

## Section on Commercial Interests

Papers Presented at the Sixty-Third Annual Convention

### MINUTES OF THE SECTION ON COMMERCIAL INTERESTS HELD AT SAN FRANCISCO, CAL., AUGUST 11, 1915.\*

#### FIRST SESSION.

The Section on Commercial Interests of the American Pharmaceutical Association was called to order at 10 o'clock in the Gold Room of Bellevue Hotel, Chairman E. H. Thiesing presiding, and J. C. McGee, of Jackson, Miss., acting as Secretary.

Chairman Thiesing announced as the first paper on the program, "Individuality in Advertising," by Dr. William C. Alpers. The contribution was accompanied by illustrated advertisements. After discussing the paper, it was referred for publication.

The next paper of the program entitled, "Overstocking of the Retail Drug Business," was presented by Mr. J. W. England, and follows:

#### OVERSTOCKING IN THE RETAIL DRUG BUSINESS.

J. W. ENGLAND.

The commercial value of a business depends upon the amount of its net profits in relation to the capital invested, and the net profits depend, in the final analysis, not only upon the skill exercised in buying stock, but also, upon the rapidity and completeness with which the stock is turned. That stock which is the most frequently sold and renewed yields the largest ultimate profit, all conditions being equal, and often when the conditions are not equal. Thus, if a stock of \$100.00 of an article is sold on the basis of a 5% profit, and is turned over four times a year, it will yield much less annual return than the same stock sold at the same percentage of profit, turned over six times a year. Or, to be more specific, the first series of sales would net \$20.00 profit a year and the second \$30.00, or 50% more.

Multiply the turnovers and the net profits will be multiplied also. This is the basic principal of the department store business. Obviously, such a policy has a certain, but by no means complete, application in the retail drug business. The general public does not care to buy drugs of all kinds simply because they are cheap. Croton oil, tartar emetic, and ipecac, for example, somehow or other do not appeal to the bargain hunter, even if offered at "a particularly low price for this day only." And this is because the use of such drugs is exceptional, although when wanted they are wanted quickly, and this is true of many other drugs. Furthermore the public has come to know that drugs may deteriorate in quality, even when kept under the best of conditions, and they don't care to take chances. It is a case of "safety first." Hence, the number of drugs stocked by the average householder is relatively and wisely small.

But there are a large number of articles handled by the modern retail drug

\* Papers and discussions thereon will be printed in succeeding issues.

<sup>1</sup>This is printed in the minutes because it embodies a resolution and was accompanied by a communication, considered by the Section.

store which are not drugs, and have no relation to drugs, and yet which the public expects the retail druggist to supply; and these articles the public can be induced to buy, and to buy freely, by proper advertising.

It is good business policy to buy the minimum stock of slow sellers, and the maximum stock of quick sellers at the best quantity price if the stock can be turned quickly. But it is poor policy to buy largely no matter how attractive the price, if you cannot do this. Better by far, an understock of an article, than an overstock. Better an underfed baby than an overfed one; for, in a certain sense, your business should be your "baby" and be given proper diet, rest, and exercise.

The special-discount-in-quantity lots is very appealing, especially if the margin of profit is small, but the practice of taking a special discount may lead to overstocking.

Overstocking should be eternally guarded against. Market conditions—the commercial law of supply and demand—should be studied constantly, if the stock is to be kept properly balanced according to selling value.

On the other hand, in buying stock, don't adopt a penny-wise and pound-foolish policy. Use judgment in all things. Don't make too many bites of a cherry. Better by far, buy a month's or more supply of an article, than buy from day to day, or from hand to mouth. It will be more economical in the end and the profits will be greater by reason of the better prices for the larger quantity-lots purchased at one time.

Probably the chief cause of overstocking by retail druggists is oversolicitation by the representatives of the wholesale drug houses. These solicitors are *not* evils; they are necessities of the retail drug trade and they frequently give most valuable information in addition to the service they render in the booking of orders. But the service is in danger of being overdone, to the detriment of both the retailer and wholesaler. The retail druggist is being constantly oversolicited and he is being constantly overstocked; as a result, he is locking up capital unnecessarily, while the wholesale druggist is spending too much money for the solicitation of business, which expense must be added to his cost of doing business. In other words, excessive solicitation leads to economic waste.

