they were not aware of their ultimate failure until it was upon them. The moral to be deduced from these experiences is that any drug store, regardless of its size should know at all times its status, as to whether it is profitable or not. While some may, in a measure succeed, and not keep accurate records, their success would doubtless have been more pronounced had they known what records would have disclosed.

It is essential to know the cost of doing business at all times. Exorbitant overhead can scarcely be overcome by profits obtained through normal increases in volume. The total overhead, shown in the percentages computed to net sales in the bankrupt stores was 38.4% and of the successful stores 29.1%. This difference clearly indicates the reason for failure.

A comparison made of thirty failed stores and forty successful ones revealed that in cost of operation, the failed stores were 10% greater than in the successful ones. With figures no more difficult than these to understand, it certainly should not take an expert to deduce the principle cause of failures. The average rental, for instance, of the failed stores was 10.6% of net sales, while the successful stores averaged only 4.7% of net sales.

In the stores which had failed it was plainly evident that a very limited number failed because of adverse conditions over which they had no control. One of the valuable results to be obtained from the survey is to utilize the knowledge gained from a careful study of the causes of failure so that many who contemplate entering business, may be warned of the dangers and take note of the mistakes made by others.

There are, doubtless, many instances of success attained by individuals who have entered business without any capital whatever, but the lack of adequate capital has contributed to the failure of many, and only because of unlimited credit were they able to open for business at all. The craze to secure volume has led many to extend unwarranted credit, and it was taken for granted that the business would be efficiently managed. They have apparently not taken into consideration the fact that many individuals engage in business who are not fitted by training or experience and who do not have the natural ability to manage a business successfully. In such cases they are doomed to failure at the outset. Of the 30 failed stores which were surveyed the average length of time these stores were in operation was 4.7 years. Their inability to take advantage of trade discounts was one of the large contributing factors. The report shows that 23 of the 30 had never before been business owners. Several of them had been efficient

clerks in the employ of other druggists but when efficiency became necessary in the management of their own business, it was entirely lacking.

The matter of store location was carefully studied and it was found that 10 of the stores had been established in locations where other druggists had failed. It is doubtless true that some men can make a success of a business in a location where others have failed but that can only be done where the potential possibilities of the neighborhood have not been reached by the one, and has been reached by the other.

Men who enter the drug business, in many instances, do not consider the need of the proposed store in that vicinity. The securing of an empty building seems to be about all that is required to induce some men to enter the drug business. The energy and ambition of some real estate broker is frequently the only reason for opening a drug store.

The records of this investigation show that incompetence was a greater cause of failure than competition. In only one case of the thirty studied did competition seem to have any bearing on the failure of the store. Chain store competition in this instance, doubtless, had something to do with the case. Too many drug stores in their immediate business neighborhood was a contributing factor, as two reported they had nine competitors. While it goes without saying that a location with so many competitors is not an ideal one, it is generally conceded that a merchant with ability, who applies himself and who uses improved methods, in the face of new conditions, can succeed with unusual keen competition.

#### THE PRESCRIPTION DEPARTMENT.

It is not possible in this short paper to dwell upon all of the phases of the St. Louis Survey but certain ones are more important than others. The facts gathered concerning prescriptions, and the relative parts they play in this drug store drama are worthy of attention.

Despite the fact that we, as druggists, are accused of selling everything but drugs, this survey reveals that we actually do sell drugs. We have the proof here to flaunt in the faces of those who wrongfully accuse us. In the statistics given, the survey shows that about one-fifth of the volume of business was directly due to the dispensing of drugs and the filling of prescriptions. Based on another recent and rather exhaustive survey, it was found that the drug stores of the United States fill approximately 165 million prescriptions annually. This would indicate an approximate average in 57,700 stores of 2860 per store, which is considerably more than the casual observer would estimate. In the 13 stores of the St. Louis Survey the average was 15.3 prescriptions per day, of which 3.9 were refills and 11.4 new prescriptions.

The average price charged for all prescriptions was 92 cents, and the average for narcotic prescriptions was somewhat higher or 97 cents. In the dispensing of drugs of non-prescription sales, in one store over a period of 50 days, the average was 36.6 sales per day, and the average value per sale was 27.6 cents. The investigators were of the opinion that customers would frequently buy larger amounts of these items, if the pharmacist would point out or suggest that a saving would be effected thereby.

It was found that drug stores with a smaller sales volume, usually do a larger

prescription volume in proportion to their total sales. Among the new prescriptions filled the average price was 95 cents and for refills it was \$1.00. The reason given for this was the tendency of customers to order a larger quantity when obtaining refills. It was found that as the number of prescriptions filled increased, the average price charged also increased.

