

Much has been said during the last few months with reference to open prescription counters. In my opinion and from expressions of others this is receiving much favorable comment; however, I would like to offer a few personal criticisms. *First*, is it consistent to bring before the public the vital part of our stores without taking into consideration the general appearance of our stores? In other words, can we expect to educate the public properly by continuing to handle the type of merchandise which really has no place in public health? *Second*, if the prescription counter is open and the pharmacist is in full view of the public, will it not be embarrassing on those occasions when a prescription is badly written (and very frequently they are) and you decide that it is necessary to contact the physician before filling the prescription? What impression will this make on the person watching you?

I am heartily in favor of educating the public along these lines; I think the open prescription department is a fine thing, but that it should be worked out in a practical way, taking many things into consideration.

In conclusion, I would like to tell you how I feel about the future of pharmacy. I shall begin by asking questions. *First*, are we necessary to public health? *Second*, how necessary are we? The answer to the first is obvious, the answer to the second question will decide about our future. As I see it, every single accomplishment in pharmacy in a legislative sense has been due to our efforts to bring the importance of its effect on public health before the lawmakers. It is the only thing that we have and can truthfully call our own. When the number of drug stores that are needed for public health service only (and I mean drug stores in every sense of the word) are functioning, it is then and then only that most of our problems will be solved.

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#### DETERMINING COST.\*

BY C. LEONARD O'CONNELL.

Recent developments in retail codes have focused the attention of the public and business men upon the problem of ascertaining the cost of the merchandise to the retail distributor. Strange as it may seem to competent and unbiased observers the approach to the entire problem is quite uneconomic. A careful consideration of the facts involved in the matter amply warrants this conclusion.

The New Deal, as it has happily or unhappily been designated by its champions, is ostensibly based upon what they choose to call a planned economy. In intent we were led to believe that the codes were designed to root out unfair practices. In their operation, particularly as they relate to the drug field, it begins to appear as if we are giving legislative sanction to and are perpetuating a system that is not only uneconomic but at the base is ethically unsound. An unprejudiced observer studying the facts at first hand might with all justice conclude that what we need in pharmacy in place of ineffective codes is just some old-fashioned honesty.

The orderly and economic flow of merchandise from its source to the ultimate consumer demands and should make use of the three agencies; that is, the manu-

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\* Section on Commercial Interests, A. P. H. A., Washington meeting, 1934.

facturer, the wholesaler and the retailer. Until recent times this plan was the accepted mode of distribution. With the rapid increase of the modern merchandisers who based their appeal for patronage chiefly upon price appeal through deep cut rates upon standard commodities as "loss leaders" there grew the urge among the more aggressive to eliminate the wholesaler in order to garner for themselves this legitimate distribution cost.

This group of so-called direct buyers has increased to such a degree as to constitute a real problem when it comes to the point of determining the cost of merchandise. That is, we have different classes of ultimate distributors, from the standpoint of buying, whose basic costs radically differ. In consequence of this, an observer needs no great reasoning ability to see that any minimum price that equals or approximates the cost to small retail distributors affords a considerable margin to the group who can buy more advantageously.

Few small distributors seem to recognize that having a legal right to purvey something at the basic cost to them with the added privilege of paying for the opportunity of distributing such commodities is a pretty empty victory. It is certainly uneconomic to expect the ultimate distributor to defray the cost of retail distribution. To argue about the wide distribution and use of the commodity is beside the point, because unless the retailer is using such commodities as bait there can be no profit in such transactions, however considerable.

If the large unit distributors who prate about their more efficient methods of distribution were able to demonstrate their ability to get all the commodities they offer to the consumer at a great saving, there would be some merit to the argument that they can afford to distribute for less.

Contrary to this, however, it might be baldly stated that the plan in brief is to supply well-known merchandise at a price of cost or less with the overt intention of driving home in the public mind that all such merchandise is sold upon a similar basis which we know in practice is decidedly not so. This covert underselling plan is only successful to the extent that such distributors can sell "own brand" items at unusual profits to offset losses from standard underpriced articles.

Why have not those whose business it is to see that proper codes and fair practices in retailing be the order, approached the problem from an economic viewpoint and establish minimum prices that tend to conform to prices that might well come about in an honest and orderly economy? In other words the tendency of fair competition, even when highly aggressive, always tends toward the level of normal price, which price is the cost of the merchandise plus the expense of selling. In other words keen competition tends to reduce and finally to rule out net profits. In no case would fair competition go to the point of demanding the expense of retail distribution to be borne by the retailer himself.

The NRA was designed to afford more jobs and to increase wages. One might with justice ask how such a thing can come to pass unless the individuals operating the businesses at least get the cost of the item plus the amount required to sell it.

Original prices of \$1, \$0.50 and \$0.25 come to have little standing in the minds of consumers who customarily have purchased such item at about 60% of the advertised price. In the final analysis an item is only worth what it will command in the open market, and if manufacturers have permitted their goods to be tossed

about steadily losing original value in the public mind, the burden for restoration is upon them rather than upon the small retailer.

Frankly, the matter is one easy of solution. If the majority of retailers would refuse to distribute items that do not carry their costs of distribution the problem would speedily be solved. Any item of unusual appeal has only gained this through the fact that the even flow of goods from manufacturer to consumer was maintained. Just as soon as a considerable number of the ultimate distributors do not afford their service in distribution much of this appeal will be speedily dissipated.

From any point of view neither the manufacturer nor the ultimate consumer should expect the dealer to pay for the cost of retail distribution. This cost should be borne by the consumer and would be gladly assumed by him if prices were properly set.

In other words, fairness and common sense would seem to argue that the ultimate consumer, while entitled to all the benefits of efficient distribution, certainly should be the one to pay for all the expense connected with the business of supplying him with his needs.

Briefly, the fair minimum price for any commodity should be the basic cost of the item plus the honest efficient cost of selling. Certainly most people would agree that any retail drug business no matter how efficiently operated, would require not less than 20% of the sales for expenses.

Upon this basis the minimum resale price of any item is easily computed. If an item costs \$4 per dozen it would be sold for \$5 per dozen or \$0.42 per unit which price would absorb the 20% overhead or cost of doing business. In the case of \$8 per dozen it would sell for \$10 a dozen or \$0.83 per unit. In a similar manner it could be extended to all classes of rapidly selling advertised merchandise. Such a plan would not interfere with the volume sale of any product and would be an economic procedure in that all factors engaged in the distributive scheme would be assured compensation for the actual service rendered.

In conclusion might it not be well again to remind the small retailer that such a plan will come about only to the extent that the manufacturers feel that the small retailers are earnest in their opposition to the perpetuation of a scheme that is not only ethically unsound but is also economically indefensible.

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A HERO OF THE CIVIL WAR.

BY LOUIS H. RODDIS.<sup>1</sup>

This sketch is an attempt to bring to your attention a former member of the AMERICAN PHARMACEUTICAL ASSOCIATION, who is one of the forgotten heroes of the Civil War. When serving as an assistant surgeon in the Navy on the U.S.S. LEHIGH he showed outstanding courage and devotion to duty in an engagement with Confederate batteries on Sullivan's Island on November 16, 1863. Under the

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\* Section on Historical Pharmacy, Washington meeting, 1934.

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