Mr. W. A. Hover, Chairman of the Committee on Credits and Collections of the National Wholesale Druggists' Association (and Chairman of the Committee of the Denver Branch of the American Pharmaceutical Association, also), has made a careful and comprehensive study of this question. His figures show that in Nebraska and Kansas (and doubtless in other states also), the retail drug trade is called upon on an average of about ten times a month by the representatives of the wholesale druggists located within the states named, the city druggists being more frequently solicited than the country druggists. Such an extent of solicitation is unnecessary and extravagant. There is no real need for it in these days of phone and mail. One visit a month for the country druggist and one visit a week for the city druggist would be, probably, all sufficient in the large majority of cases. At other times, the mail and the phone would fill every need. In Detroit, for example, the wholesale druggists have withdrawn all their solicitors, and no impairment of service has resulted.

A proper combination of personal solicitation, mail and phone, would in no way lessen the facilities of retail druggists for quickly replenishing stock or keeping in touch with market conditions, and it would result in the material saving of time and money.

In connection with this paper, I should like to offer the following resolution and ask your consideration of the same:

WHEREAS, The oversolicitation of retail druggists for the purchase of supplies leads to overstocking and unnecessary increase of capital, with no resultant increase of net profits, and

WHEREAS, Oversolicitation can be largely eliminated by the use of the mail and phone, with, we believe, no impairment of service, but with great benefit both to the retail and wholesale druggist; therefore, be it

*Resolved*, That we, the Section on Commercial Interests of the American Pharmaceutical Association, in annual meeting assembled, hereby request the National Association of Wholesale Druggists to consider the subject of oversolicitation and overstocking, with the view of diminishing the frequency of the visits of the representatives of wholesale drug houses, standardizing the service, and advancing the interests of the retail and wholesale drug trade.

Chairman Thiesing: Gentlemen, you have heard this paper. What is your pleasure? Will you discuss the paper first and listen to the suggestions and resolutions later?

Mr. Hynson: In this connection, I have in my hands a letter from Mr. W. A. Hover, to whom Mr. England refers, along this line, and I think it would be a very valuable addition to the proceedings of this Section if this were read and included in the proceedings.

Chairman Thiesing: Suppose you read it.

Dr. Hynson: There being no objection, I will read it. I have no special interest in it, it was handed to me by Dr. Koch.

DENVER, COLO., August 4, 1915.

*Dr. Julius A. Koch:*

In compliance with your suggestion, it affords me great pleasure to submit to you the views of the jobbing drug trade as reflected by correspondence with the members of the Committee on Credits and Collections on the subject of retail credits.

In only a few sections of the United States do the reports so far received indicate favorable credit conditions. Returns to my question, "What is your percentage of loss on your gross sales by bad debts?" indicate quite a marked increase over previous five-year periods extending back to 1900. Without doubt, the percentage loss for 1914 has been the greatest in the history of the trade. The majority of our committee are agreed that this excess loss and general decline in credit conditions is due primarily to the following reasons:

First. Inadequate capital. It seems to be the ambition and desire of every drug clerk, who has accumulated or can raise a few hundred dollars, to embark in business in his own account. He, therefore, depends largely on his ability to command an excessive line of credit for his success, which in a measure is disastrous.

Second. A too large proportional investment in furniture and fixtures. The beginner with a limited capital immediately invests a large percentage of the same in furniture and fixtures, for which he pays cash or obligates himself to monthly payments, in which case he is obliged to withdraw from his business cash capital necessary for the proper conduct of the same.

Third. He invests a liberal proportion of the balance of his capital in prescription products. If his location is an outside location in our cities, or if in country towns already fully supplied with drug and prescription stocks, the returns from this investment are entirely inadequate to warrant the investment itself. In other words, one-half of the druggists in our cities are today operating their prescription department at an absolute loss; this department in many instances being a liability instead of an asset.