Fifty-seven per cent of the 24,000 prescriptions studied were priced at from 75 cents to \$1.00, clearly showing that this range of price was the usual charge. Eighteen per cent of the prescriptions were priced at from \$1.05 to \$1.50 and approximately 4 per cent were priced at over \$2.00. Of the 24,000 prescriptions only 2.54 per cent were priced at less than 50 cents. Attention was called to the fact that while it is difficult in numbers of cases, to charge more than a nominal sum for a simple prescription that pharmacists frequently lose sight of the fact, that even the filling of a simple prescription, involves professional knowledge and that more consideration should be given to elements of cost in handling, which are practically the same on every prescription transaction.

The matter of pricing prescriptions is of importance because of the bewildering effect it has upon customers. The Survey reports one instance where in one store they charged 60 cents for a prescription consisting of 20 tablets, of a specialty nature, while another store charged 75 cents for 40 of the same tablets. While it may be impossible to devise a schedule of prescription prices, which would be acceptable in all drug stores, this subject needs serious consideration, in order that the profession of pharmacy may not lose the confidence of a discerning public. It is just as serious, as far as the impression on customers is concerned, to underprice a prescription, as to name an exorbitant price. There have been numbers of instances where pharmacists were accused of substituting, because the price charged on a refill was considerably less than the charge made when it was originally filled. In such cases the confidence of the customer is destroyed in one or the other and this is not conducive to the best interests of pharmacy.

The Survey shows that 65% of all prescriptions called for more than one ingredient, and that prescription filling has not become a mere matter of the pouring out of a liquid, or the counting of a given number of pills or tablets. It is a well-known fact that the prescribing habits of physicians have changed somewhat in recent years, and few prescriptions are written calling for a large number of ingredients. As a natural consequence pharmacists are relieved of some of the responsibilities that were formerly theirs in matters of compatibilities and doses. On the other hand the pharmacist finds it essential to become thoroughly conversant with scientific data, involving a knowledge of physiological chemistry.

It was found that the medical profession is not familiar with the metric system, as only 7.67% of the prescriptions studied were written in that system. Because of this fact many pharmacists have failed to equip themselves with metric weights and measures, and inaccuracies have resulted when they have attempted to transpose the metric into the apothecary system.

In the thirteen drug stores studied, it was plainly evident that the pharmacists had not contacted the physicians, and sold them on the idea of prescribing U. S. P. and N. F. preparations. Here, in my estimation, is the greatest field for fruitful effort, that lies open and beckoning to the alert and active pharmacist.

It is for this reason that a coöperative effort has recently been started, by

the pharmaceutical associations of four Northwest states. This plan involves the sending of a letter, and a series of 16 filing cards, to all the members of the State Medical Societies in each of the four States. Each of these filing cards calls specific attention to two or more U. S. P. or N. F. formulas that could readily be prepared by a pharmacist, and some information as to functions and purpose of the preparations. In some instances the card indicates the approximate cost of preparing them. One of these filing cards has, for instance, 3 official bromides, all N. F. preparations. Another had 4 U. S. P. and N. F. Elixirs, used largely in medicines as vehicles. By this method the physician has quick access to valuable information in this set of filing cards and we believe will result in his making practical use of them. About 6000 sets of these cards are going into the hands of physicians and about 3000 sets to drug stores.

No more constructive work can be carried on than activities such as this, and pharmacy seriously needs the impetus that a movement of this kind would develop. A display of U. S. P. and N. F. preparations made at our State Medical Society last Spring revealed the fact that many physicians are interested in knowing more about such formulas and what practical use they can make of them. It is therefor essential that every pharmacist who is alive to his opportunities, should see to it that the physicians of his community be advised of his pharmaceutical skill in making U. S. P. and N. F. preparations.

It was found that in examining the 24,000 prescriptions in the Survey, the usual number of illegible prescriptions were in evidence. In one instance a physician clearly prescribed a disinfectant and the directions read, "As directed." Everything was apparently in order but this careful pharmacist, had made it his habit to ascertain if the customer understood the use of the drug prescribed. Careful questioning revealed the fact that a laxative of a very similar name was intended, of which the patient was to have taken a tablespoonful. The pharmacists' vigilance and tactful precaution had probably saved a life.

The Survey report indicated that in towns of 3000 population or less, at least one-third of the physicians do their own dispensing, while in cities of 12,000 or larger very few of them resort to dispensing and prefer to write prescriptions. In all probability this deduction is inaccurate and conditions will be found to vary in different localities.

Every druggist is and should be vitally interested in the success of his prescription department. Particularly so when it is found that in many cases approximately one-sixth of the total inventory is composed of prescription drugs. There are many other practical phases of the St. Louis Survey which could be mentioned and analyzed with profit, and which heretofore have been more or less obscure, but time will not permit of a discussion of them in this paper. The fact that the Survey revealed that men not only enter our drug stores in greater number than women, but actually account for a larger number of purchases, should mean considerable to druggists throughout the country. And also the fact that not more than one out of eight customers buy more than one item on a single visit to a drug store, should mean considerably more.

A study and analysis of these facts should make us more alert as to the possibilities and achievements to be attained in the profession of pharmacy.