Fourth. After making the above-mentioned expenditures the smaller part of his remaining capital only is invested in that class of merchandise which is active and from which his profits are derived.

The result, of course, is not difficult to foresee. If he succeeds at all, it is by the use of the utmost economy and care in business management, followed by years of voluntary confinement. Many of our city stores are one-man stores, compelling a life of voluntary confinement and under conditions but little better than a term of involuntary servitude.

In the judgment of our committee, the time is approaching when our largest communities will be served by exclusive prescription pharmacists, and there will at some time be a distinction between a drug store and a pharmacy. The drug store of the future will cease to operate a prescription department. The result of this division, in our judgment, will be beneficial. It will secure greater confidence on the part of the prescribing physician and will act in a measure to restore the writing of prescriptions by physicians rather than office dis-

pending. The public will receive better protection and the practice of pharmacy will be on a much higher plane than is now the case. Personally, I am inclined to think that a division of this kind will result in a less volume of business on the part of the pharmaceutical manufacturer and also on the part of the jobber in pharmaceutical preparations, but, as an offset, the conditions will be so materially improved as to justify the jobber in advocating economic common sense methods.

There is also another question which is deserving of attention on the part of your Commercial Section. Namely, the subject of over solicitation. There is no doubt but what the retailer is over solicited by his jobber. Almost daily calls by traveling salesmen, with the corresponding frequent deliveries of small amounts, is an extravagant and wasteful method of distribution, for which the retailer has eventually to pay. Two years ago I made a survey of conditions in Kansas and Nebraska. I found, as a result of this survey, that out of 32 towns of two thousand population and over in the State of Nebraska, the druggists in these towns were solicited 227 times each thirty days, or seven times for each druggist each calendar month. Eliminating Saturday and Sunday, as there is but very little solicitation on Saturday the survey in the State of Kansas, covering 62 towns of two thousand and over, is as follows: The total number of calls each calendar month was 704. The average number of calls in each town was 11.4 every thirty days, or about one every two days, not including Saturdays and Sundays. This, of course, means that in the same town and on the same day there would sometimes be two or more solicitors representing as many different houses. This is not a good thing for the retailer; absorbing, as it does, his time and attention and inducing him at times to over-buy or to buy goods for which he has little or no demand. It materially reduces the amount of his individual orders, oftentimes to his detriment in buying. The result has largely increased over-head expenses on the part of the jobber, both in the matter of house force and traveling service, for which the retailer is eventually obliged to pay. A certain amount of representation on the road by the jobber is necessary and desirable, both in the interest of the retailer and of his jobbing distributor. Competition, however, has brought about a condition at this time, the result of which is an unnecessary and extravagant duplication of service which is of no economic value whatsoever. If your Commercial Section can but realize the importance of this subject to your membership, you will, I think, heartily endorse and encourage an effort on the part of the jobbing drug trade to correct this manifest evil.

I sincerely trust that in the foregoing I have covered your expressed wishes and I am greatly in hopes that your Council may take such action in the matter as will be helpful to the wholesale druggist in his efforts to assist and be of benefit to you.

Sincerely, and with best wishes, I beg to remain,

(Signed) W. A. HOVER.

Chairman Thiesing: You offer that as a paper over Mr. Hover's signature?

Mr. Hynson: Yes.

Chairman Thiesing: Now, gentlemen, the paper is open for discussion. We will consider the two papers at one time, or at least that portion of it that refers to the overstocking and the service of the jobbing houses.

Mr. Hynson: I move that this paper be accepted and passed to the Publication Committee with favorable comment, and that this resolution offered by Mr. England be adopted as the sense of the Commercial Section of the American Pharmaceutical Association.

(Motion seconded.)

#### DISCUSSION.

Chairman Thiesing: There is much to that resolution. The cost of doing business with the jobbing houses seems to run somewhere between 11 and 14 percent, and no doubt much of it is attributable to the cost of getting the business. My attention has been drawn to that through a company that has been formed among the retail druggists of Cincinnati, and during 1914, the report of January 1st showed that we had done \$450,000 worth of business.

that year among 150 men. That would be an average of over \$3,000 per man; and there is not a salesman on the road, and this business was done at a cost of doing business of less than 5 percent. I have not the figures exactly, but I think it was 4.92 percent. Now, when you sell an average of \$3,000 to 150 men during the year, without a salesman, it goes to show that the expense of that service on the part of the jobbers is really beyond reason, and no doubt runs their cost of doing business up considerably.

Mr. Zeig: Is that a general jobbing service?

Chairman Thiesing: That is a general jobbing service. The delivery is paid for by the retailer. The goods are delivered to him at the cost to the firm plus overhead expense.

Mr. Osseward: Mr. Chairman, in connection with soliciting, about two years ago I established a little system. I told my head man—"From today on I want you to telephone the order to the jobbing house every morning at 8 o'clock." One solicitor would come around at 9 o'clock, another at 10. What was the result? We would not get the goods until late in the afternoon. When we telephoned our order in at 8 o'clock in the morning we would get the goods in the store by 10 o'clock. At first the jobbing house wanted to know what was the trouble; they thought something was wrong. I went down and explained to them. I told them that our time was too valuable to bother with the solicitor. I told them they got the business anyway and that it would save time to them as well as to us. They were very much pleased, and we have not had a solicitor from the jobbing house in our place since we started, and we get the goods in by 10 o'clock in the morning.

Mr. Thiesing: A further source of adding expense to the jobbing house is the extended credit given of from four to six weeks. In this company I speak of, our credit time is one week, and the men found after they once started that system, that it is just as convenient to pay at the end of one week as it is to pay at the end of four weeks, or to extend the time to six weeks.

Mr. Becker: I have had considerable experience in a department store in Chicago. We were right in the heart of the city, and we did a business of between \$250,000 and \$300,000 a year on an average stock of \$25,000. We were right there in the market and had advantages. We did it in this way: We kept track of our stock. We had a card system. On every shelf there was a card which told the normal stock of the goods. Take cough syrups, we carried a normal stock of a proprietary of a sixth of a dozen. On the 50-cent size our stock was half a dozen; on the 25-cent size, a half a dozen. After watching the purchase and sales, I found the dollar size was not called for any more. I immediately eliminated that and discontinued it. I followed that same thing all the way through with syringes, hot-water bottles, razor strops and everything. We always used this system with reference to old merchandise: If we had a certain quality or size of hot-water bottles, we did not know whether a hot-water bottle had been on the shelf one week or six months. Then we adopted a way of marking them. It was a very simple system. All the department stores have this method. Say this is the tenth year of their business. In the month of January, they buy a dozen hot-water bottles, they are marked "A-10." A stands for the first month of the year, and it is the tenth year they are in business. Those bought in July are marked "F-10." A salesman of a hot-water bottle finds one is marked "A-10" and another "F-10." "A-10" is the one to sell, because that has been on hand six months longer than the other.

Mr. Thiesing: Another method of marking that was brought out at the meeting in Detroit was to take the number of days in the year and mark the article with the number of the day of the year.

Mr. Thiesing: Gentlemen, are you ready for the question?

The motion adopting the resolution and reference of the paper to Publication Committee was carried.

Mr. Thiesing: We will pass on to the next paper, "Arranging and Indexing Stock to Promote Sales and Improve Service," by Maurice P. Schwartz. I will ask the Secretary to read that. (Read, discussed and referred.)

The next paper was by William J. Lowry, Jr., entitled, "An Eight-Barreled Moth Ball Sale," on which the same action was taken, as also on the

following: "The Circulating Library as a Side-Line for Druggists," by Franklin M. Apple; "Advertising the Prescription Department," by Addison Dimmitt; "Possibility of a National Line of Non-Secrets to be Prepared by the Individual Druggist, but with Common Ownership of Copyrighted Labels," by Theodore D. Wetterstroem.

After considerable discussion of the latter paper, it was voted that the Section on Commercial Interests recommends the appointment of a committee to investigate in all its phases the possibility of creating a national line of non-secrets to be prepared by individual druggists with common ownership of copyrighted labels.

The following papers were read by title: "Our Own Make Non-Secrets Compared with Other Makes," by Fred W. Connolly.

"A Plain Talk on Business Methods," by Benjamin F. Pritchard.

"The Possibility of a National Line of Non-Secrets," by D. N. Robin.

A motion to adjourn was made and carried.

## SECOND SESSION.

The second session of the Section on Commercial Interests was convened at 10 a. m., August 12, with Chairman Thiesing presiding and David M. Fletcher acting as Secretary.

Chairman Thiesing announced the committee on the question of the possibility of establishing a line of non-secrets, who are to report to the Commercial Section in 1916, as follows: Messrs. H. B. Se Cheverell, F. W. Nitardy and David M. Fletcher.

The following papers were then read, discussed and referred for publication:

"Perfumes—Basic Materials, Production and Selling Points," by William C. Hall.

"Some Sources of Profit as Applied to Retail Pharmacy," by A. S. Parker.

"Developing the Sale of Cigars," by Sol. A. Eckstein.

The papers announced at the prior session, contributed by Dr. A. O. Zwick and P. Henry Utech, were referred to the Section on Education and Legislation.

The election of officers resulted as follows:

Chairman—R. S. Lehman of New York.

Associates—E. H. Thiesing of Cincinnati, W. H. Cousins of Dallas, and George H. P. Lichthardt of Sacramento.

Secretary—J. C. McGee of Jackson, Miss.

The report of the Committee on the Chairman's address\* was called for, but the members being engaged in other duties the recommendations of the Chairman were by vote brought to the attention of the Section by Mr. F. H. Freericks stating—

That the first recommendation was with reference to the growing use of so-called pharmaceutical preparations placed on the market by manufacturing pharmacists, in the sense of their competing with the work of the retail pharmacist, and of entering more and more into the field of the

\* See minutes of Joint Session with Section on Education and Legislation, page 1203.

retail pharmacist, thus giving or leaving little for the retail pharmacist to do as such. The Chairman of this Section made a recommendation that there should be an effort on the part of our Association to come to an understanding with the pharmaceutical manufacturers with a view of calling a halt on the growing of their business as encroaching upon the field of the retail pharmacist, and with a view of making a limit to the extent to which they might go.

It is an exceedingly important recommendation. The recommendation was that a committee of five be appointed by the President of our Association, who would take this matter up with either the Association of Pharmaceutical Manufacturers, or with the individual pharmaceutical manufacturers. That recommendation, I do believe, deserves the hearty approval of the Section. I would move you that that recommendation for the appointment of a Committee by the President of the Association be approved by this Section and referred to the General Session.

Mr. Anderson: I second this motion, Mr. Chairman. I would like to call attention to the fact that Mr. Osseward's letter relative to certain advertisements was also referred to this Committee with the report. I believe a Committee appointed by this Association can perhaps accomplish more in regulating such advertising methods than they can in preventing these firms from putting preparations on the market. That is their business, and it is pretty hard to convince the pharmaceutical houses that they shall not put any further preparations on the market. But I think it should be referred to the Committee, and I second the motion.

Mr. Binz: I am in hearty accord with the sentiment of the Chairman, but I don't think it is possible to make any effort in that regard, because I don't think you can instruct a manufacturer what he shall do and what he shall sell and what he shall not. I think the only way this Association can have any influence at all is upon its members not being made a scapegoat for the manufacturer; but as long as the manufacturer has these goods, you cannot blame him for selling them. I think that legislation in that regard is a waste of time, because I don't think you will gain a thing by it.

Mr. Lichthardt: Mr. Chairman, speaking on this resolution, I am in favor of it if it will do any good. I think the trouble lies with the retail pharmacists themselves. They sell the goods. Coming to the subject of co-operation, the retail pharmacists of the United States, 45,000 of them could do something if they would get together and refuse to do this or that, and these people would come to them. That is the trouble. We are a house divided among ourselves. For a Committee to go to manufacturers and ask them to refrain from putting out this or that preparation I think will do very little good. We should come together and refuse to stock those goods and they would have to quit manufacturing them. I don't think the other channels of trade would sell enough of that class of goods to make the manufacture of them by those pharmaceutical houses profitable. Again, I say I am in accord with anything that will better the status and condition, especially the financial condition, of the pharmacists throughout the United States. The pharmacist is very poorly paid for his work and investment, and I would vote for such a recommendation, but I am afraid it won't do much good.

(Dr. Claus then took the chair at the request of Chairman Thiesing.)

Mr. Thiesing: In reference to the recommendation, I would say that the idea or intent of the recommendation is not fully understood. I referred more particularly to pharmacopœial preparations. We don't ask them to refrain from manufacturing or from selling remedies, but we ask them to refrain from inducing physicians to specify brands of official preparations such as Johnson's Elixir of Iron, Quinine and Strychnine, when the retail pharmacist should have a right to manufacture it himself. In that way, the retailer is deprived of the opportunity of using his skill and knowledge in preparing such elixir and he is compelled to carry many brands in stock. It is that class of articles that we ask them not to refrain from selling but to refrain from inducing the physician to prescribe that particular brand of a preparation.

Mr. Binz: Then I think the proper course to pursue would be to instruct the physician and let your druggist manufacture it. The physician should not prescribe or specify that particular brand. It is the physician that is to blame in that case and not the proprietary house. The proprietary man cannot be blamed for putting up his preparation. If you don't want the physicians to specify such things, you must get them not to do so.

Mr. Thiesing: The manufacturing houses cater to the retail druggist, and he is willing to make a few concessions, and while he manufactures many other things that he can get them to specify, I think some test should be made.

Mr. Freericks: In line with what Mr. Thiesing says, it seems to me that this is opening up a very broad question. If a committee is appointed by the Association, to open up this matter, it will have to go into that generally. It will have to revise its plans and it must be informed of the objections that are pointed out. Having done that, it can arrive at some basis that will appear reasonable to them. It may not appear reasonable to manufacturing houses, but there is nothing on earth like mutual understanding and like seeking to arrive at a mutual understanding. I can see in this recommendation of the Chairman, if it is properly taken up and carried out, an opportunity for pharmacy in this country. I believe that the manufacturing pharmacists in this country have a true interest in retail pharmacy, and while they are, of course, in business for money—everybody is—they are willing to concede, as far as it does not interfere with their business, the rights of the retail pharmacist.

I do hope that this recommendation will prevail.

Dr. Claus: Is there any further discussion? I will ask Mr. Freericks to put that question again.

Mr. Freericks: The recommendation was that the Association appoint a committee of five whose duty it is to make an understanding with the manufacturing pharmacists as to the line of goods that they are to put out in competition with retail pharmacists, and as to the effort they are to make in the matter of ordering the sale of pharmacopœial and N. F. preparations. That I think in substance is the recommendation.

(The motion was put and carried.)

Mr. Freericks: The other recommendation that I find in the Chairman's address is that, together with the Section on Practical Pharmacy and Dispensing, we arrange for the appointment of a committee of five who are to take up the work of interesting the dispensing physician in legitimate pharmacy by a national effort undertaken on the part of the American Pharmaceutical Association; the outline of the plan being that this Committee should take one large city and one small city in the country and commence its work in that way, impressing upon the local men that the work is a national work undertaken by the American Pharmaceutical Association, and particularly impressing this upon the dispensing physician in those cities, making it purely an educational campaign. I move that that recommendation be approved.

Mr. Anderson: I second the motion.

(The motion was put and carried.)

Mr. Thiesing then resumed the Chair and presided.)

Chairman Thiesing: Is there any further business? If not, a motion to adjourn sine die is in order.

The motion was made, seconded and carried.